

# INVITATION TO SUBSCRIBE FOR SHARES IN REALFICTION HOLDING AB



SUBSCRIPTION PERIOD 25 APRIL - 10 MAY 2019



#### **Important information about Nasdaq First North**

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Nasdaq First North may therefore be higher than investing in a company on the main market. All companies with shares traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. Realfiction Holding AB has appointed Sedermera Fondkommission as their Certified Adviser.



**IMPORTANT  
INFORMATION**

This Memorandum has been prepared by the Board of Directors of Realfiction Holding AB, with reg. no. 559110-4616, in connection with the invitation to subscribe for shares in Realfiction (the "Offering").

### Definitions

The following definitions apply in this Memorandum, unless otherwise specified: "Realfiction" or "the Company" refer to Realfiction Holding AB, reg. no. 559110-4616, the group which Realfiction Holding AB is the parent company, or a subsidiary in the group, depending on the context. "Euroclear" refers to Euroclear Sweden AB, Corporate Identity Number 556112-8074. "First North" refers to Nasdaq First North Stockholm and "Certified adviser" refers to Sedermera Fondkommission, a subsidiary to ATS Finans AB, reg. no. 556736-8195.

### Memorandum

This Memorandum has not been reviewed and approved by the Swedish Financial Supervisory Authority in Sweden nor the Danish Financial Supervisory Authority in Denmark. The reason for this is that the rules concerning prospectuses do not require that a prospectus be prepared for the issuance of new shares which the Memorandum relates to.

### Dispute

This Memorandum is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Memorandum.

### Distribution areas

The shares are not the subject for trading, or an application in that regard, in any country other than Denmark and Sweden. The invitation according to this Memorandum is

not addressed to persons whose participation would require a further prospectus, registration measures, or additional measures other than those required by Danish and Swedish law. This Memorandum may not be distributed in the United States, Australia, Japan, Canada, New Zealand, South Africa, Hong Kong, Switzerland, Singapore or other countries where the distribution or this invitation requires further measures in accord with the preceding sentence or is in contravention of the rules in such country. Any disputes arising from the contents of the Memorandum or related legal relationships are to be settled by Swedish courts with the application of Swedish law.

### Forward-looking statements

The Memorandum contains certain forward-looking statements that reflect Realfiction's views with respect to future events and financial and operational performance. Such words as "intends," "assesses," "expects," "can," "plans," "estimates" and other expressions that relate to indications or predictions concerning future development or trends and that are not based on historical facts constitute forward-looking statements. Forward-looking statements are, by nature, associated with known as well as unknown risks and uncertainties, given their dependence on future events and circumstances. Forward-looking statements are no guarantee of future results or trends, and the actual results could differ materially from those contained in the forward-looking statements. Factors that could result in Realfiction's actual earnings and performance deviating from the content of the forward-looking statements include, but are not limited to, the descriptions in the section "Risk

factors". Forward-looking statements in the Memorandum apply only as of the date of publication of the Memorandum. Realfiction does not give any undertaking that the Company will disclose any up-dates or revisions of forward-looking statements due to new information, future events or other such matters above and beyond what is required according to applicable laws.

### Industry and market information

The Memorandum contains information about the Realfiction Group's geographic markets and products, market size, market shares, market position and other information concerning Realfiction's operations and markets. Unless stated otherwise, such information is based on the Company's assessment of several different sources, including statistics and information from external industry or market reports, market surveys, publicly available information and commercial publications.

Information from third parties has been accurately reproduced, and as far as Realfiction is aware and can ascertain that no information has otherwise been omitted that could render the reproduced information inaccurate or misleading. Industry and market publications generally state that the information reproduced therein has been obtained from sources adjudged to be reliable, but the accuracy and completeness of such information is not guaranteed. Because the information has not been verified by the Company, the Company cannot guarantee the correctness of the market information contained in the Memorandum, or that it has been collected or derived from these publications. The Company does not assume responsibility for

## IMPORTANT INFORMATION

---

the correctness of any industry or market information included in the Memorandum that has been provided by third parties. Market information and market statistics, by nature, are forward looking and subject to uncertainty, could be interpreted subjectively and are not necessarily reflective of actual or future market conditions.

Such information and statistics are based on market surveys, which, in turn, are based on selection and subjective interpretations and assessments, including assessments about the type of products and transactions that should be included in the relevant market, with respect to both those who perform the surveys and the particular respondents. Accordingly, potential

investors should be aware that the financial information, market information, forecasts and estimated market information contained in the Memorandum do not necessarily constitute reliable indicators of Realfiction's future results.

The contents of the Company's website, the website of any Group Companies or any third-party websites referred to herein do not constitute part of the Memorandum.

### **Presentation of financial information**

All financial amounts are presented in Swedish krona ("SEK"), unless otherwise indicated. "KSEK" refers to thousands of Swedish kronor and "MSEK" refers to millions of Swedish kronor. "USD" refers to

United States dollars. "DKK" refers to Danish krona, "KDKK" refers to thousands of Danish kronor and "MDKK" refers to millions of Danish kronor. Certain financial information and other information presented in the Company Description has been rounded to make the information easily comprehensible to the reader.

Accordingly, the figures contained in certain columns may not tally with the total amount specified.

### **Availability**

The Memorandum is available from the Company's website (<https://www.realfiction.com/>) and from Eminova's website (<http://eminova.se/>).

# TABLE OF CONTENTS

IMPORTANT INFORMATION	2
RISK FACTORS	6
INVITATION	10
BACKGROUND AND REASONS	12
COMMENTS BY THE CEO	15
TERMS AND CONDITIONS	17
MARKET OVERVIEW	22
BUSINESS OVERVIEW	26
COMPANY HISTORY AND SAMPLE PROJECTS	40
FINANCIAL OVERVIEW	45
COMMENTS ON THE FINANCIAL OVERVIEW	53
BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITOR	58
CORPORATE GOVERNANCE	67
LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION	74
ARTICLES OF ASSOCIATION	79
CONTACTS	82

## Summary of the offering

### Preferential rights

For each existing share held on the record date 23 April 2019, shareholders will receive 15 subscription rights for subscription of shares. 100 subscription rights entitles the holder to subscribe for one (1) new share. To the extent shares are not subscribed for with preferential rights, these shall be allocated to shareholders and other investors who have notified interest in subscribing

### Financial information

Annual Report 2018:	20 May 2019
Interim Report Q1:	29 May 2019
Annual General Meeting:	11 June 2019
Interim Report H1:	29 August 2019
Interim Report Q1-Q3 2019:	28 November 2019
Year-End Report 2019:	26 March 2020

### Timetable

Last day of trading including the right to receive subscription rights:	17 April 2019
Record date for participation in the Issue:	23 April 2019
Subscription period:	25 April – 10 May 2019
Trading in subscription rights:	25 April – 8 May 2019
Trading in BTA:	From 25 April until the issue has been registered at the Swedish Companies Registration Office (Bolagsverket)

### Other information

ISIN-code for the share:	SE0009920994
Market place for the share:	Nasdaq First North
Ticker symbol:	REALFI
ISIN-code for the subscription rights:	SE0012558740
ISIN-code for BTA's:	SE0012558757



# RISK FACTORS

*An investment in the shares of Realfiction is associated with various risks. A number of factors influence, or can influence, Realfiction's operations, both directly and indirectly. A number of risk factors and circumstances of major importance, which are regarded as material to Realfiction's operations and future development, are described below in no particular order of importance and are not exhaustive. The risks described below are not the only risks to which the Company or its shareholders may be exposed. There are other risks that are currently unknown to the Company or that the Company currently does not regard as significant but that could also have an adverse impact on Realfiction's operations, financial position or operating profit. If any of the risks described below, or another risk of which Realfiction is not aware, actually were to occur, the Company's business operations, financial position and earnings could be materially adversely affected. This could also result in the price of the shares of Realfiction declining significantly and in an investor losing his/her investment in part or in full. The Memorandum contains forward-looking statements that could be affected by future events, risks and uncertainties. The Company's actual earnings could differ significantly from the earnings anticipated in the forward-looking statements due to many factors, including but not limited to the risks described below and in other parts of the Memorandum. In addition to this section, investors should also take into account other information in the Memorandum.*

## Risks related to the Company and its industry

### Dependence on key personnel

Realfiction's future success is highly dependent on the talents and contributions of its executive management, members of the Company's executive team, and other key employees, such as key developers, finance, research and development and marketing.

Realfiction's future success depends on the Company's continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees. All the employees, including the executive management, are free to terminate their employment relationship with Realfiction at any time, and their knowledge of the Company's business and industry may be difficult to replace. Qualified individuals are in high demand and the Company may incur significant costs to attract them. If the Group is unable to attract and retain the Company's executive management

and key employees, the Group may not be able to continue existing development efforts or/and ongoing projects. Thus, if key employees leave or cannot be employed in the Company, it could have a material adverse effect on Realfiction's operations, financial position and/or earnings.

### Competition

As of the date of the Memorandum, there are a number of known competitors to Realfiction on both existing and new markets, who are developing and offering similar technology to the technology supplied and developed by the Company. There may also be other competitors or technology development projects that aim to meet the same needs as the Company and that are as of the date of the memorandum unknown to the Company.

There is a risk that increased competition from market participants with, in many cases, considerably greater financial resources may lead to a significant negative impact on the Company's operations, financial position or earnings.

### Intellectual property rights

Realfiction's operations and business strategy is tied to the Company's products and technology. Realfiction relies on a combination of patent and trade mark laws, trade secrets, confidentiality procedures and contractual provisions to protect the Company's intellectual property.

As of the date of the Memorandum the Company holds 9 granted patents and have 2 pending patent applications.

There is a risk that the Company will not be able to obtain patent protection for key components of its technology or that the Company will not obtain or uphold patents in key jurisdictions, such as USA or within the EU. There is a further risk that new products or technologies developed by Realfiction are not patentable, that issued patents will not be able to provide the Company with the competitive advantages it expected, that the patents will be nullified or canceled by third parties, that the time required to obtain issued patents may be longer than the lifetime of the technology, or that the patents of others will impair the Company's ability to develop

and conduct its business. If the Company's competitors develop new technologies or innovations, there is also a risk that the Company's intellectual property rights may be replaced or circumvented. There is a risk that Realfiction's measures to protect the Company's intellectual property rights may be inadequate and that other players will unduly try to plagiarize or gain access to and use the Company's technology.

Were any of the risks stated above to materialize, this could have a significant, negative impact on the Company's operations, financial position or earnings.

### **Product and technology development**

Product development and its associated operations are complex, and it is difficult to predict the time and financial consequences of individual investments. There is a risk that planned product development will require more time and money than the Company had anticipated or that the Company's products cannot be adapted to a commercial environment, which could have a significant negative impact on the Company's operations, financial position or earnings.

### **Currency risk**

Realfiction's currency risk comprises a transaction risk. Transaction risk is the risk that the Company's earnings and cash flows will be affected by the value of cash flows in foreign currencies changing due to fluctuations in exchange rates.

Realfiction's accounting currency is SEK and the Company normally has an inflow of DKK, EUR and USD, as well as a net outflow of

SEK, DKK, EUR, USD and GBP. The Company is therefore affected by changes in these exchange rates as regards operational transaction exposure. This risk is not hedged. A negative impact on the operational transaction exposure could have a significant negative impact on the Company's operations, financial position and earnings.

### **Interest risk**

Realfiction is exposed to interest rate risk, primarily because the Company's financial assets and liabilities are affected by changing market rates. The Company has applied for and received, and may apply in the future for loans from third parties. Interest rates, and the Company's ability to negotiate interest rates, are affected by many factors, some of which are outside the Company's control. The Company must therefore take into account in particular the risk of having to raise capital through loans at interest rates that are higher than what the Company's competitors or other stronger, capitalised companies can obtain. Interest rates may also be raised, for instance, as a result of the development of monetary policy both nationally and internationally, as well as other actions or events at a national or international level. High or raised interest rates could therefore have a negative impact on the Company's operations, financial position or earnings.

### **Legal and Political risk**

There is a risk that Realfiction will, in the future, be involved in court proceedings and/or arbitration proceedings. Such legal proceedings can be time-consuming and costly and there is a risk that they cannot be resolved in an advantageous

way for the Company. There is also a risk that, in case of loss in legal proceedings, the Company will be forced to compensate the counterpart for proceedings costs. Larger disputes could thus adversely affect the Company's operations, financial position and results. There is also a risk that certain political decisions in a local market could prevent or delay Realfiction's ability to operate in the market. In addition, local disputes between authorities and other businesses in a local market could delay or prevent the Company's continued operations in the local market. If political decisions or other decisions outside the control of the Company are made in a local market that prevent or delay Realfiction's establishment or existing operations, this could have a significant negative impact on Realfiction's operations, financial position and earnings.

### **Suppliers and manufacturers**

Realfiction collaborates with several suppliers and manufacturers. There is a risk that one or more of these choose to stop their cooperation with the Company, which entails a risk of negative impact on the business. There is also a risk that Realfiction's suppliers and manufacturers do not fully meet the quality requirements set by the Company. Likewise, the establishment of new suppliers or manufacturers can become more costly and/or take longer than the Company expected. There is a risk that this will adversely affect the Company's operations.



## Risks related to the Company's shares

### Trade on First north

The Company's shares are traded at First North, which is an MTF (Multilateral Trading Facility). A marketplace of this kind does not impose such stringent demands on the Company regarding disclosure, transparency or corporate governance, compared to the requirements imposed on companies whose shares are listed on a regulated market. First North has introduced most of the regulated market rules, but investments in a company whose shares are traded on an MTF should nevertheless be considered more risky than an investment in a main market listed company.

### Dividend risk

As of the date of the Memorandum and since Realfiction became a listed company, Realfiction has not paid any dividends and the Company's board of directors have not adopted a dividend policy. In accordance with the Swedish Companies Act (Sw. Aktiebolagslag (2005:551)), payment of dividend is resolved at the shareholders' meeting. The amount of dividend paid and time of payment is proposed by the board of directors. Furthermore, the main rule is that the shareholders cannot decide on higher dividends than proposed and approved by the board of directors, with the exception of the right of minority shareholders to demand dividends in accordance with the Swedish Companies Act. If the shareholders' meeting does not decide on dividends according to what is stated above, shareholders

cannot make demands on dividends and the Company has no obligation to pay dividends. Accordingly, all potential future dividends that Realfiction could pay will depend on a number of factors, such as future income, financial position, cash flow, working capital requirements, cost of investments and other factors. There is a risk that Realfiction will not have sufficient distributable funds and Realfiction's shareholders may decide not to approve payment of dividends in the future.

### Currency exchange risk

Differences in currency exchange rates could adversely affect the value of shareholdings or dividends. The Company's shares are listed only in SEK and potential dividends will be paid in SEK. This means that shareholders whose principal currency is not SEK will experience a negative effect on the value of their shareholdings and dividends when they are converted to other currencies if SEK decreases in value against their principal currency.

### Lack of liquidity

An active, liquid and functioning market for trading in the Company's shares may not exist.

There is a risk that an active, liquid trading market will not be present at First North. There is a risk that upswings and downturns will occur with regard to prices and volumes, that have no relation to, or are disproportionate in relation to the Company's earnings.

### External factors

General economic and industrial factors could have a material impact on the price of the Company's shares, regardless of its actual earnings.

### Unsecured Pre-subscriptions

In connection with the forthcoming rights issue, Realfiction has received Pre-subscriptions from shareholders and other investors, corresponding to approximately 66 percent of the total issue amount. Realfiction has not requested that blocked bank funds or other collateral be put in place for the fulfilment of these commitments. There is thus a risk that any or all of the parties who have entered Pre-subscription commitments may not fulfil their obligations, which could adversely affect the Company's opportunities to receive the required funds.

### Dilution Risk

Future issues of shares or other securities in the Company could dilute shareholdings and affect the price of the shares. The Company could, in the future, decide to offer shares or other securities in the Company to finance new capital-intensive projects, in conjunction with unforeseen obligations or costs or for other purposes. Any additional offerings could reduce the proportional ownership and voting rights for the Company's shareholders, earnings per share and net debt per share in the Company and adversely impact the market price for the shares.



**INVITATION**

## Invitation to subscribe for shares in Realfiction Holding AB

Realfiction's board of directors resolved on 21 March 2019, pursuant to an authorization from the General Meeting on 18 June 2019, to carry out a new issue of shares with preferential right for existing shareholders.

### Offered securities

The offer refers to purchase of new common stock shares issued in Realfiction. The subscription price is SEK 10 per share.

### Subscription period

Shares must be subscribed for during the period from 25 April to 10 May 2019.

### Preferential subscription right

The Company's shareholders have

preferential rights to subscribe for new shares in proportion to the number of shares they held on the record date. The record date for the right to participate in the Issue is 23 April 2019. For each existing share held on the record date shareholders will receive fifteen (15) subscription rights for subscription of shares. One hundred (100) subscription rights entitles the holder to subscribe for one (1) new share. To the extent shares are not subscribed for with preferential rights, these shall be allocated to shareholders and other investors who have notified interest in subscribing for shares pursuant to what is stated in the section "Terms and conditions". Such allocation shall primarily be made to those who also subscribed for shares on the basis of subscription rights.

### Dilution

Share capital in the Company may increase through the rights issue

by not more than SEK 174,497.00, from SEK 1,163,313.50 to not more than SEK 1,337,810.50, and the number of shares in the Company may increase by not more than 1,744,970 shares, from 11,633,135 shares to 13,378,105 shares. Shareholders who choose not to subscribe for shares in the rights issue will sustain a dilutive effect of preliminary 13 percent of total voting power in the Company (provided that the rights issue is fully subscribed). Shareholders have the option to sell their subscription rights to obtain compensation for the dilution.

### Issue costs

The Company's issue-related costs are expected to amount to approximately SEK 1,850,000. The costs are attributable to the preparation of the Memorandum, administration and marketing expenses.

## Pre-subscription commitments

Pre-subscription commitment of SEK 11,464,970 has been provided, corresponding to approximately 66 percent of the rights issue. The following private investors and companies have committed to pre-subscription:

Subscriber	Amount (SEK)	Number of shares
Sonny Johannson	2,000,000	200,000
AmTran Technology Co. Ltd	1,963,250	196,325
Atum Trust (Jesper Balsler Family Trust)	1,657,110	165,711
Tobias Schön	1,500,000	150,000
Kent Ternrud	600,000	60,000
Marcus Kinnander	600,000	60,000
Stefan Lundgren	500,000	50,000
Jimmie Landerman	500,000	50,000
Gerhard Dal	500,000	50,000
Selskabet af 1. august 1931 (Liselotte Therp)	395,600	39,560
Mikael Blihagen	250,000	25,000
Peter Nilsson	250,000	25,000
John Moll	200,000	20,000
Kjell Nilsson	150,000	15,000
Gemstone Capital A/S	140,000	14,000
Jens Erik Christensen	130,000	13,000
Frederik Åhlander	100,000	10,000
Niels Schreiner Andersen	29,010	2,901
<b>Total</b>	<b>11,464,970</b>	<b>1,146,497</b>

The Pre-subscribers do not receive any compensation for the commitments, nor do they receive any guaranteed allotment for subscriptions above their preferential rights if they, on the record day of the current Issue, held shares in the Company.



# BACKGROUND AND REASONS

### Introduction

Realfiction, founded in Denmark in 2008, is an innovator and provider of Mixed Reality solutions and services, a market estimated to reach USD 80 billion by 2025<sup>1</sup>. Mixed reality is the concept of blending the physical world with the digital world through the use of technology. Realfiction has taken this concept into the creative marketing industry where companies can use Realfiction's 3D holographic displays to promote in a unique way with seemingly "free-floating" 3D holograms that explain details, features, and unique selling points. The Company develops, sells and rents out Mixed Reality products and services based on patented and design protected hardware platforms developed over more than a decade.

The company's Mixed Reality displays are especially well-suited for social environments as they do not require special glasses or other accessories.

Since Realfiction's IPO in May/June 2017, the Company has continued to invent technologies within Mixed Reality. Realfiction has also developed its offering into complete integrated marketing solutions in addition to merely selling separate products. The Mixed Reality marketing solutions offered by Realfiction include everything from the hardware (Mixed Reality displays with client-specific features when needed) to the 3D content and on-site installation, service

and maintenance. This enables the company to substantially increase its recurring revenues and thus building a stable cash flow. By providing full turnkey solutions, and custom built 3D effects, retailers and brand owners can access Realfiction's portfolio of displays in an easier and more flexible way, eliminating the need for upfront investments or having to involve other external agencies.

### STEP-UP-19 STRATEGY

In October 2018, Realfiction announced a strategy for current business activities and future Mixed Reality technologies, titled "STEP-UP-19". Realfiction's STEP-UP-19 strategy has the following 3 main components:

#### Magic-as-a-Service

Magic-as-a-Service is a customer tailored turnkey leasing/use concept that, consequently, do not include sales of Realfiction hardware, which previously has been Realfiction's main business model (see the section "Business overview"). The company will invest additional resources in Magic-as-a-Service for the retail and expo industries - its current commercial attention areas.

In order to capture as well as close larger international opportunities in both areas, more investments will be dedicated to marketing, sales execution and the media channel platform.

Currently, Magic-as-a-Service is available for the retail industry in Denmark and the Nordic countries, with a forthcoming marketing event to the entire European market in May 2019. Magic-as-a-Service for the expo industry is available worldwide, directly and via our world-wide partner network.

#### Project Echo

The company will invest additional resources in innovation. More specifically, the company has launched Project Echo, that focus on the development of a holographic technology that makes it possible for a group of people to experience and interact with holographic effects in open space, without any physical media or lens between them and the effects. This has historically been an unattainable vision for the industry that most people are aware of from science fiction movies.

#### Sale of displays, 3D animations and accessories

Realfiction's global network of partners consists of more than 150 resellers and/or content developers in Europe, North and South America, Asia, Australia, the Middle East and other regions. Despite the shift in business model and go-to-market strategy, the Company will continue to offer partners the option to purchase the range of Mixed Reality displays, 3D animations and accessories.

---

<sup>1</sup> <https://www.goldmansachs.com/insights/pages/technology-driving-innovation-folder/virtual-and-augmented-reality/report.pdf>

### Use of proceeds

The proceeds will, according to the Board of Directors of Realfiction's assessment, be sufficient to deliver a proof-of-concept for Project Echo during 2019 and to expand its Magic-as-a-Service concept to the Nordic countries and beyond, making the Company's Sales Activities (as defined on page 51) cash flow positive on a monthly basis by the end of 2019.

The proceeds will, in more detail, be used according to the following allocation:

Marketing and sales of Magic-as-a-Service: 50 percent  
Research and development of primarily Project Echo and existing products: 50 percent

The board of directors is responsible for the content of the Memorandum. An assurance is hereby provided that the board of directors has taken all reasonable precautionary measures to ensure that, to the best of the board's knowledge, the information in the Memorandum corresponds to

the actual circumstances and that nothing has been omitted that would affect its importance.

In cases where information comes from third parties the information has been reproduced correctly and no information has been omitted in a way that would render the reproduced information inaccurate or misleading.

Helsingborg, 24 April 2019  
Realfiction Holding AB

### The board of directors

Michael Kjær  
Peter Bugge Johansen

Søren Jonas Bruun  
Clas Dyrholm

Peter Max  
Peter Simonsen



**COMMENTS BY  
THE CEO**

**Our DNA:** The Realfiction DNA is to develop and commercialize immersive display technologies and to create long-lasting appeal and relevance. We have done this consistently since the launch of our first products more than 10 years ago and since then we have sold more than 10.000 displays to customers and partners around the globe including many of the largest brands of the world. This development has only accelerated since our IPO in the summer of 2017.

**Stronger team:** Let me start with our world class team. We have been joined by more talent in sales, content development and at the management level, including our CFO and COO adding power to strategies, planning and execution. Last but not least, our innovation team has been strengthened by an immensely talented key-person, enforcing our extremely interesting "Project Echo".

**Growth:** Revenue grew by 46% in 2018 compared to 2017. During 2018, we successfully launched our "Magic-as-a-Service" (MaaS) business model, combining our display technologies with our 3D-content creation skills into one effective service model. We also

established the world's first Mixed Reality Media Channel for retailers. This has become a turning point for us. We have had very successful end-customer feed-back, quoting as much as a doubling of end-product sales. The positive development has continued into Q1-19 and we have now seen 4 quarters in a row with improved gross profit margin and our pipeline continues to grow. This leaves our Sales Activities (as defined on page 51) on track for a positive cash flow on a monthly basis by the end of 2019.

**100 mDKK with MaaS:** With proof that MaaS works, we announced our "STEP-UP-19" strategy in Q4-18 along with the goal to reach a revenue runrate of 100 million DKK per year within 2-3 years. We also announced our intention to raise more capital to make this possible. We are doing that now and about half of the capital will be invested in international acceleration of Magic-as-a-Service.

**100 mUSD with Echo:** Another major part of our STEP-UP-19 strategy is "Project Echo" that has the potential to grow well beyond Realfiction, as we know it today. Imagine flatscreen surfaces in different sizes, from handhelds to entire walls, that make 3-dimensional

images stand out and allow people to move around virtual objects from different angles. Imagine the visual effects from sci-fi movies and TV-series, now in real life and without glasses, where multiple people stand around a table and interact with a 360-degree digital hologram interface. The possibilities of the new technology are so versatile across a large range of verticals and user scenarios and the impact will be so groundbreaking if we succeed, that the industry giants will be unable to ignore the advantage they could gain by securing the rights to use it in their particular industries. We have patented this technology and established a number of strategic development partnerships. And now the next step will be to reach the proof of concept due later this year, which will open the gates to commercial deployment and partnerships. It goes without saying that the other half of the proceeds from the current issue will be invested in Project Echo, which we believe is a 100 mUSD revenue opportunity.

We create magical moments through technology and you are cordially invited.

**CEO**  
Clas Dyrholm



**“WE CREATE  
MAGICAL  
MOMENTS  
THROUGH  
TECHNOLOGY.”**

Clas Dyrholm | CEO



MARTELL  
COGNAC

Martell Cognac has been part of the greatest expeditions.

dreamoc  
powered by  
LEOVATION

ETERNAL DISCOVERY SINCE 1912

CORDON  
100

**TERMS  
AND  
CONDITIONS**

GREY GOOSE  
Triple Orange

GREY GOOSE  
Triple Orange

CORDON  
100

On April 15 2019, the Board of Directors of Realfiction Holding AB (publ) (corporate ID no. 559110-4616) decided, pursuant to an authorization from the Annual General Meeting of June 18 2018, to carry out a new issue of shares with a preferential right for existing shareholders. The issue consists of a maximum of 1,744,970 shares and can bring SEK 17,449,700 into the company if subscribed for in full. In addition to this preferential rights issue, the Board of Directors may, in the event of oversubscription, decide on a targeted issue of a maximum of 700,000 shares.

#### **RECORD DATE**

The record date at Euroclear Sweden AB ("Euroclear") for determining who is to receive subscription rights in the issue is 23 April 2019. The last day for trading in the Company's share including the right to receive subscription rights is April 17 2019. The first day for trading in the Company's share excluding the right to receive subscription rights is April 18 2018.

#### **SUBSCRIPTION PERIOD**

Shares must be subscribed for during the period from April 25 2019 to May 10 2019. The Board of Directors has a right to extend the subscription period. It has no right to discontinue the issue after the subscription period has begun.

#### **ISSUE PRICE**

The issue price is SEK 10.00 per share. No brokerage fees will be charged.

#### **SUBSCRIPTION RIGHTS**

Shareholders in Realfiction receive 15 subscription rights for each (1) share held. 100 subscription rights are required in order to subscribe for one (1) new share. After the expiry of the subscription period, unused subscription rights will be invalid and will be derecognized from the securities account without any specific notification from Euroclear.

#### **TRADING IN SUBSCRIPTION RIGHTS**

Trading in subscription rights takes place on Nasdaq First North during the period from April 25 2019 to May 8 2019. Banks and securities institutions with the necessary permits are available to act as intermediaries in the purchase and sale of subscription rights.

#### **PAID SUBSCRIPTION SHARES ("BTA")**

Subscription by payment is registered with Euroclear as soon as possible, which normally means a few banking days after payment. The subscriber then receives a securities notification with confirmation that BTA have been recorded in the securities account. Subscription shares are referred to as BTA until the new issue has been registered at Bolagsverket [the Swedish Companies Registration Office].

#### **TRADING IN BTA AND CONVERSION TO SHARES**

Trading in BTA takes place on Nasdaq First North from April 25 2019 until the issue has been registered at the Swedish Companies Registration Office and the conversion from BTA to shares has taken place. The last day for trading will be communicated through a market notice. No special notification is sent out from Euroclear in connection with the conversion.

#### **TRADING IN THE SHARE**

The shares of the company are traded on Nasdaq First North. The share is traded under the ticker symbol REALFI and the ISIN is SE0009920994. The newly issued shares will also be traded after the issue has been registered at the Swedish Companies Registration Office.

#### **PREFERENTIAL SUBSCRIPTION RIGHT**

Any person who, on the record date of April 23 2019, is registered as a

shareholder at the Company has a preferential right to subscribe for 15 new shares for 100 existing shares.

#### **DIRECTLY-REGISTERED SHAREHOLDERS, POSSESSION OF A SECURITIES ACCOUNT**

The shareholders or representatives of shareholders who, on the record date, are entered in the share register kept by Euroclear on behalf of the Company, receive a preprinted issue statement with an attached payment notice, a special application form and an application form for subscription without subscription rights. No securities notification regarding registration of subscription rights in a securities account is sent.

A person included in the list of pledgees and guardians kept in connection with the share register does not receive an issue statement, but is notified separately.

#### **NOMINEE-REGISTERED SHAREHOLDERS, POSSESSION OF A CUSTODY ACCOUNT**

Shareholders whose holdings of shares in the Company are nominee-registered at a bank or other nominee receive no issue statement. Subscription and payment will instead take place according to instructions from the nominee.

#### **SUBSCRIPTION WITH SUBSCRIPTION RIGHTS, DIRECTLY-REGISTERED SHAREHOLDERS**

Subscription will take place by means of a payment using the specified bank giro no later than May 10 2019 in accordance with either of the following two options.

##### **1) Pre-printed payment notice. Issue statement**

Used if all subscription rights received are to be used. Subscription takes place by payment of the pre-printed payment notice. Please note that no further action is required

for subscription and that the subscription is binding.

## 2) Special application form

Used if a different number of subscription rights than is stated on the pre-printed issue statement is to be used, e.g. if subscription rights have been purchased or sold.

Subscription takes place when both the special application form and the payment have been received by Eminova Fondkommission. The reference for payment is the application form number. Incomplete or incorrectly completed application forms may be disregarded. The application form can be sent by ordinary mail (NOT RECORDED DELIVERY), by mail or by fax. Please note that the subscription is binding. A special application form can be obtained from Eminova Fondkommission AB, tel. 08-684 211 00, fax 08-684 211 29, e-mail info@eminova.se.

## SHAREHOLDERS DOMICILED OUTSIDE SWEDEN

### DIRECTLY-REGISTERED SHAREHOLDERS ENTITLED TO SUBSCRIBE WHO ARE DOMICILED OUTSIDE SWEDEN

Directly-registered shareholders entitled to subscribe who are not domiciled in Sweden and who cannot use the pre-printed payment notice (the issue statement) can pay in SEK via SWIFT, as described below. Subscription takes place when both the special application form and the payment have been received by Eminova Fondkommission.

Eminova Fondkommission AB  
Biblioteksgatan 3, 3 tr  
111 46 Stockholm, Sweden

BIC/SWIFT: NDEASESS

IBAN:  
SE2630000000032731703016

### SHAREHOLDERS DOMICILED IN CERTAIN INELIGIBLE JURISDICTIONS

Shareholders domiciled in another country where participation in the new issue is wholly or partly subject to legal restrictions (for example, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, Switzerland, the United States) are not entitled to participate in the new issue. These shareholders will not receive subscription rights, an issue statement or any other information regarding the new issue.

### SUBSCRIPTION WITHOUT SUBSCRIPTION RIGHTS AND ALLOCATION

In the event that not all shares are subscribed for with subscription rights, the Board of Directors, within the framework of the maximum amount of the issue, will decide on the allocation of outstanding shares.

An application for subscription for shares without subscription rights must be submitted on the application form entitled "Teckning utan stöd av teckningsrätter" (Subscription without subscription rights) which may be downloaded from [www.eminova.se](http://www.eminova.se). If more than one application form is submitted, only the first one received will be taken into account. Payment must

not be made at the time of the application! Please note that the application is binding. (Important information on ISK [investment savings accounts], IPS [individual pension savings] and endowment insurance is set out in the section entitled "Miscellaneous") If the application relates to subscription at an amount of SEK 155,000.00 or more, the application form must be accompanied by a copy of a valid ID document. If the application relates to a juridical person, in addition to a copy of a valid ID document the application form must be accompanied by a valid registration certificate showing the authorized signatory.

Notice of allocation of shares is given through remittance of a transaction note. Payment must be made by bank giro in accordance with the instructions on the transaction note and must never be drawn on the specified securities account or custody account. If payment is not made within the prescribed period, the shares may be transferred to another party. If the selling price for such a transfer is below the price in accordance with the offer, the person who was originally allocated these shares will be liable for all or part of the difference. No notice is sent out to those who were not awarded shares.

In the event that not all shares are subscribed for with preferential rights (i.e. with subscription rights), the Board of Directors, within the framework of the maximum amount of the issue, will decide on the allocation of shares subscribed for without subscription rights, whereupon the shares will in the

first instance be allocated to the persons who have also subscribed for shares with subscription rights (and who have specified this on the application form) and, in the event that these cannot be fully allocated, shares will be allocated in proportion to their subscription with subscription rights and, if this is not possible, by drawing lots, and the shares will in the second instance be allocated to another party that subscribed for shares in the issue without subscription rights and, in the event that these cannot be fully allocated, the shares will be allocated in proportion to the number of shares that each person subscribed for and, if this is not possible, by drawing lots, and, in the final instance, the shares will be allocated to guarantors, being distributed in proportion to established guarantee commitments and, if this is not possible, by drawing lots.

#### **MISCELLANEOUS**

Subscription for shares with or without subscription rights is irrevocable and the subscriber cannot cancel its subscription.

#### **REGARDING SUBSCRIPTION FOR ISK, IPS OR ENDOWMENT INSURANCE**

If the custody account or securities account is linked to

endowment insurance or an IPS or ISK account, special rules apply for new subscription of shares. The subscriber must contact its bank/nominee and follow their instructions on the procedure for sub-scription/payment. If the subscription does not take place in the correct manner, the allocated shares will not be delivered to these types of custody accounts.

The subscription is binding and application forms, once submitted, cannot be revoked. The subscriber is responsible for ensuring that the subscription takes place in such a way that the shares can be delivered to the specified custody account.

#### **REGARDING DELIVERY OF SUBSCRIPTION SECURITIES**

Incorrect or incomplete information in the application form, the registration procedure at the Swedish Companies Registration Office, late payments from investors, procedures at a nominee bank or custodian institution or other factors beyond Eminova's control can delay the delivery of shares to the investor's securities account or custody account. Eminova assumes no liability for losses or other consequences that an investor may suffer as a result of the timing of delivery of the shares.

#### **PUBLICATION OF THE OUTCOME OF THE ISSUE**

The outcome of the issue will be published by means of a press release from the Company as soon as possible after the expiry of the subscription period.

#### **RIGHT TO RECEIVE DIVIDENDS**

The new shares confer an entitlement to a dividend for the first time on the record date for dividends that occurs immediately after the new shares have been registered at the Swedish Companies Registration Office.

#### **SHARE REGISTER**

The Company's share register with details of shareholders is kept by Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden.

#### **APPLICABLE LAW**

The shares are issued under the Swedish Companies Act (2005:551) and are governed by Swedish law. Shareholders' rights with regard to dividends, voting rights, preferential rights for subscription of new shares, etc. are governed by the Company's Articles of Association, which are available on the Company's website, and by the Swedish Companies Act (2005:551).

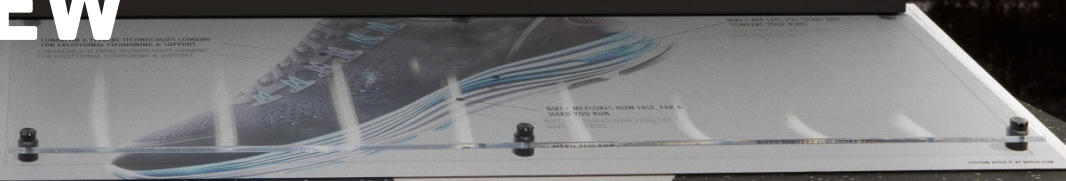
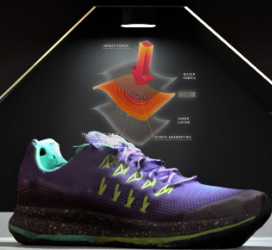
## IMPORTANT INFORMATION

Eminova Fondkommission AB ("Eminova") (556889-7887) is a securities company that is supervised by the Swedish Financial Supervisory Authority. Eminova holds a permit to carry on securities business in accordance with the Swedish Securities Markets Act (2007:528).

- Financial instruments to which the offer relates have not and will not be registered in any country other than Sweden. They will therefore not be offered for sale in any other country in which participation would require additional prospectuses, registration or measures other than those required by Swedish law or contrary to laws, regulations or other provisions in any such country.
- An assignment through a signed application form confers power of attorney on Eminova to sell, purchase or subscribe for financial instruments on behalf of the signatory under the conditions formulated for the offer.
- An assignment through a signed application form is not subject to the right of withdrawal deriving from the Swedish Distance and Doorstep Sales Act. The procedure and subscription period is stated in the information issued in connection with the offer.
- The signatory does not become a customer of Eminova by submitting an application in this offer. Eminova will therefore not classify those who subscribe for shares pursuant to the offer as customers. Nor does Eminova carry out a suitability assessment under the Swedish Securities Markets Act (2007:528) in relation to subscriptions for securities in the offer.
- The information issued in connection with the offer clearly states the risks associated with an investment in the financial instruments in question.
- A person that intends to subscribe for financial instruments in accordance with this offer is urged to carefully read the information published. The price of the financial instruments in question is stated in the information issued in connection with the offer.
- Costs in addition to what is stated above, such as taxes or brokerage fees, that may arise in connection with the financial instruments to which the offer relates are neither charged nor paid by Eminova.
- Personal information that the subscriber provides in connection with the application is processed by Eminova in accordance with the Swedish Data Protection Act (1998:204). Processing of personal data can also take place at other companies with which Eminova or the issuer collaborate.
- Eminova is not responsible for any technical fault or telecommunications or postal management fault in connection with subscription by means of payment or submission of the application form.
- A securities account or custody account must have been opened at the time of the application.
- Complaints arising from Eminova's management of orders by means of a signed application form can be submitted by mail to Eminova's Complaints Manager at the following address: Eminova Fondkommission AB, Att: Klagomålsansvarig, Biblioteksgatan 3, 3 tr, 111 46 Stockholm.
- Any complaint regarding Eminova's execution of orders must be submitted within a reasonable length of time. The right to claim compensation or impose other penalties may otherwise be lost.
- In the event of any dispute with Eminova, consumers may consult Allmänna reklamationsnämnden [the National Board for Consumer Complaints], Box 174, 101 23 Stockholm, telephone no. 08-508 860 00, [www.arn.se](http://www.arn.se).
- Eminova complies with Swedish law and substantive law is applied to assignments received by Eminova. The general courts are the competent courts.



# MARKET OVERVIEW



Awareness of Mixed Reality has increased and created a strong growth in the area. Virtual, Augmented and Mixed Reality is the fourth wave of computing for PC, Internet and mobile<sup>1</sup>. The global Mixed Reality market is estimated to be USD 80 billion in 2025, with almost half of the market being the consumer market. The remainder relates to the B2B market. North America is expected to lead the global market in the coming years<sup>2</sup>.

The largest players in the Mixed Reality market are currently Microsoft HoloLens and Magic Leap. Both of these players offer head-borne technology through glasses. This means that the only one who can take part in the experience is the one who has the glasses on.

Realfiction's technology offers an alternative with increased usability.

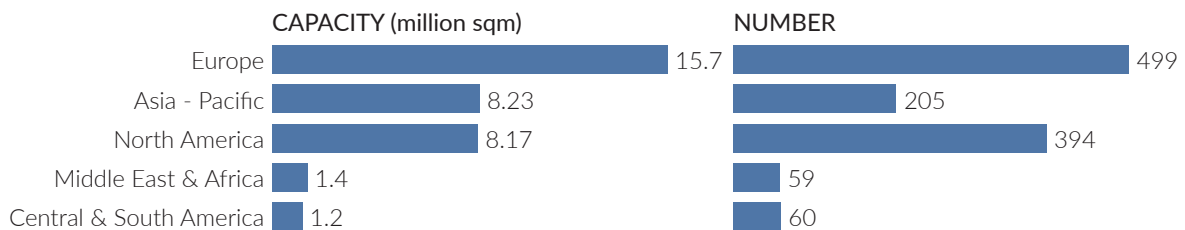
The effect of Realfiction's B2B solutions can be experienced by anyone who passes by and is therefore more user-friendly in public environments, for marketing purposes as well as for events and fairs etc.

Realfiction's current Mixed Reality products and solutions primarily target the global exhibition industry and in-store advertising in retail shops, malls and department stores.

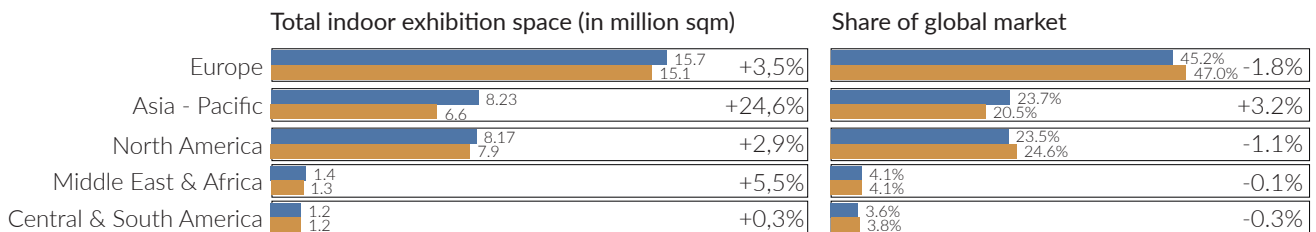
**The global exhibition industry**  
In 2017, the global exhibition industry (inclusive of all venues with a minimum of 5,000 square meters of gross exhibition space) consisted

of 1,217 indoor exhibition venues covering 35 million square meters of venue space<sup>3</sup>. Globally in 2012, 31,000 exhibitions took place where 4.4 million exhibiting companies welcomed 260 million visitors<sup>4</sup>. The recent "Global Visitor Insights" produced by UFI and EXPLORI<sup>5</sup> indicates that visitors increasingly expect personalised experiences and entertainment appears to be especially important for the younger attendees. It also concludes that an analysis of visitor objectives across all regions identifies the desire to see "something new" as the single most important driver for visitor satisfaction, ahead of education and networking. The report positions innovation from both the exhibition floor and the session content as a key area of focus for organisers.

### Venues and indoor exhibition space in 2017



Source: "World Map of Exhibition Venues", 2017 edition.



Source: "World Map of Exhibition Venues", 2017 edition.



<sup>1</sup> <https://www.digi-capital.com/news/2016/07/virtual-augmented-and-mixed-reality-are-the-4th-wave/#.WOXhxoYjhjU>  
<sup>2</sup> <https://www.goldmansachs.com/insights/pages/technology-driving-innovation-folder/virtual-and-augmented-reality/report.pdf>  
<sup>3</sup> "World Map of Exhibition Venues", 2017 edition  
<sup>4</sup> Global Exhibition Industry Statistics March 2014  
<sup>5</sup> This study – whose results are available at [www.ufi.org/research](http://www.ufi.org/research) (full report available to UFI Members) was based on data from a quantitative survey of over a million global trade show visitors, resulting 13,000+ responses, representing 135 countries, 18 languages and attend trade shows in at least 21 countries. This report aggregate data on visitor attitudes from every major exhibition market in the world. It explores the perceptions trade show visitors have of the events they attend and their likely behaviours towards future events.

Furthermore, more than 65% of the exhibition center companies with 302 exhibition venues (from 53 countries/regions) participating in the UFI survey declared that they realized an increase in revenues when comparing to their projections for the same period the year before<sup>6</sup>.

Regarding turnover year-on-year, 74% of companies within the exhibition industry around the world declared an increase in the 2nd half of 2018, 63% anticipate one for the first half of 2019 and 69% for the 2nd half of 2019. Several markets anticipate outperforming these scores for 2019: Brazil, China, Germany, India, Indonesia, Italy, Mexico, Thailand, the Middle East and the UK.

#### **The global in-store retail advertising industry**

In-store advertising plays an important role in the marketing strategy of specific brands.

According to a study performed by KPMG, the customer experience is the most important factor in the future retail industry. This since retailers are striving to differentiate themselves in a competitive market<sup>7</sup>. The study also predicts the new metric to measure success in this industry will be “experience per square foot”.

The average marketing expense budgets for North American and U.K. companies amounted to 11.2 percent of the total revenue in 2018 and 63 percent of the 257 marketers responding to the survey expect their budgets to increase in 2019<sup>8</sup>. Marketing is also high on CEO's' investment priority list as 57 percent of them expect to increase their investments in the area<sup>8</sup>. Marketing technology or Martech represents the intersection of marketing and technology. This marketing trend, which contains everything from social media marketing to other technical solutions for marketing has accounted for an increasingly significant share of marketing expense budgets in recent years.

Martech accounted for 22 percent of the total average marketing budget during 2017 and increased to 29 percent in 2018. Hence, the global in-store advertising industry is a bn\$ market.

While online shopping offers comfort and convenience, consumers still prefer to get a firsthand look at the product when shopping. Out of 1,425 US consumers surveyed by Retail Dive, 62 percent chose in-store over online shopping because they want to see, touch, feel, and try out items. The study notes this is

especially true for women, rural, younger, and older shoppers. The U.S. Department of Commerce reports that the health and personal care category recorded a 7.3 percent change in year over year sales from 2016 to 2017. Most of this sales growth occurred in-store. Nine out of ten consumers purchased cosmetic products in-person, such as hair styling products, shampoos and conditioners, and sunscreen products<sup>10</sup>.

With 81 percent of U.K. consumers identifying the physical store as vital to the shopping experience, and 70 percent still enjoying the full encounter, traditional retail shopping remains a steadfast British pastime. However, customers expect retailers to become more tech savvy. Around 70 percent of U.K. consumers expect retailers to launch an augmented reality app within the next six months, with a similar number willing to return more regularly to a store that offers AR. The numbers tell us, that in this digital age where shoppers have more choice than ever, traditional retail still has a prominent role to play in the economy but it must adapt to survive and flourish. Currently only one third of retailers offer increasingly-popular AR technology to shoppers. With 61 percent of U.K. consumers changing

<sup>6</sup> 22nd edition of the “UFI Global Exhibition Barometer”, January 2019

<sup>7</sup> <https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/03/global-retail-trends-2018.pdf>

<sup>8</sup> [http://images.gartnerformarketers.com/Web/Gartner/%7Bb5a5ad17-bf4c-4ce4-adb3-4eed347852c8%7D\\_CMO\\_Spend\\_Survey\\_Note\\_Repackage\\_FINAL.pdf](http://images.gartnerformarketers.com/Web/Gartner/%7Bb5a5ad17-bf4c-4ce4-adb3-4eed347852c8%7D_CMO_Spend_Survey_Note_Repackage_FINAL.pdf)

<sup>9</sup> <https://www.gartner.com/doc/3870869/-ceo-survey-cios-guide>

<sup>10</sup> <https://fitsmallbusiness.com/death-of-brick-mortar-retail/>



where they shop because of the availability of AR elsewhere this data suggests many traditional retailers are inadvertently holding themselves back. To overcome this negative trend, traditional retailers must not fight the digital revolution.

Instead they should embrace it by attracting and retaining customers, through an enhanced shopping experience, that combines cutting-edge technology with experienced brand ambassadors. Together they offer the best of both worlds, the irreplaceable emotional connection and the convenience of a seamless, interactive and digitally intelligent shopping experience. Forward-thinking brick-and-mortar retailers in the U.K. that offer AR in-store have already positively transformed the customer experience<sup>11</sup>.

---

<sup>11</sup> <https://www.retailcustomerexperience.com/blogs/why-embracing-new-technology-is-a-good-thing-for-traditional-retailers/>



# **BUSINESS OVERVIEW**

## Introduction

Realfiction develops, sells, rents out and provides solutions for market leading Mixed Reality (MR) products and services based on innovative, as well as patented and design protected, hardware platforms that have been developed over more than a decade. The company's MR displays are especially well-suited for social environments as they do not require special glasses or other accessories.

Examples of customer groups that benefit from the company's products and services are shopping centers and department stores, car manufacturers, experience-based businesses such as amusement parks and museums, natural meeting points such as airports and travel centers as well as sectors such as education, architecture, manufacturing and construction, where there is a strong demand for real-time 3D visualizing. Unlike VR glasses or other wearable tech currently on the market, Realfiction's display solutions allow multiple people to take part in the experience at the same time.

Realfiction's MR solutions can create interest for a brand or a specific product in a very visual and engaging way. The solutions have the ability to take abstract or complex product offerings and make them easy for everybody to understand and decode, as they are presented in a simple, playful and visual way. Furthermore, interactivity can be added to all the displays via touchscreen or smartphone connection. Based on this attention, concrete value can be delivered, for example in the form of increased sales of a product and/or the conversion of visitors into members of bonus or loyalty programs.

For experience driven customer groups such as amusement parks, museums and event organizers, but also manufacturers of consumer products, Realfiction's MR platform serves as an opportunity to combine the physical and the digital world in new and ground-breaking ways.

## STEP-UP-2019 STRATEGY

On 4 October 2018, Realfiction announced its "STEP-UP-19" strategy. The essence is a more ambitious strategy for both current business activities and new Mixed Reality technologies. Realfiction's STEP-UP-19 strategy has the following 3 main activities:

- The company will invest additional resources in Magic-as-a-Service for the retail and expo industries - its current commercial attention areas.
- The company will invest additional resources in innovation. More specifically, the company has launched Project Echo.
- Realfiction's global network of partners consists of more than 150 resellers and/or content developers. The Company will continue to offer partners the option to purchase the range of Mixed Reality displays, 3D animations and accessories.

Realfiction is repositioning the company from being a hardware provider to offering complete Mixed Reality solutions. This includes everything from the hardware (MR displays with client-specific features when needed) to the all-important 3D content and finally on-site installation and maintenance. Hence, Realfiction's business model revolves around the STEP-UP-19 strategy

presented above. The three main activities Magic-as-a-Service, Project Echo and the sales of displays are explained below.

### Magic-as-a-Service

The Company has developed a customer tailored turnkey leasing/ use concept that, consequently, does not include sales of Realfiction hardware, which previously has been Realfiction's main business model.

Magic-as-a-Service, the turnkey concept, gives the customers access to use Realfiction's hologram displays for a short period, inclusive of all required content creation, installation, branding, installation and service activities.

By providing full turnkey solutions, customers can access Realfiction's portfolio of displays in an easier and more flexible way, eliminating the need for upfront investments or having to involve other external agencies. Hence, Magic-as-a-Service enables shopping centres, retail chains and brand owners to easily adapt Realfiction's mixed reality solutions to increase sales, create awareness, activate new brands and to add members to loyalty programs.

To deliver time and cost-effective content updates, Realfiction is continuously developing a content creation method based on an expanding library of reusable assets and generic concepts that is used by the Company's in-house team of 3D artists and external content developers.

Magic-as-a-Service can also be provided as a subscription-based service where the customer pays on a monthly basis and receives content upgrades and rebranding to allow for brand activation campaigns when

needed or as part of a global tour of exhibition venues. Realfiction's equipment is enabled for digital push delivery of content updates from one central source to all installed units.

The Company's go-to-market model currently focuses on Magic-as-a-Service for in-store retail advertising and events at exhibition venues. However, the concept can be expanded to several additional market segments where further growth can be attained in the future.

Realfiction approach brand owners and retail shops through a combination of social media marketing, participation in industry related exhibitions, canvas calling, lead generation through various sources, its partner network and via display presence in exhibition venues and in the retail market space.

The Company will invest additional resources in Magic-as-a-Service. In order to grow Magic-as-a-Service in existing markets and to capture and close larger international opportunities, more investments will be dedicated to marketing, sales execution and logistics.

The Company's go-to-market model for Magic-as-a-Service concentrates on in-store retail advertising and events at exhibition venues, both of which are elaborated on below.

**In-store retail advertising**

The Company is currently active on the Nordic retail market, with roll-out in other European countries in 2020.

Revenues from in-store retail advertising can be generated from different revenue streams, namely,

"Mixed reality media channels" and "Retail chain solutions". as explained below:

Within the "Mixed reality media channel", Realfiction currently has 38 displays positioned in 19 Bilka Hypermarkets in Denmark.

Furthermore, the Company plans to launch a media channel in selected airports in the Nordic European region during spring of 2019. The Company's ambition is to open media channels in other retail chains during 2019. The primary market for the media channel is the "Fast-moving consumer goods" (FMCG) retail market – but also electronics, personal care, home improvement and DIY shops are in scope.

The media channels require consent and agreements with the retailer who is providing the space in the shop and agreements with the brand owners who desire to market products via the media channel. When established, the media channel provides access to a consistent revenue stream from brand owners. The task of selling branding campaigns to brand owners requires Realfiction to grow its sales organization.

Considering "Retail chain solutions", some retail chains have expressed interest in owning the media channel described in the previous section.

Such a variation allows the retailer to own the revenues generated from campaigns and as such, is a slight variation to the go-to-market plan described above. This way, Realfiction will generate recurring rental/sales revenues and ad hoc content creation revenue. However,

as Realfiction will not be directly involved in the sales of advertising space to brand owners, Realfiction does not need to add to its sales organization. As such, the cost structure is slightly different, but the perks of creating continuous and recurring revenues to Realfiction exists here as well.

**Events at exhibition venues**

Realfiction currently only targets the European and North-American exhibition market which make up 69% of the global exhibition market in 2017 as per the illustration on page 23. The Company works together with large international exhibition partners and also targets clients directly via a web-based lead generation program and participation at exhibitions and events.

To exhibitors, the Company offers event, expo or brand activation with the visual help of a 3D holographic display. The full-service rental program includes holographic display rental, development of bespoke 3D content, technical installation and take down, interactive hologram, branding foils and freight and logistics. Most of the holographic display models are offered for rent, without any need for upfront investment or long-term commitment from the customer.

The process starts by an initial analysis of the client to understand the brand values and product USP's that the campaign evolves around. The overall framework of the project is established through close collaboration with the client. Realfiction identifies the essentials in the story, and decides which type of display is the most suitable

for each case. Realfiction then utilizes the clients existing assets and creates the initial storyboard. Finally, Realfiction tests, refines and edits to ensure the clients approval. Following the approval, Realfiction uses advanced postproduction and compositing to create a high-quality 3D hologram animation. At the exhibition location, the Realfiction production team assembles the display, applies the branding elements and perform on-site calibration of the content if needed. All in all, Realfiction assumes responsibility for the whole process and ensures that everything runs effortlessly. After the exhibition or event, all hardware is dismantled and shipped back to the Company warehouse.

**Innovation including Project Echo**

Project Echo is the current center in the development department and can in the future provide significant licensing and joint cooperation opportunities. The Company expects to present a proof of concept later in 2019. Please refer to the section “Research and development” below for more information about Project Echo.

**Sale of displays, 3D animations, and accessories**

Realfiction has created a global network of partners consisting of more than 150 resellers and/or content developers in Europe, North and South America, Asia, Australia,

the Middle East, and other regions. Despite the shift in business model and go-to-market, the Company continues to offer partners the option to purchase and resell its range of Mixed Reality displays, 3D animations and accessories at the same pace as before. The Company will continue to do so whilst the MaaS concept is developing.

Project sales – that is sales of larger numbers of units -is carried out by global partners. Realfiction will continue to support global partners, but will not invest further in sales organization or marketing as the Company has identified Magic-as-a-Service and Project Echo as the core strategy for growing Realfiction.

---

**Hardware platform**

Realfiction has two lines of Mixed Reality (MR) displays, Dreamoc and DeepFrame. Realfiction’s line of Dreamoc and DeepFrame displays are core components in Magic-as-a-Service solutions or sold to clients or partners.

**Dreamoc**

Dreamoc is a series of MR displays with a diamond shaped glass chamber where pictures and 3D animations appear to be floating together with real products. Different models have chambers of different size and design, and the content can be seen either from the front or from several directions

simultaneously. All Dreamoc displays are connected and thereby can get the digital content distributed from a central source at a remote location.

### Dreamoc HD3

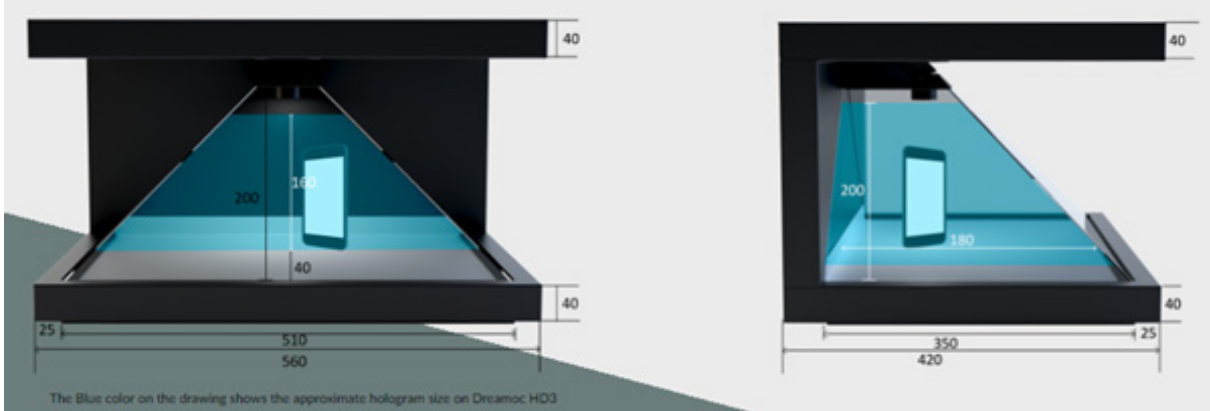
Dreamoc HD3 is the smallest model for single products that can be experienced from three directions simultaneously. This display is a platform for creating attention and stop-effect in any busy commercial setting. It measures less than two feet wide and one foot in height.

The holographic content inside the HD3 is visible from three sides, making it possible for the viewers to walk around the display and observe the product from almost every angle. The mixed reality experience can be further enhanced by strategically placing the actual products right next to the display.

This allows customers to touch and feel the product they're seeing, which increases the conversion from viewers into customers. The HD3 comes with a variety of features, such as built-in audio, high-end glass optics and HDMI input.

### Technical specifications

Display measurements:	W560 x H342 x D420 mm
Power Consumption:	50W (Max) < 1W (Deep st.by.) < 5W (St.by.)
Speakers:	2 x 10W
Screen size:	23", 16:9
Resolution:	Full HD 1920 X 1080p
Content:	WMV, MP4, AVI, MPEG1/2/4, H.264, VC-
Input:	1 x HDMI , 1 x SD slot
SD card:	Minimum class 4 - maximum 32GB



### Dreamoc POP3

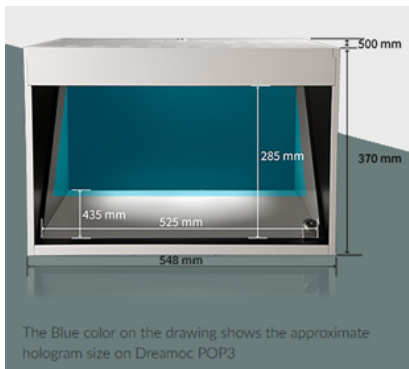
Dreamoc POP3 can only be experienced from the front and is especially well suited for displays on shelves and for displaying several objects together, especially when several units are stapled together. This display is designed to create attention around a certain

campaign or product launch, either as stand-alone or part of a series. The POP3 has one large tilted pane of glass securing room for your product inside the display and granting a large surface for showing holographic content. Combining a physical item inside the display with three-dimensional content creates

attention from viewers. The POP3 has an array of features like built-in audio, key-protected front and HDMI input for interactivity. The one-sided design makes suitable as a shelf installation for highlighting special products and campaign items.

### Technical specifications

Display measurements:	W548 x H370 x D500 mm (≈550x370x500 mm)
Measurements inside the display:	W524 x H285 x D431,8 mm (≈ 520x300x440 mm)
Speakers:	2 x 10W
Screen size:	23", 16:9
Resolution:	Full HD 1920 X 1080p
Content:	WMV, MP4, AVI, MPEG1/2/4, H.264, VC-
Input:	1 x HDMI , 1 x SD slot
SD card:	Minimum class 4 – maximum 32Gbyte



### Dreamoc XL3

The Dreamoc XL3 is a large mixed reality display which makes it a suitable solution for bigger spaces such as retail focal points, hotel

lobbies or office reception areas. It is also an appropriate solution for bigger events like fairs and trade shows. It has three visible sides, which allows for a larger audience.

It can be fitted on a stand that is either branded in foils to further strengthen the message or simply spun around to reveal shelves for stacking products on display.

### Technical specifications

Display measurements:	W1035x H550 x D685 mm
Power Consumption:	50 W Typ
Speakers:	2 x 10W
Screen size:	43", 16:9
Resolution:	Full HD 1920 X 1080p
Input:	1 x HDMI , 2 x USB, 1 x RJ45, 1 x DVI-D, 1 x Analog(RGB)
Housing:	MDF Wood





### Dreamoc Diamond

As the name indicates, this display will present the customer's product in a diamond shaped chamber. The Dreamoc Dimond has full 360 viewing capabilities. This product is well suited for large spaces such as expos, airports or exclusive brand activations. The Dreamoc

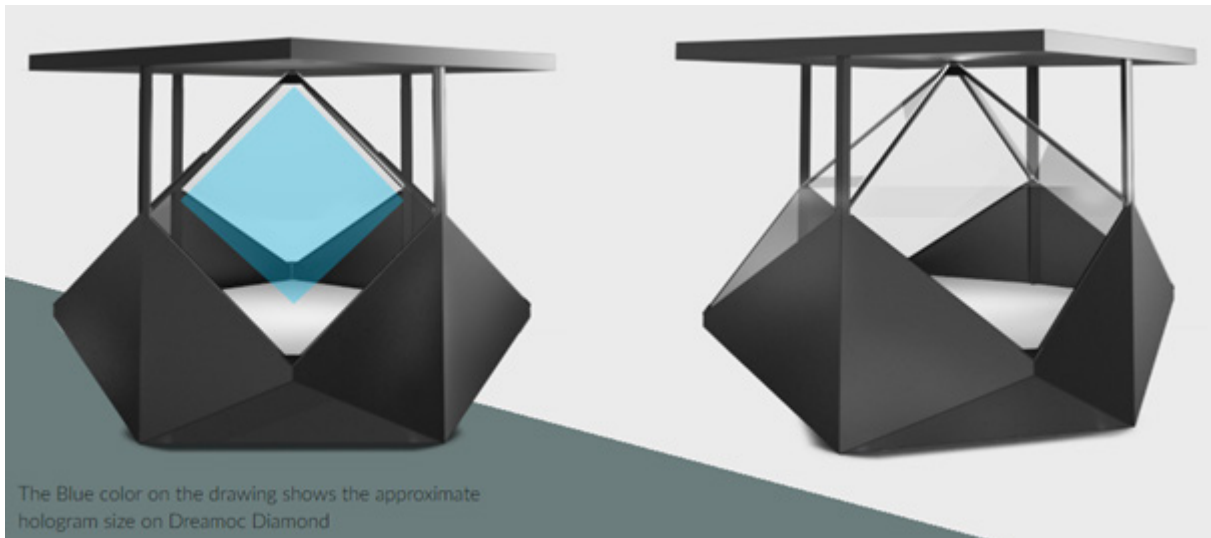
Dimond has 4-sided visibility and was designed and developed in collaboration with Danish designer Steffen Schmelling. The diamond-shaped optics allow for larger products to become enveloped to be combined with holographic content in holographic content. The cabinet features the characteristic angled

design, and the platform height inside can be adjusted to fit small products such as exclusive watches or jewelry, as well as very large products such as premium suitcases or even designer furniture.

### Technical specifications

Display measurements:  
Weight when assembled:  
Resolution:  
Resolution 4K upgrade:  
Input:

W2360x H1710 x D2360 mm  
TBD  
2160:1920 (960x960 pixels per side)  
4320 x 3840 (1920x1920 pixels pr side)  
content plays from an SD-card. HDMI input for real-time interactivity.



**Dreamoc XXL3**

Dreamoc XXL3 is, as the name suggests, a larger model that make it possible to create attention for really large objects, for instance at airports or in shopping malls. The XXL3 display has a 4-sided design that lets

the audience see the 3D holograms from all viewing angles. All four sides of the XXL3 are fitted with safety laminated 7mm Crystalline™ optics. The XXL3 can house items of up to three feet across and almost 2 feet in height giving the opportunity

to display bigger or multiple items. It features built-in speakers and, if needed, it can be connected to external sound systems allowing for directed sound effects.

Technical specifications

Display measurements:

Weight when assembled:

Power Consumption:

Resolution:

Input:

W1980x H1952 x D1780 mm

180 Kg (approx)

265 W

4 x full HD (1920:1080 on each side)

content plays from an SD-card. HDMI input for real-time interactivity.



## DeepFrame

DeepFrame is the world's largest MR display and can create real time experiences where holographic images and animations are projected over existing surfaces and objects. By looking through a display lens, spectators can collectively experience animations of any size and at any distance, entirely without the use of traditional and immersive VR eyewear. By layering digital content over an actual

physical space, the display creates the sensation of virtual objects appearing in reality behind the lens, and not just flat on the glass surface. It was awarded the "CES 2018 Innovation Awards Honoree" title at CES, the world's largest consumer electronics show.

**DeepFrame One** is the first plug and play model in the DeepFrame series that makes it possible to create experiences for shopping malls and showrooms, amusement

parks, museums, conferences, events and car showrooms. Other possible use cases include visualization in education and research as well as in architecture, manufacturing and construction. DeepFrame Basic is a mixed reality display in its most basic form, presenting only the optical lens. This is intended for more permanent installations like museums, experience centers or theme parks.

### Technical specifications DeepFrame One

Power input:	100-240V, 50-60 Hz
OLED screen size:	65 inches
Materials:	High-precision glass optical lens with a powder-coated metal frame. Powder coated metal chassis. Speaker system made of wood and textile.
Resolution:	3840x2160x60p or 4096x2160x60p
Content:	H.265 (HEVC) file
Sound out:	Built-in sound
Video Input:	Content plays from SD-card. HDMI input for real-time and interactivity features



### Technical specifications DeepFrame Basic

Display measurements:	W1350 x H1350 x D100 mm
Materials:	High-precision glass optical lens with a powder-coated aluminum frame.
Weight:	50 kg



## Research and development

Realfiction has developed a product range with accumulated investment of approximately 43 MSEK since its foundation, which has primarily been financed through operations.

Realfiction's idea is to create social Mixed Reality experiences, by avoiding the use of glasses/goggles. As such, the majority of future investments in research and development will be in the patent-pending Project Echo technology.

### Project Echo

With Project Echo, Realfiction is developing a display technology that makes it possible for a group of people to experience holographic effects in open space, without any physical media or lens between them and the effects.

### Technology

Directional pixels and directional displays have been around for decades, with recent market players including Light Field Lab, Fovi 3D, Leia, JDI, BOE and Samsung. However, even state of the art directional displays suffers from severe restrictions that have prevented market acceptance outside of small niche use cases. State of the art directional pixels and autostereoscopic and light field displays typically suffer from several of the following problems:

- Complex and expensive technology due to extreme sub-pixel resolution and bandwidth requirements
- Low resolution and/or narrow viewing angle due to limitations in sub-pixel resolution and internal display bandwidth
- Positions from which parts of the display appear dark due to

dead angles in the directional pixels

- Restricted viewing distance (not too close and not too far from the display) and/or tearing of images due to limitations in compensation of angle differences from pixels in different positions in the display to the eyes of the observer
- Abrupt perspective changes as you move your head slightly - and/or head positions from which the image appear blurred - due to limited angular resolution of the directional pixels
- Severely limited number of simultaneous observers (for example 1-6) due to limitations in pixel update speed
- Extreme requirements to the processing power of computers generating content for the display due to an extreme number of simultaneous views being generated
- Bulky constructions due to complex optical assemblies

The objective of Realfiction's new core directional pixel technology is to solve the problems with existing technologies and to enable mass production of displays with millions of pixels.

Project Echo comprises development of a completely new core technology for directional pixels that will enable mass production of the future standard type of displays. A directional pixel, as an enabler of the future display, is a pixel capable of emitting light of different color and intensity in different directions to allow the viewer to see true 3D images standing out of the display without the use of glasses or goggles. The Project Echo technology will allow the observer to move his/her head around the

object or scene, providing so called look-around capability, thus giving the experience of moving around an object and seeing it from different angles. This is opposed to the flat images on today's flat screens as well as existing 3D displays which all suffer from different drawbacks such as lack of look-around-capability, the need to wear glasses etc., resulting in insufficient viewer experiences.

Project Echo's underlying technology is patent-pending.

### Vision

This new technology is expected to make it possible to watch, enjoy and use visual presentations in ways that so far have been exclusive to science fiction universes such as Iron Man, Minority Report, Star Wars, etc. Finally, fiction can become a natural part of the real world of social interaction between human beings.

This is now within reach with the Project Echo pixel technology.

Assuming Realfiction succeeds in developing the patent pending technology, the Company believes it could potentially set a new standard for home entertainment in comparison to the switch from black and white to color tv.

### The use

Realfiction's new core directional pixel technology can, for example, be used for:

- A "holo table" where objects and scenes appear real and where you can walk around the table and see them from different angles
- A "holo wall", similar to a holo table, but where a whole wall can reproduce scenes, landscapes or large objects with stereoscopic depth and look-around-capability

## BUSINESS OVERVIEW

---

- A "holo floor", similar to a holo table, but where a larger floor area can reproduce landscapes or large objects with stereoscopic depth and look-around-capability
- A "holo screen" which is in essence the visual interface of a user's computer, tablet or smartdevice, but with a full 3D stereoscopic depth and look-around-capability
- High quality glasses-free viewing of 3D films

The new technology can potentially change a variety of industries, including social gaming at home, entertaining of crowds in stadiums, the experience in museums and amusement parks, learning in class rooms, buying in car-dealerships, browsing in public areas, creating in architecture, visualizing in medicine, meeting for business and navigating in the automotive industry.

Ultimately, the Company believes that the new technology potentially could set a new standard for how we experience tv shows, series and movies on our phones, tablets and tv's.



**Development team and facilities**

Steen Iversen joined Realfiction in the beginning of 2019 as the company's Director of Advanced Display Technology. Iversen adds extensive experience in developing image processing and display technologies to the team, with prior positions including Technical Director and General Manager of IMAX Theatres International's European office. With a background in computer engineering, Iversen holds a dozen patents in the field of image processing and display technologies and is the co-founder of several companies.

These include Sirius 3D, specialized in image processing for large format cinema, and ColorCode 3-D ApS which is the inventor of 3D glasses used for broadcast campaigns, cinemas and the web with over 150 million units sold. In his new role at Realfiction, Iversen is leading the development of Project Echo, with a team of 2 colleagues and specialist freelancers and partners.

Realfiction has established the following development cooperation with experts in the fields of Advanced Optics, Nanostructures and Electronics.

- Ibsen Photonics A/S masters the cycle from optics and grating simulation and design, through optical and semiconductor production technologies, to high volume assembly, packaging and testing. Ibsen's grating production facilities are world-class, including class 10 cleanroom facilities and ISO 9001:2015 certification. Ibsen's work with Project Echo is fronted by optical designer M.Sc-EE, Optics, Michael Rasmussen. Michael Rasmussen is highly specialized in optics, micro- and nanostructures and holographic elements.
- NanoSYD, University of Southern Denmark granting Realfiction access to research facilities and assistance from associate professor Jakob Kjelstrup-Hansen. Associate professor Jakob Kjelstrup-Hansen

from NanoSYD will be consulting and supervising the laboratory work at NanoSYD. He has a Ph.D. in applied physics and nanotechnology from the Technical University of Denmark in 2006 and is a leading researcher within thin film electronics in Denmark

- CB Svendsen A/S, whose services include development, design, layout and prototyping of electronics and embedded software with ISO 9001:2015 certification
- Simon Sørensen, a freelancer who graduated in 2018 with a M.Sc. in Physics and Technology from University of Southern Denmark and has specialized in optics and photonics

All cooperation agreements are entered on the premise that all IP rights belong to Realfiction.

In addition, Realfiction has established separate electronics laboratory facilities in Copenhagen where Iversen and his 2 Realfiction development colleagues (inclusive of Founder Peter Simonsen) operate.

**Phases and milestones**

The next milestone is to complete and announce a proof of concept for the Project Echo pixel technology before the end of 2019. The objective is to manufacture new directional pixels to present a clear path towards commercial mass production of displays comprising millions of such directional pixels. In its final and fully commercial form, the technology and related content effects will be available at scale and at price points that enable consumer adoption (B2C). However, it is expected that the first working products will target certain industrial (B2B) applications with very specific requirements.

**Potential**

Project Echo represents a licensing opportunity to Realfiction, due to materialize gradually. However, as with all other development, it should

be noted that a risk exists that the development of Project Echo may be delayed, impeded or challenged by others and other, currently unknown technologies.

**General**

Realfiction will continue to invest in development of accessories, features and product upgrades of its existing product range. These investments are expected to amount to MSEK 1 during 2019.

**Manufacturing**

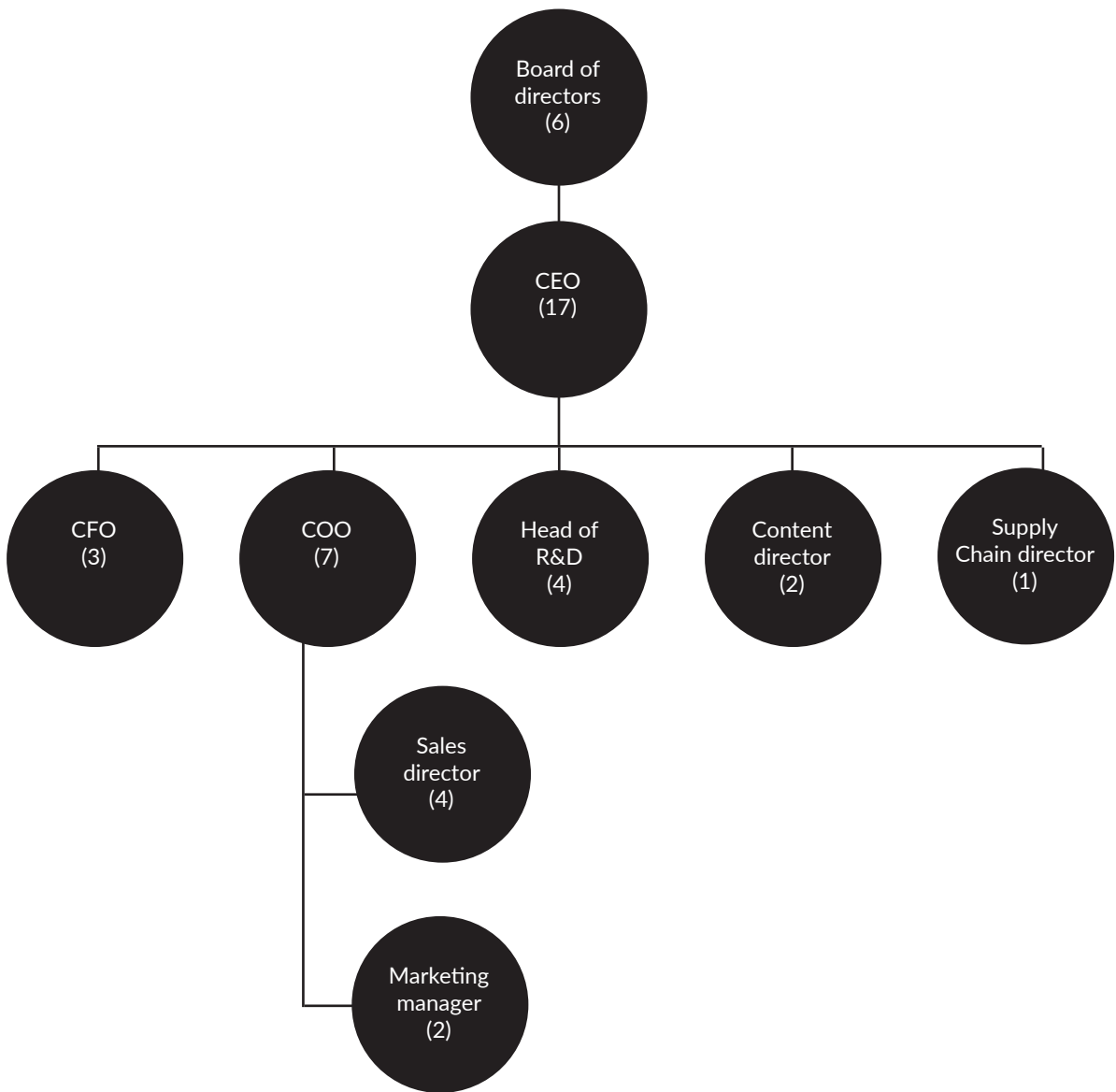
The company continues to outsource the production of its displays to third-party manufacturers, thus enabling the company to continuously adapt and develop the production to the current demand for products in different geographical markets. Headed by its Supply Chain Director, Flemming Kloster, the company has built longstanding and strong relationships with its suppliers. These relationships include a strong culture of quality control which is the prime reason why the Company's products are seen as very sturdy and durable. Also, by working with the key suppliers to continuously drive down cost, the Company is able to offer high quality products to the market at attractive prices, which has proven to be a key driver of continued competitiveness and also, importantly, a strong defense against lower quality copy-cats. The Company's key electronics supplier is the strategic partner and shareholder, Amtran. Based in Taiwan and China, Amtran is a volume-manufacturer (one of the worlds largest display manufacturers) and will be able to support the Company with scaled up manufacturing volumes as and when required. Other key vendors are based in South Korea and Denmark.

In order to secure time- and cost-effective distribution (especially in its Northern American growth markets), the Company keeps inventories in Denmark as well as in the US.

## Organization

The Realfiction organization consists of 17 employees and approximately 2-4 freelancers. The table below shows the organization chart with our employees in each department indicated in brackets.

Realfiction Holding AB's registered address is in Helsingborg, Sweden. The operational subsidiary Realfiction ApS is headquartered in Copenhagen, Denmark, and has a separate research laboratory which is also located in Copenhagen.



# COMPANY HISTORY AND SAMPLE PROJECTS

2008

In late 2007 Peter and Clas left Vizoo to follow their dream of developing innovative products for the retail industry. In October 2008, after a year of preparation, they founded Realfiction.

2011

Scandinavia design has since the 1950s been equivalent to elegance and simplicity produced in high quality. By following this philosophy, Realfiction created the new product line Dreamoc Scandinavia.

2014

In 2014, the Dreamoc HD3 was launched with more features and higher quality but at a lower price. The display marked a huge evolutionary step for the Dreamoc technology.

2009

In spring 2009 Realfiction introduced the Dreamoc, an astonishing 3D retail product for high-end brands. Distribution was established through a worldwide network of partners.

2012

In late 2012 Realfiction introduced a transparent LCD Display. This unique display created an opportunity to combine physical objects with powerful full-colour video effects.

2015

In 2015, Dreamoc POP3 was launched with the "Dreamoc Fusion" feature. It made it possible to link several of these one-sided displays in groups to create mindblowing visuals.

2010

In 2010, the Dreamoc XL was launched to satisfy the need for an even more spacious Dreamoc. The Dreamoc XL quickly became the center of attention when integrated in stores.

2013

In early 2013, the giant four-sided Dreamoc Scandinavia XXL was launched to cater to the growing demand for a really large holographic display.

2016

DREAMOC XL3 – The updated version of our mid-large display solution, features an impressive upgrade of components, accessories and a considerably lower price point.



2017

Dreamoc XXL3 was launched in 2017, with its 4-sided viewing angle and sheer massive presence. The XXL3 was designed for making an impact at trade fairs, museums and other very large settings.

With DeepFrame, a whole new product line of mixed reality displays was launched. It can display visuals of virtually any size, fundamentally changing how digital visualizations meet reality.

In July 2017, Realfiction was listed on the Nasdaq First North Stockholm trading platform.

A large-scale pilot project was initiated in 2017 with a reseller in South Africa for the American pharmaceutical company Pfizer.

The project includes Dreamoc installations in over 60 pharmacies.

In late 2017, DeepFrame was selected as "CES 2018 Innovation Awards" a prestigious award given to the best products based on submissions from thousands of companies.

In December 2017, Dreamoc Diamond, the company's new exclusive top model in the Dreamoc line of enclosed mixed reality displays, was launched.

2018

Realfiction presents "Magic-as-a-Service" (MaaS), an innovative mixed reality service for the retail industry with a fixed monthly fee and presents with Danske Spil as their first MaaS customer.

Realfiction launches the world's first Mixed Reality media-channel. With the new Mixed Reality media channel, suppliers to supermarkets and other major retailers will be able to book and buy their campaign to promote specific products and brands with fast-track delivery from Realfiction and its partners.

Realfiction presents its "STEP-UP-19" strategy, a new strategy for both current business activities and new Mixed Reality technologies.

Realfiction agrees with Bilka, Denmark's #1 supermarket chain, to establish its Magic-as-a-Service concept with open-ended placement of 1-3 mixed reality displays at each of Bilka's 19 supermarkets.

2019

In March 2019, Realfiction announced that it has submitted patent applications for its new directional pixel technology, referred to as Project Echo.

The same month, Realfiction established a development cooperation with Ibsen Photonics A/S and their optical designer M.Sc. EE, Optics, Michael Rasmussen regarding the development of Project Echo.

In late March 2019, Realfiction also established a development cooperation with University of Southern Denmark granting Realfiction access to research facilities and assistance from associate professor Jakob Kjelstrup-Hansen. In addition, the Company established additional electronics laboratory facilities in Copenhagen and hired freelancer M.Sc. Simon Sørensen.

## Sample projects

### PolyTech<sup>11</sup>

PolyTech is a cutting-edge company that operates within the global industry for renewable energy. As a market leader within their field, they develop integrated solutions for some of the world's largest corporations within wind energy. As with many companies, they often struggle with explaining the delicate and complex product offering. By renting the Dreamoc Diamond as the eye-catcher for their trade fair

space, PolyTech was able to easily overcome that initial barrier and present their newest solution at the WindEnergy fair in Hamburg with massive success.

PolyTech chose the Dreamoc Diamond to act as the highlight on their trade fair space, and strategically placed it in a central position for all to see. Inside the display, the vivid hologram told the story of their unique product offering, visually highlighting the important USP's, features and details

in a few minutes – something that would normally take a salesperson much longer to verbally explain to new leads at the fair.

By using the Diamond display, PolyTech was able to successfully bypass the initial explaining phase, thereby approaching leads that already understood the values of their complex product offering. Furthermore, they gained significant interest and awareness at the fair, constituting their position as market-leaders within their field.



**“IT ADDS  
VALUE IN A  
PREMIUM  
WAY, AND I  
THINK IT’S AN  
EXCELLENT SOLUTION  
FOR SHOWCASING  
THESE VERY TECHNICAL  
THINGS”**

**KENNETH IVERSEN** | BUSINESS DEVELOPMENT MANAGER AT POLYTECH

<sup>11</sup> <https://blog.realfiction.com/case-studies/polytech-casestudy-complex-storytelling-made-easy>

**KIMs<sup>12</sup>**

Danish snack-brand KIMs used the Magic-as-a-Service retail concept to promote their two new types of chips as part of a nation-wide product launch. Being a part of the larger Orkla Foods corporation, KIMs promoted the new products with a 4-week MaaS campaign that took place in 18 Bilka hypermarkets in Denmark, featuring 6-7 million customers every month.

By using the holographic display to deliver their campaign message,

KIMs created an in-store experience that visualized the unique new way of heat-blasting the chips, essentially creating a lighter product with 30% less fat. The in-store campaign was placed in some stores as end-cap positions, and in other stores in central locations within the product category area.

During the campaign period, KIMs saw an uplift in sales of at least 25% on one of the new types of chips, and an entire doubling of sales in the second type that was promoted

as well. The uplift in sales was compared to 50 similar supermarkets in the country, which did not have the holographic display installed, but corresponded to the same number of monthly customers as in the Bilka hypermarkets. The campaign did not include an additional price promotion in any of the stores.



**“THIS IS CLEARLY A STRONG MEDIUM FOR PROMOTING OUR NEW PRODUCTS, AS IT CREATES AWARENESS AND AT THE SAME TIME INCREASES SALES.”**

ANDERS HYBHOLT | BRAND MANAGER AT KIMs

<sup>12</sup> <https://blog.realfiction.com/case-studies/kims-chips>

### LEGO<sup>13</sup>

Capturing attention that drives customer traffic in busy high-street retail is something that all brands are continuously striving for. That's why having attractive window installations is one of the most important things for physical brick-and-mortar stores to invest in, as they can often persuade people to enter their stores and drive brand recognition when done right.

With Copenhagen city center as the setting, LEGO used the DeepFrame display to create an immersive mixed reality experience in their flagship store during the Christmas shopping spree. The installation featured digital versions of iconic LEGO characters playing out a story inside the store in a completely lifelike manner.

By having the DeepFrame create a mixed reality experience for their store, LEGO successfully brought their playful brand to life in a new and uniquely digital way.

Additionally, children and their parents were in many ways surprised and enticed to enter the store.



**“USING REALITY AS THE PLATFORM MAKES IT RELATABLE, INSERTING A DIGITAL OBJECT INTO THAT SAME REALITY IS WHAT MAKES THE DEEPFRAME A**

**LARGER-THAN-LIFE EXPERIENCE. IF YOU ASK ME, THAT’S STORYTELLING RIGHT THERE. FOR ME, IT’S ABOUT PUTTING THE KIDS CENTER STAGE AND ENHANCING THE WORLD WHERE THEY OPERATE. THE DEEPFRAME CAN MAKE LEGO COME ALIVE. BY PROJECTING ADDITIONAL FEATURES OR OBJECTS INTO THE REAL WORLD YOU ARE ENHANCING REALITY”**

MIKKEL LEE | LEGO INNOVATION HOUSE

<sup>13</sup> <https://blog.realfiction.com/case-studies/deepframe-at-lego-innovation-house>

65,-

STIMOF



LAKRIDS 1-2-4-5 50,- LAKRIDS A 65,-

dreamoc

# FINANCIAL OVERVIEW



The financial overview presented below regarding the financial year 1 January - 31 December 2018 and financial comparative figures for the period 1 January - 31 December 2017 have been derived from the Group's Year-End report for the financial year 2018 and the Group's annual report for the financial year 2017. The financial information for the financial year 2017 has been audited by the Company's auditor.

The financial overview also contains Realfiction's financial information for the interim period 1 October - 31 December 2018, together with comparative financial information

for the corresponding period of the previous financial year. The financial information for the interim 1 October - 31 December 2018 and 1 October - 31 December 2017 are derived from the Group's published Year-End report. The financial information for the interim periods and the financial year 2018 has not been reviewed or audited by the Company's auditor.

The Group's financial information for all periods, presented below, have been prepared in accordance with prepared in accordance with the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554)) and BFNAR 2012:1 Annual

Reports and Consolidated Financial Statements (K3).

Realfiction ApS, the Group's operating subsidiary, started its operations in 2008. The parent company of the group, Realfiction Holding AB, was formed in April 2017. Group relationship occurred on April 28, 2017. The transaction was treated as a transaction between jointly controlled companies. The consolidated financial statements concerning 2017 thus take the form of merged financial statements, i.e. as if the Group was formed on January 1st, 2017.

### The Group's key financial performance measures

Certain descriptions of the key financial performance measures below show development and status of financial and equity-related performance measures that are not defined in accordance with the Company's accounting standards. These financial performance measures provide valuable and complementary information to investors. Since all companies do not calculate financial performance measures in the same way, these are not always comparable to those used by other companies. These measures should therefore not be regarded as a compensation for measures that are defined in defined in accordance with the Company's accounting standard. Below are the Group's key financial performance measures covering the period for the financial overview.

KSEK	Q4-2018	Q4-2017	Q1-Q4-2018	Q1-Q4-2017
	01-10-2018 -31-12-2018 3 months	01-10-2017 -31-12-2017 3 months	01-01-2018 -31-12-2018 12 months	01-01-2017 -31-12-2017 12 months
Net revenue	5,819	3,325	23,799	16,319
Gross profit	3,064	1,538	11,370	7,474
Result after financial items	-3,389	-4,294	-12,733	-10,226
Total Assets	20,821	26,084	20,821	26,084
Cash flow from operating activities	-327	-2,366	-14,323	-9,752
Cash at bank and in hand	5,140	17,137	5,140	17,137
Solvency ratio (%)	22.5	62.2	22.5	62.2
Average number of employees	16	14	15	12
Gross profit margin (%)	52.7	46.3	47.8	45.8
Earnings per share (SEK)	-0.26	-0.26	-1.01	-0.87
Average number of shares	11,633,135	11,633,135	11,633,135	10,028,838

### Definitions

**Solvency ratio:** Equity as a percentage of the balance sheet total.

**Earnings per share:** Net result of the period divided with average number of shares for the period. Earnings per share for periods are negative, therefore no dilution.

**Gross profit margin:** Gross profit as a percentage of Net revenue.

## FINANCIAL OVERVIEW

Based on preliminary unaudited financial data, the Company expects revenue for the first quarter of 2019 will be KDKK 5,033 (KSEK 7,024). Compared to the average revenue of the previous 4 quarters, this represents an increase of 17% from KDKK 4,304.

Due to the continued acceleration of the Company's Magic-as-a-Service activities, gross profit and

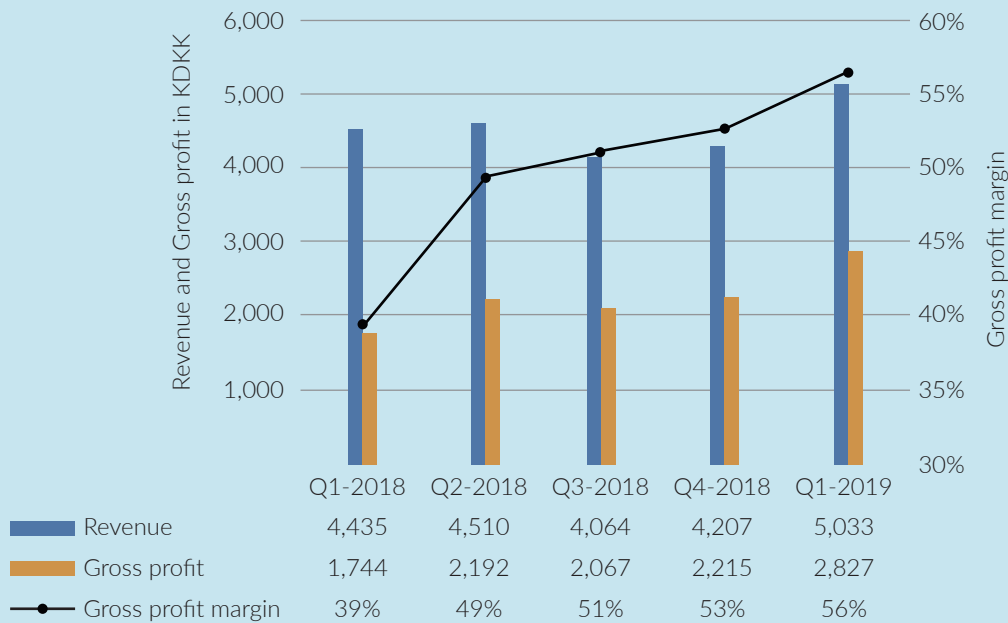
gross profit margin has increased to KDKK 2,827 (KSEK 3,942) and 56% from an average of the previous 4 quarters of KDKK 2,055 and 48%.

The gross profit margin varies from quarter to quarter based on sales mix, and continued growth as experienced lately cannot be guaranteed. It is nevertheless of significance that the gross profit margin in Q1-2019 has increased

by 8 percentage points relative to the 2018 average, corresponding to an increase of almost 17%. It is also worth noticing that the Magic-as-a-Service concept is still in its early days.

The development in revenue, gross profit and gross profit margin is illustrated below

### Growth in key earnings parameters accelerates in Q1-19



The Group's revenue and gross profit is fully earned in the Danish subsidiary Realfiction ApS. As such, and to avoid that currency fluctuations between DKK and SEK distort the presentation of revenue and gross profit, the above illustration is prepared on the basis of Realfiction ApS' DKK figures. These preliminary key earnings are subject to completion of the Company's accounting procedures

## Income Statement (condensed) - Group

KSEK	Q4-2018	Q4-2017	Q1-Q4-2018	Q1-Q4-2017
	01-10-2018 -31-12-2018 3 months	01-10-2017 -31-12-2017 3 months	01-01-2018 -31-12-2018 12 months	01-01-2017 -31-12-2017 12 months
Net revenue	5,819	3,325	23,799	16,319
Cost of goods sold	-2,755	-1,787	-12,429	-8,845
<b>Gross profit</b>	<b>3,064</b>	<b>1,538</b>	<b>11,370</b>	<b>7,474</b>
Other external costs*	-1,573	-3,447	-9,184	-10,338
Personnel costs	-4,375	-2,759	-14,768	-8,351
Depreciation of tangible fixed assets	-189	-12	-290	-18
Other income and expenses*	-7	195	1,126	1,274
<b>Operating result</b>	<b>-3,080</b>	<b>-4,485</b>	<b>-11,746</b>	<b>-9,959</b>
Other financial income	31	191	219	0
Other financial costs	-340	0	-1,206	-267
<b>Result after financial items</b>	<b>-3,389</b>	<b>-4,294</b>	<b>-12,733</b>	<b>-10,226</b>
Tax on the profit of the period	319	1,239	940	1,497
<b>Net result for the period</b>	<b>-3,070</b>	<b>-3,055</b>	<b>-11,793</b>	<b>-8,729</b>

\*Other income and expenses in periods prior to Q4-2018 have been reclassified from "Other external costs" to a separate line item titled "Other income and expenses".



**Balance Sheet (condensed) - Group**

KSEK	31-12-2018	31-12-2017
<b>Assets</b>		
<b>Non-current assets</b>		
<b>Tangible assets</b>		
Other property, plant and equipment	1,707	163
<b>Total tangible assets</b>	<b>1,707</b>	<b>163</b>
Other long-term receivables	317	237
<b>Total financial assets</b>	<b>317</b>	<b>237</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,024</b>	<b>400</b>
<b>Current assets</b>		
Inventories	8,909	4,804
<b>Total inventories</b>	<b>8,909</b>	<b>4,804</b>
Trade receivables	1,551	460
Other short-term receivables	648	1,477
Prepaid expenses	1,610	940
Tax receivable	939	866
<b>Total short-term receivables</b>	<b>4,748</b>	<b>3,743</b>
Cash at bank and in hand	<b>5,140</b>	<b>17,137</b>
<b>TOTAL CURRENT ASSETS</b>	<b>18,797</b>	<b>25,684</b>
<b>TOTAL ASSETS</b>	<b>20,821</b>	<b>26,084</b>
<b>Liabilities and Equity</b>		
<b>Equity</b>		
Share capital	1,163	1,163
Other reserves incl. retained earnings	3,517	15,060
<b>TOTAL EQUITY</b>	<b>4,680</b>	<b>16,223</b>
Credit institutions	2,051	3,799
<b>Non-current liabilities</b>	<b>2,051</b>	<b>3,799</b>
Short-term of non-current liabilities	1,848	1,587
Trade payables	1,320	1,816
Other payables	10,922	2,659
<b>Total current liabilities</b>	<b>14,090</b>	<b>6,062</b>
<b>TOTAL LIABILITIES</b>	<b>16,141</b>	<b>9,861</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>20,821</b>	<b>26,084</b>

## Cash Flow Statement (condensed) - Group

KSEK	Q4-2018 01-10-2018 -31-12-2018 3 months	Q4-2017 01-10-2017 -31-12-2017 3 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months	Q1-Q4-2017 01-01-2017 -31-12-2017 12 months
<b>Operating result</b>	<b>-3,080</b>	<b>-4,485</b>	<b>-11,746</b>	<b>-9,959</b>
Exchange adjustments	0	-83	0	-78
Depreciation	189	12	290	18
<b>Operating result after exchange adjustments</b>	<b>-2,891</b>	<b>-4,556</b>	<b>-11,456</b>	<b>-10,019</b>
<b>Operating activities</b>				
Change in trade receivables	461	422	-1,062	-9
Change in inventories	192	-50	-3,940	2,176
Change in other receivables	975	-1,483	929	-1,188
Change in short-term part of long-term payables	0	73	11	542
Change in other payables	894	553	1,430	1,179
Change in trade payables	-375	1,141	-59	-3,999
<b>Cash flow from ordinary activities</b>	<b>-744</b>	<b>-3,900</b>	<b>-14,147</b>	<b>-11,318</b>
Paid financial costs	-486	191	-1,079	-267
Tax payments	903	1,343	903	1,833
<b>Cash flow from operating activities</b>	<b>-327</b>	<b>-2,366</b>	<b>-14,323</b>	<b>-9,752</b>
Purchase of financial assets	-63	-15	-70	0
Purchase of tangible assets	-38	0	-1,831	-181
<b>Cash flow from investing activities</b>	<b>-101</b>	<b>-15</b>	<b>-1,901</b>	<b>-181</b>
<b>Financing activities</b>				
Payment of long-term liabilities	-444	-475	-1,724	-1,685
Bridge loan	5,447	0	5,447	0
Share issue	0	0	0	24,596
<b>Cash flow from financing activities</b>	<b>5,003</b>	<b>-475</b>	<b>3,723</b>	<b>22,911</b>
<b>Cash flow for the period</b>	<b>4,574</b>	<b>-2,856</b>	<b>-12,501</b>	<b>12,978</b>
<b>Cash and cash equivalents at period start</b>	<b>506</b>	<b>19,948</b>	<b>17,137</b>	<b>4,159</b>
Exchange rate recalculation difference – cash and cash equivalents	59	45	504	0
<b>Cash and cash equivalents at period end</b>	<b>5,140</b>	<b>17,137</b>	<b>5,140</b>	<b>17,137</b>

**Supplementary Income Statement (condensed) – Group** Key figures from the income statement for the Group are presented below on the basis of the underlying activities. Realfiction has two main activities; 1) Innovation & Development Activities, including all directly related expenses incurred in connection with the Innovation & Development Activities in the Group and 2) Sales Activities, including all other activities in the Group. Hence, the supplementary income statement illustrates the investment in Innovation & Development, and the underlying performance of sales activities.

KSEK	Q4-2018 01-10-2018 -31-12-2018 3 months	Q4-2017 01-10-2017 -31-12-2017 3 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months	Q1-Q4-2017 01-01-2017 -31-12-2017 12 months
<b>Sales Activities</b>				
Gross profit	3.064	1538	11.370	7.474
Other external costs	-1.331	-2.971	-7.750	-8.279
Personnel costs	-3.689	-2.140	-12.026	-6.203
Depreciation of tangible fixed assets	-189	-12	-290	-18
Other income and expenses	-7	139	315	536
Operating result	-2.152	-3.446	-8.381	-6.490

KSEK	Q4-2018 01-10-2018 -31-12-2018 3 months	Q4-2017 01-10-2017 -31-12-2017 3 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months	Q1-Q4-2017 01-01-2017 -31-12-2017 12 months
<b>Innovation &amp; Development Activities</b>				
Other external costs	-242	-476	-1.434	-2.059
Personnel costs	-686	-619	-2.742	-2.148
Other income and expenses	0	56	811	738
Operating result	-928	-1.039	-3.365	-3.469

Above, the Company present a supplementary income statement with two main activities; sales and innovation & development. The supplementary income statement illustrates investments in innovation & development, and the underlying performance of the Company's Sales Activities. The tables present an increasing gross profit margin from the newly established MaaS business, and continued revenue growth. Realfiction will capitalize development projects that fulfill the requirements of the capitalization accounting principle. In 2017 and 2018, the company did not have processes in place to allow for such capitalization. In 2017 and the first part of 2018, the primary expenditures in innovation and development are within the DeepFrame and Dreamoc Diamond categories. In the last part of 2018, Realfiction launched Project Echo.

**NIKE TAILWIND (1978)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH A TAILWIND CUT-OUT, THE NIKE TAILWIND WAS THE FIRST NIKE SHOE TO BE DESIGNED WITH A TAILWIND CUT-OUT.

**AIR FORCE ONE (1982)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**AIR JORDAN III (1988)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR. THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**AIR TRAINER HIGH (1987)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**AIR MAX 90 (1990)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**NIKE AIR RAID (1992)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**AIR MAX 95 (1995)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**AIR MAX 97 (1997)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**AIR MAX 2015 FLYKNIT (2015)**  
 THE FIRST NIKE SHOE TO BE DESIGNED WITH AIR.

**MEETS THE STREET**

**LEBRON XIII**





# COMMENTS ON THE FINANCIAL OVERVIEW

### Income Statement

Group net revenue amounts to KSEK 5,819 and 23,799 for Q4 and Q1-Q4 2018 respectively. This is a significant increase of 75% compared to Q4 2017 and 46% compared to Q1-Q4 2017. The primary part of net revenue in Q4 and 2018 consists of product sales from the Dreamoc and DeepFrame category, however the pickup in sales from the Magic-as-a-Service ("MaaS") concept in Q3 2018 has further increased in Q4 2018.

Cost of goods sold amounts to KSEK 2,755 and 12,429 for Q4 and Q1-Q4 2018, compared to KSEK 1,787 and 8,845 for Q4 and Q1-Q4 2017.

Thus the gross profit in Q4 2018 increased to KSEK 3,064 from 1,538 in Q4 2017 and resulted in an increased gross profit margin in Q4 2018 of 52.7% compared to 46.3% in Q4 2017. The gross profit in Q1-Q4 2018 increased to KSEK 11,370 from 7,474 in Q1-Q4 2017 and resulted in an increased gross profit margin in Q1-Q4 2018 of 47.8% compared to 45.8% in Q1-Q4 2017.

The significant increase in the gross profit margin is primarily attributable to the increase in sales from our MaaS concept.

Other external costs decreased to KSEK 1,573 in Q4, 2018 from 3,447 in Q4, 2017, and to KSEK 9,184 in Q1-Q4 2018 from 10,338 in Q1-Q4 2017. The decrease is primarily due to decreased innovation and development expenditure in 2018 compared to 2017.

Personnel costs are at a high level in Q4 and Q1-Q4 2018 due to onboarding of sales resources and continuous investments in product and market development.

Other income and expenses as presented in a separate line item consisting of development grants,

rent and subsidies amounts to KSEK -7 in Q4 and 1,126 in Q1-Q4 2018 compared to KSEK 195 and 1,274 in Q4 and Q1-Q4 2017. Group net financial costs consist of interest on the loan with Vækstfonden and the new bridge loan (see "Legal considerations and supplementary information").

### Balance Sheet

Realfiction's total assets at 31 December 2018 amounts to KSEK 20,821. Inventory at 31 December 2018 amounts to KSEK 8,909 compared to KSEK 4,804 at 31 December 2017. The increase in inventory compared to 31 December 2017 is a result of preparing the capacity to the increased sales and rental forecast to support the new "STEP- UP-2019" strategy as presented in a press release and at a webinar on 27 November. Since 30 September 2018, inventory has decreased by KSEK 1,805. A major portion of this decrease is caused by the roll-out of our Magic-as-a-Service platform as described under "Investments".

Trade receivables remain higher than previous year due to the increase in sales during Q4 2018.

Other payables increased to KSEK 10,922 at 31 December 2018 compared to 2,659 at 31 December 2017. The increase is primarily due to the bridge loan obtained in the beginning of October 2018. The bridge loan carries interest and Realfiction has the option to pay the lenders in Realfiction shares. The bridge loan amounts to KSEK 6,406 at 31 December 2018.

The Group's solvency ratio at 31 December 2018 was 22.5% compared to 62.2% at 31 December 2017.

Realfiction Holding AB issued a shareholder contribution of TDKK 5,748 (equivalent to KSEK 7,911)

to its wholly owned subsidiary Realfiction ApS. The premium was received on 31 December 2018 and will not entitle the shareholder to recover the supplement later. The contribution was made by reducing the company's loan receivable from the subsidiary with the corresponding amount.

### Investments

In Q4 2018, Realfiction rolled out the MaaS platform and designed additional displays that will be rolled out as part of the MaaS platform in early 2019. These displays have been capitalized as tangible assets which increased to KSEK 1,707 at 31 December 2018 compared to 163 at 31 December 2017.

### Cash Flow and Liquidity

Realfiction's liquidity at 31 December 2018 amounts to KSEK 5,140. Cash flow from operating activities for Q4 and Q1-Q4 2018 amounts to KSEK -327 and -14,323 compared to KSEK -2,366 and -9,752 for Q4 and Q1-Q4 2017.

Cash flows from operating activities in Q4 2018 are significantly improved compared to Q4 2017 and previous quarters in 2018. The improvement is primarily caused by the positive impact from increased MaaS business – a trend which is forecasted to continue in 2019. Cash flows from operating activities in Q1-Q4 2018 are negatively impacted by the increase in inventory and tangible assets and continuous investments in product- and market development. The additional inventory will have a positive impact on the future cash-flows as products in inventory are gradually sold and paid.

As communicated in our Q1-Q3 Interim Report, on 4 October 2018, Realfiction secured funding of MSEK 6,1 to allow the first part of our "STEP-UP-19" strategy to be carried out. As such Realfiction had positive

cash flow from financing activities in Q4 2018 and Q1-Q4 2018 of KSEK 5,003 and 3,723 compared to KSEK -475 and 22,911 in Q4 2017 and Q1-Q4 2017 (the latter due to the IPO in May 2017).

### Other financial information

Significant events after 31 December 2018

- 23 January 2019: Realfiction announces that the company has received several significant orders for its Mixed Reality solutions in the beginning of 2019. They include three Magic-as-a-Service (MaaS) retail campaigns in Denmark, three rental orders including usage at CES 2019 and two hardware orders covering the sale of a total of 39 smaller Dreamoc displays. The total order value amounts to MSEK 1,580.
- 5 March 2019: Realfiction received several new significant orders from customers in Europe and the United States. These orders include one DeepFrame and three Dreamoc Diamond mixed reality displays. The combined order value for these orders is approximately 1.5 MSEK.
- 19 March 2019: Realfiction announces that it has submitted patent applications for its new directional pixel technology, referred to as Project Echo.
- 20 March 2019: Realfiction established a development cooperation with Ibsen Photonics A/S and works with their optical designer M.Sc.-EE, Optics, Michael Rasmussen regarding the development of Project Echo.
- 28 March 2019: Realfiction announces that the Company has established a development cooperation with University of Southern Denmark granting Realfiction access to research

facilities and assistance from associate professor Jakob Kjelstrup-Hansen, established additional electronics laboratory facilities in Copenhagen and hired freelancer M.Sc. Simon Sørensen.

- 10 April 2019: Realfiction announces that orders including 24 Dreamoc HD3 displays to Germany, 18 Dreamoc HD3 displays to the UK and four additional Magic-as-a-Service (MaaS) retail campaigns in Denmark. The total order value for the deals amounts to around 926,000 SEK.

### Statement concerning working capital

The Board of directors assesses that the existing working capital in the Company is not sufficient to meet Realfiction's working capital and capital expenditure needs for 12 months as of the date of the Memorandum. The proceeds from the current issue amounts to approximately MSEK 17.5 (if fully subscribed) and is pre-subscribed to approximately 66 percent.

The Company's issue-related costs are expected to amount to approximately SEK 1,850,000. The Pre-subscriptions after issue-related cost will, according to the board of director's assessment, provide enough working capital for the Company to cover its needs for the following 12 months.

The board also assesses that the Company's Sales Activities (as defined on page 51) will become cash flow positive on a monthly basis by the end of 2019.

### Use of the issue proceeds

The proceeds from the current Issue will primarily be used for marketing and research and development.

Marketing in the aspect of increased cross-boarder sales effort of the new concept Magic-as-a-Service, mainly in the Nordic region initially.

Research and development in the form of continued maintenance of existing products, but primarily for the above described Project Echo.

The total proceeds from the current issue will, according to the Board of Directors of Realfiction's assessment, be sufficient to deliver a proof-of-concept for Project Echo during 2019 and to expand its Magic-as-a-Service concept, making the Company's Sales Activities (as defined on page 51) cash flow positive on a monthly basis by the end of 2019.

The proceeds will, in more detail, be used according to the following allocation:

Marketing and sales of Magic-as-a-Service: 50 percent  
 Research and development of primarily Project Echo and existing products: 50 percent

### Tendencies

As far as the board of directors is aware, as at the date of the Offering, there are no know tendencies, other than as stated in the section "Market Overview", uncertainties, potential demands or other requirements, commitments or events, other than that stated in the section "Risk factors", that might be expected to have material impact on the Company's future prospects.

Other than as stated above in the section "Risk factors", the Company is also not aware if any public, economic, fiscal policy, monetary policy or other political measures which, directly or indirectly, have had or could have material impact on the Company's business.

## Capital structure and indebtedness

The tables in this section report the Company's capitalization and debt at group level as of 28 February 2019. The tables in this section should be read in conjunction with the section "Comments to the selected financial information" and the Company's financial information, with associated notes, which has been incorporated to this Memorandum by reference. The financial information in the tables has not been reviewed or audited by the Company's auditor. The tables include only interest-bearing liabilities.

### Capitalisation

Capitalisation (KSEK)	28 February 2019
Current liabilities (including current portion of long-term interest-bearing liabilities)	8,477
Guaranteed	-
Secured	1,887
Unguaranteed/Unsecured*	6,590
Long-term interest-bearing liabilities	2,095
Guaranteed	-
Secured	2,095
Unguaranteed/Unsecured	-
Total shareholder's equity	2,596
Share capital	1,163
Other reserves including retained earnings	1,433
<b>Total capitalisation</b>	<b>13,168</b>

\*Unguaranteed/Unsecured liabilities consist of the bridge loan that will be converted to share capital in a parallel directed capital increase. Please refer to the sections "Share capital development", "Bridge financing agreement" and "Financial overview" for more information on the bridge loans and conversion to share capital.



## Net indebtedness

Net indebtedness (KSEK)

28 February 2019

[A] Cash	3,207
[B] Cash equivalents	-
[C] Current financial investments	-
[D] Liquidity [A]+[B]+[C]	3,207
[E] Current financial receivable	0
[F] Current Bank Debt	-
[G] Current portion of non-current debt	1,887
[H] Other current financial debt	6,590
[I] Current financial debt [F]+[G]+[H]	8,477
[J] Net Current Financial Indebtedness [I]-[E]-[D]	5,270
[K] Non-current interest bearing financial receivable	0
[L] Non-current Bank loans	-
[M] Bonds Issued	-
[N] Other non-current loans	2,095
[O] Non-current Financial Indebtedness [L]+[M]+[N]	2,095
[P] Net Financial Indebtedness [J]-[K]+[O]	7,365



**BOARD OF DIRECTORS,  
SENIOR EXECUTIVES AND  
AUDITOR**

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITOR

Realfiction's Articles of Association stipulate that the Board of Directors is to consist of a minimum of three and a maximum of ten members, with a maximum of ten deputy members. Realfiction's Board of Directors currently consists of six members, including the chairman of the board. The members of the board, their year of birth, the year of their initial election to the board of directors and their shareholdings in Realfiction are set forth in the table below.

Name	Year of birth	Elected	Independent in relation to the Company and Company management	Independent in relation to the Company's major shareholders	Shareholdings
Michael Kjær	1956	2017	Yes	Yes	135,286 shares
Søren Jonas Bruun	1961	2017	No	No	3,194,447 shares and 120,750 warrants*
Peter Max	1961	2017	No	No	120,750 warrants
Peter Bugge Johansen	1962	2018	Yes	Yes	None
Clas Dyrholm	1974	2017	No	No	2,875,000 shares and 230,000 warrants**
Peter Simonsen	1972	2017	No	No	2,875,000 shares and 230,000 warrants**

\* Bruun privately owns no shares in Realfiction Holding AB but is a general partner of Ceranco Equity S.C.S, which owns 3,194,447 shares in Realfiction Holding AB, corresponding to approximately 27.5 percent. In addition, Gemstone Captal A/S, in which Bruun is a general partner, holds 120,750 warrants in Realfiction Holding AB.

\*\* Dyrholm and Simonsen owns 50 percent each of Clape Holding ApS, which in turn owns 2,875,000 shares in Realfiction Holding AB, equivalent to approximately 24.7 percent. Clape Holding ApS holds 230,000 warrants in Realfiction Holding AB.

## Board of directors



### Michael Kjær

Chairman of the Board since 2017.

Michael Kjær, born 1956, has extensive experience in board and management positions, strategy development, retail, sales and marketing, accounting, plus with fund and investment companies.

Kjær comes most recently from the position as CEO of F Group A/S since 2001. Previously he has also served as CEO, Sales Manager and Marketing Manager at Fredgaard Radio A/S. Kjær is presently the Chairman of the Board of Kraks Fond, Artha Holding A/S, Core Leasing A/S, MenuPay A/S and Telecentret A/S. Kjær is also Vice Chairman in listed Brdr. A&O Johansen A/S and Boardmember in Jacobsgaard Investment Advisory ApS. Kjær is even expertjudge in The Maritime and Commercial High Court in Copenhagen, Denmark. And Kjær has been Chairman of the Board in Realfiction ApS since 2016. Michael Kjær is independent of the Company, Senior Management and major shareholders in the company.

Kjær owns 135,286 shares in Realfiction Holding AB.

Company engagement over the last five years

Company	Position	Period
Artha Holding A/S	Chairman of the Board	Ongoing
Brdr A&O Johansen A/S	Vice Chairman	Ongoing
Core Leasing A/S	Chairman of the board	Ongoing
Invest Group A/S	CEO and Board member	Ongoing
Jacobsgaard Investment Advisory ApS	Board member	Ongoing
Kjær 11-11-11 ApS	Board member	Ongoing
Kraks Fond	Chairman of the Board	Ongoing
MenuPay ApS	Chairman of the Board	Ongoing
MenuPay AB	Chairman of the Board	Ongoing
MMP af 1988 A/S	Board member	Ongoing
Paul Kjær af 1991 ApS	Board member	Ongoing
Paul Kjær Invest A/S	Board member	Ongoing
Realfiction ApS	Chairman of the Board	Ongoing
Realfiction Holding AB	Chairman of the Board	Ongoing
Telecentret A/S	Chairman of the Board	Ongoing
Sokkelund Ejendomme ApS	CEO and Board member	Ended during the period
Sokkelund Invest A/S	CEO and Board member	Ended during the period
F GROUP A/S	CEO	Ended during the period
Interdan A/S	Vice Chairman	Ended during the period



### Søren Jonas Bruun

Member of the Board since 2017

Søren Jonas Bruun, born in 1961, holds an executive MBA from Copenhagen Business School and a background in technology and international affairs, but has also been active at management levels in business banking, corporate finance and industry. Bruun is co-founder of and partner in Gemstone Capital. In addition, Bruun has previously worked in New York and London and participated in more than 15 successful exits of IT companies. Bruun has held board assignments in more than 25 companies and is currently active as vice chairman of MenuCard AB, which is listed on Spotlight Stock Market. Bruun is also a Boardmember of Realfiction ApS since 2009. Søren Jonas Bruun is not independent of the Company, Senior Management and major shareholders in the Company.

Bruun privately owns no shares in Realfiction Holding AB but is a general partner of Ceranco Equity S.C.S, which owns 3,194,447 shares in Realfiction Holding AB. In addition, Gemstone Capital A/S, in which Bruun is a general partner, holds 120,750 warrants in Realfiction Holding AB.

Company engagement over the last five years

Company	Position	Period
Gemstone Partner Holding ApS	Founder	Ongoing
Gemstone Capital A/S	General partner	Ongoing
Ceranco Equity S.C.S	General partner	Ongoing
MenuPay AB	Vice Chairman	Ongoing
MenuPay ApS	Vice Chairman	Ongoing
Realfiction ApS	Board member	Ongoing
Realfiction Holding AB	Board member	Ongoing
A2I Systems ApS	Board member	Ended during the period
Connect Denmark	Chairman of the Board	Ended during the period



**Peter Max**

Member of the Board since 2017

Peter Max, born in 1961, holds a bachelor’s degree in Marketing and Management from Insead and Henley MBA Institute and extensive experience in developing technology companies. For more than 20 years, Max has worked in several roles, such as CEO, Chairman of the Board, Investor and Founder. Max experience includes Senior Executive in companies such as Microsoft and Apple. Max is one of the founders and CEO of Gemstone Capital. Max is also a board member of Realfiction ApS since 2015. Peter Max is not independent of the Company, Senior Management and major shareholders in the Company.

Max privately owns no shares in Realfiction Holding AB. Gemstone Capital A/S, in which Max is a partner, holds 120,750 warrants in Realfiction Holding AB.

Company engagement over the last five years

Company	Position	Period
Gemstone Partner Holding ApS	Founder	Ongoing
Gemstone Capital A/S	CEO	Ongoing
Realfiction ApS	Board member	Ongoing
Realfiction Holding AB	Board member	Ongoing
Sophion Bioscience A/S	Board member	Ongoing



## Peter Bugge Johansen

Member of the Board since 2017

Peter Bugge Johansen, born 1962, State Authorized Public Accountant. Johansen worked 20 years at Interdan Holding A/S the last 6 years as CEO and before that CFO. Johansen has acquired extensive knowledge in financial and strategic issues such as financing, reporting internal and external, change management, group structure, asset management, and merges and acquisitions. Previous experience includes 3 years as Tax Manager at A.P.Moller-Maersk and auditor for 14 years at Deloitte in Denmark and in Italy. Peter Bugge Johansen is independent of the Company, Senior Management and major shareholders in the company.

Johansen owns no shares or warrants in Realfiction Holding AB.

Company engagement over the last five years

Company	Position	Time period
STENOCARE A/S	CFO	Ongoing
Realfiction ApS	Board member	Ongoing
Realfiction Holding AB	Board member	Ongoing
PP Capital Asset Management Fondsmæglerselskab A/S	Board member	Ongoing
PP Capital Holding A/S	Board member	Ongoing
ApS Habro Kompemantar-21	Board member	Ongoing
K/S Habro-Hamstead	Board member	Ongoing
ApS Habro Kompemantar-53	Board member	Ongoing
K/S Habro Southampton	Board member	Ongoing
ApS Habro Kompemantar-56	Board member	Ongoing
Habro-56, Komanditaktieselskab	Board member	Ongoing
ApS Habro Kompemantar-11	Board member	Ongoing
K/S Habro-Tamworth	Board member	Ongoing
Interdan Holding A/S	CEO	Ended during the period



## Clas Dyrholm

CEO and Member of the Board since 2017

Clas Dyrholm, born 1974, is co-founder of and CEO of Realfiction. Dyrholm has an extensive background in film and television as editor and compositor. Dyrholm combines industry experience with strong presentation and negotiation skills and natural leadership skills.

Dyrholm is also a board member and CEO of Realfiction ApS since 2009. Clas Dyrholm is not independent of the Company, Senior Management and major shareholders in the Company.

Dyrholm owns 50 percent of Clape Holding ApS, which in turn owns 2,875,000 shares in Realfiction Holding AB. Clape Holding ApS holds 230,000 warrants in Realfiction Holding AB.

Company engagement over the last five years

Company	Position	Period
Realfiction ApS	CEO and Board member	Ongoing
Realfiction Holding AB	CEO and Board member	Ongoing





### **Peter Simonsen**

Head of R&D and Member of the Board since 2017

Peter Simonsen, born 1972, is a founder of and works with research and development in Realfiction. Simonsen has a background as a film and TV photographer, which has contributed to a deep understanding of light, image and technology. Simonsen is also a board member of Realfiction ApS since 2009. Peter Simonsen is not independent of the Company, Senior Management and major shareholders in the Company.

Simonsen owns 50 percent of Clape Holding ApS, which in turn owns 2,875,000 shares in Realfiction Holding AB, equivalent to approximately 24.7 percent. Clape Holding ApS holds 230,000 warrants in Realfiction Holding AB.

Company engagement over the last five years

<b>Company</b>	<b>Position</b>	<b>Time period</b>
Realfiction ApS	Board member	Ongoing
Realfiction Holding AB	Board member	Ongoing

## Senior executives

### Clas Dyrholm

CEO since 2017

More information found under the board and CEO further up.

### Torben Okkels

CFO since 2018

Torben Okkels, born 1971, has more than 25 years of experience as CFO and from audit, accounting and management consulting with large and medium sized public and global companies. Okkels is State Authorized Public Accountant and holds a Master degree in Audit & Accounting. Okkels owns no shares or warrants in Realfiction Holding AB.

Company	Position	Time period
MTSL Holding A/S	CFO	Ended during the period

### Other information about the Board of directors and executive management

There are no family ties between any member of the board of directors or the executive management.

There are no conflicts of interest or potential conflicts of interest between the undertakings of the board of directors and the executive management in relation to the Company's and the respective private interests of the board members and members of the executive management and/or other undertakings (however, several of the members of the board of directors and the executive management have certain financial interests in Realfiction due to their direct or indirect shareholding in the Company).

F GROUP A / S where Michael Kjær was CEO entered into reconstruction in Denmark in February 2016.

Except for what is previously stated, during the past five years, no member of the board of directors or the executive management have (i) been having any other assignments other than those described for each board member and executive management representative, (ii) been convicted in fraud-related court cases, (iii) represented a company that has been declared bankrupt or has entered into liquidation, (iv) apart from what is stated above, been the subject of sanctions or accused by a public authority or organisation that represents a certain professional grouping and is governed via public sector law, or (v) banned from taking part in business activities.

All board members and the executive management can be contacted via the Company's main office (the address of which is specified on the last page in the Memorandum).

### Auditor

The Company's auditor is Mazars SET Revisionsbyrå AB, with the authorised public accountant Bengt Ekenberg as auditor in charge. Bengt Ekenberg is an authorised public accountant and member of FAR (the Swedish trade organisation for accounting consultants, auditors and advisors). Mazars SET Revisionsbyrå AB and Bengt Ekenberg can be contacted at Mazars SET Revisionsbyrå AB, Terminalgatan 1, 252 78 Helsingborg.



# **CORPORATE GOVERNANCE**

Realfiction is a Swedish public limited liability company. The Company's corporate governance is based on Swedish law, internal rules and Nasdaq First North Rule book.

**General shareholders' meetings**  
The general shareholders' meetings are, in accordance with the Swedish Companies Act, the highest decision-making body of the Company, and at the general meetings the shareholders exercise their voting rights on key issues, including inter alia decisions regarding adoption of income statements and balance sheets, allocation of the Company's results, discharge from liability for the board of directors and the CEO, election of directors of the board and auditor and remuneration to

the board of directors and auditor. In addition to the annual general meeting ("AGM"), extraordinary general shareholders' meetings ("EGM") may be convened. In accordance with Realfiction's articles of association, notice of the AGM and EGMs shall be made by announcement in the Official Swedish Gazette and by posting the notice on Realfiction's website. An announcement that the notice has been issued is published in Svenska Dagbladet.

#### **Right to attend general shareholders' meetings**

All shareholders who are directly registered in the share register, maintained by Euroclear Sweden AB ("Euroclear Sweden") five week-days before the general shareholders' meeting, and have notified the Company of their intention to participate (including any assistants) at the general meeting, no later than on the date stated in the notice of the general meeting, have the right to attend the general meeting and

vote for the number of shares they hold. Shareholders may attend the general shareholders' meeting in person or by proxy and may also be accompanied by a maximum of two assistants. Shareholders can normally register for the general shareholders' meetings in several different ways, as stated in the notice of the general meeting.

#### **Shareholder initiatives**

Shareholders who wish to have a matter addressed at the general shareholders' meeting must submit a written request to the board of directors. The board of directors must normally have received the request no later than seven weeks before the general shareholders' meeting.

#### **Board of directors**

The board of directors is the highest decision-making body following the general shareholders' meeting and the Company's highest executive body. In accordance with the Swedish Companies Act, the board is responsible for the management and organisation of the Company, which means that the board is responsible for, among other tasks, establishing goals and strategies, ensuring that procedures and systems are in place for the evaluation of decided goals, continuously evaluating Realfiction's financial position and result, and evaluating the executive management. The board is also responsible for ensuring that the annual report, consolidated financial statements of the Group and interim reports are prepared on time. The board also appoints the CEO. The directors of the board are elected every year at the AGM for the period until the end of the next AGM. According to the Company's articles of association, the board of directors, insofar as it is elected by

the AGM, shall consist of at least three and no more than ten board members and no more than ten deputy board members.

The chair of the board is elected by the AGM and has a specific responsibility to lead the board of directors' work and shall ensure that the work is well organised and carried out efficiently. The board of directors follows written rules of procedure, which are revised annually and adopted by the inaugural meeting with the board of directors every year.

Among other matters, the rules of procedure stipulate practices of the board of directors, functions and the division of work between the directors of the board and the CEOs and the established committees. In connection with the inaugural meeting with the board of directors, the board of directors also establishes instructions for the financial reporting and the CEO.

The board of directors hold meetings according to an annual schedule established in advance. In addition to these meetings, additional meetings can be convened to address issues which cannot be postponed until the next scheduled meeting. In addition to the board meetings, the chairman of the board and the CEO continuously discuss the management of the Company. The board of directors of the Company currently consists of six directors elected at the shareholders' meeting, who are presented in greater detail in the section "Board of directors, senior executives and auditor".

#### **Chief Executive Officer**

The CEO is appointed by the board and has the primary responsibility for the day to day management of the

Company and the daily operations. The division of work between the board and the CEO is set forth in the rules of procedure for the board and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from the executive management for the meetings with the board of directors and for presenting such materials at the meetings. According to the instructions for financial reporting, the CEO is responsible for the financial reporting of the Company and shall, accordingly, ensure that the board of directors receives adequate information to enable the board of directors to continuously evaluate Realfiction's financial position.

The CEO must continuously keep the board of directors informed of the development of Realfiction's operations, the amount of sales, the Company's financial position and result, the liquidity and credit situation, important business events and other circumstances that cannot be presumed to have an insignificant importance to the Company's shareholders for the board of directors to be aware of (such as material disputes, cancellation of agreements that are important to Realfiction and significant circumstances concerning Realfiction's facilities). The CEO and CFO are presented in greater detail in the section "Board of directors, senior executives and auditor".

### **Remuneration to the board of directors, CEO and other senior executives**

Fees and other remuneration to board members, including the chairman of the board, are decided at the annual general meeting. The annual general meeting on 18 June 2018 resolved that a fee of DKK 150 000 shall be paid to the chair of the board and a fee of DKK 75 000 shall be paid to other members of the board, excluding Realfiction employees, for the period until the next annual general meeting.

### **Current employment contract for the CEO and CFO**

The CEO's current employment contract stipulates a reciprocal period of notice of six months. For the CFO, the reciprocal period of notice is four months. No senior executive has the right to severance pay in addition to salary and benefits during the period of notice.

### **Auditing**

The auditor is to review the Company's annual report and accounting as well as the management of the board and the CEO. Following each financial year, the auditor is to submit an audit report and a consolidated audit report to the annual general meeting.

In accordance with the Company's articles of association, the Company shall have one to two auditors and not more than two alternate auditors or a registered audit firm. The Company's auditor is presented in greater detail in the section "Board of directors, senior executives and auditor".

In 2018, remuneration of the Company's auditor totaled SEK 95,600, of which all pertained to audit services related to the appointment of auditor in Realfiction.

## Remunerations in 2018

Name	Remuneration*/salary	Pension costs	Variable remuneration	Other benefits	Consultancy fees	Total
Michael Kjær	206,441	0	0	0	0	206,441
Søren Jonas Bruun**	103,220	0	0	0	322,215	425,435
Peter Max**	103,220	0	0	0	322,215	425,435
Peter Bugge Johansen	103,220	0	0	0	34,544	137,764
Clas Dyrholm	1,286,730	65,641	46,064	3,869	0	1,402,304
<b>Total remuneration to the board of directors and CEO</b>	<b>1,802,831</b>	<b>65,641</b>	<b>46,064</b>	<b>3,869</b>	<b>678,974</b>	<b>2,597,379</b>
<b>Total remuneration to the management***</b>	<b>3,002,878</b>	<b>224,534</b>	<b>92,127</b>	<b>7,739</b>	<b>0</b>	<b>3,327,278</b>
<b>Total remuneration to the board of directors and management</b>	<b>3,518,979</b>	<b>224,534</b>	<b>92,127</b>	<b>7,739</b>	<b>678,974</b>	<b>4,522,353</b>

\*No board remuneration is paid to members of the board active in the Company

\*\* Søren Jonas Bruun and Peter Max are partners in a Company that delivered consultancy services to Realfiction in 2018. The amount mentioned under each party is 50% of the total consultancy fee invoiced to Realfiction in 2018.

\*\*\* Refers to CEO, CFO and Head of R&D

## Share capital and ownership structure

### General information

According to the Company's articles of association at the date of the Memorandum, the share capital may not be less than SEK 802,680.000 and not exceed SEK 3,210,720.000, and the number of shares may not be less than 8,026,830 and not exceed 32,107,320. As of the date of the Memorandum, the Company's registered share capital amounts to SEK 1,163,313.500 and there is a total of 11,633,135 shares outstanding in the Company. The shares are denominated in SEK and each share has a quotient value of SEK 0.1.

The shares in the Company have been issued in accordance with Swedish law. All issued shares are fully paid and freely transferable. Realfiction's share was listed on Nasdaq Stockholm First North 14 July 2017. The share is traded with the ticker REALF.

### Certain rights associated with the shares

The rights associated with shares issued by the Company, including those pursuant to the articles of association, may only be amended in accordance with the procedures stated in the Swedish Companies Act (2005:551).

### Voting rights

Each share in the Company entitles the holder to one vote at general meetings of shareholders.

**Preferential rights to new shares**  
If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

### Dividends and dividend policy

As of the date of the Memorandum, Realfiction have not previously paid any dividends and the Company's board of directors has not adopted a dividend policy. Decisions regarding dividends are made by the general

meeting of shareholders and dividends are paid through Euroclear Sweden. All shareholders who are registered in the share register maintained by Euroclear Sweden on the record date determined by the general meeting of shareholders are entitled to receive dividends. Dividends are normally paid as a cash amount per share, although they may also be paid in a form other than cash (cash-in-kind dividend). Dividends may only be paid in an amount that ensures there is full coverage for the Company's restricted equity after the dividend is paid and provided that the dividend appears to be justifiable taking into account (i) the demands placed on the size of the Company's equity due to the type of business conducted, its scope and risks, and (ii) the Company and the Group's consolidation needs, liquidity and position in general. As a general rule, the shareholders are not permitted to decide on dividends in an amount larger than that proposed or approved by the board of directors. The right to dividends applies to shareholders who are registered as shareholders in the share register maintained by Euroclear Sweden on the record date for dividends decided by the general meeting of shareholders. Should a shareholder not be reached through Euroclear

Sweden, the shareholder will continue to have a claim against the Company concerning the dividend amount and this is only limited by rules concerning a ten-year statute of limitation. After the period of limitation, the dividend amount accrues to the Company.

Neither the Swedish Companies Act nor the Company's articles of association contain any restrictions regarding the right to dividends for shareholders outside Sweden. Apart from the restrictions pursuant to banking and clearing systems, payments to such shareholders are made in the same manner as those made to shareholders domiciled in Sweden. Shareholders who are not subject to taxation in Sweden are normally subject to Swedish withholding tax. Refer to the section "Tax considerations in Sweden".

#### **Central securities depository**

The Company's shares are issued in dematerialised form through the services of Euroclear Sweden (P.O. Box 191, SE-101 23 Stockholm, Sweden). In accordance with the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument), Euroclear is the

central securities depository and clearing organization for the shares. Accordingly, no share certificates have been issued and any share transfers are made electronically. The ISIN code for the Company's shares is SE0009920994, the FISN code is REALFICTIO/SH and the CFI code is ESVUFR.

#### **Share capital development**

The table below shows the historic developments in Realfiction's share capital since the incorporation of the Company.

Date	Event	Change in number of shares	Total number of shares	Change in share capital (SEK)	Total share capital	Quota value (SEK)	Price (SEK)	Terms
2017-04-28	Incorporation	8,026,839	8,026,839	802,683.900	802,683.900	0.1	-	-
2017-05-29	Share issue	776,296	8,803,135	77,629.600	880,313.500	0.1	7.6	Cash
2017-06-16	Share issue	2,531,093	11,334,228	253,109.300	1,133,422.800	0.1	7.6	Cash
2017-06-19	Share issue	298,907	11,633,135	29,890.700	1,163,313.500	0.1	7.6	Cash
<b>apr-19</b>	<b>Share issue*</b>	<b>1,744,970</b>	<b>13,378,105</b>	<b>174,497.000</b>	<b>1,337,810.500</b>	<b>0.1</b>	<b>10</b>	<b>Cash</b>
<b>apr-19</b>	<b>Share issue**</b>	<b>679,803</b>	<b>14,057,908</b>	<b>67,980.300</b>	<b>1,405,790.800</b>	<b>0.1</b>	<b>10</b>	<b>Offset</b>

\*The Issue described in the Memorandum under the assumption that the offering is fully subscribed for.

\*\* The Extraordinary General Meeting held on 24 April 2019 decided to increase the share capital by SEK 67,980.30 through a directed capital increase of 679,803 shares. The reason for the deviation from the shareholders' preferential rights is that the Company earlier entered into bridge loan agreements. The lenders will set off their debt against new shares in the Company. The issue has not been registered at the Swedish Companies Registration Office (Bolagsverket) at the date of the Memorandum.

### Warrants

At present, Realfiction has 1,237,929 warrants outstanding, which entitle the holders to acquire 1,237,929 shares in the company. The warrants have been issued as part of share-based incentive programs to key employees at Realfiction. All warrants can be exercised at any time from the date they were registered at the Swedish Companies Registration Office until 22 June 2027. Details about the warrants are presented in the table below.

Board decision date	Exercise price (SEK)	Number of warrants
2015-01-28	2.03	230,000
2015-01-28	2.03	276,000
2015-01-28	0.17	319,447
2015-07-01	0.17	160,632
2016-02-01	3.72	69,000
2016-12-09	7.60	120,750
2017-01-01	7.60	62,100
		<b>1,237,929</b>

The dates presented in the table represent the dates at which the Board decided to propose the issue of new warrants. All warrants have been issued in compliance with national regulations in both Denmark and Sweden. The warrants were previously issued in Realfiction ApS, but were transferred to the parent company Realfiction Holding AB in connection to its foundation.

### Convertibles and other financial instruments

As of the date of this Memorandum, the Company has no outstanding convertibles or other financial instruments.

### Authorisations

The annual general meeting held on 18 June 2018 resolved to authorize the board of directors to, at one or several occasions, during the time up until the next annual general meeting, with or without deviation from the shareholders' preferential rights, resolve to issue shares and/or convertibles.



A new issue should be able to be made with or without provisions regarding contribution in kind, set-off or other conditions.

In case the authorization is used for a new issue of shares, the total number of shares that may be issued shall not exceed 1,744,970 shares, corresponding to 15 percent of the total number of existing shares in the company at the time of the annual general meeting and the subscription price shall be on market terms (subject to customary new issue discount, as applicable). The purpose of the authorization as regards new issues of shares is to be able to source working capital, to be able to execute and finance acquisitions of companies as well as to enable new issues to industrial partners within the framework of partnerships and alliances.

Upon full utilization of the authorization, a maximum of 1,744,970 shares will be issued or alternatively be issued upon conversion, which corresponds to a total dilution effect of approximately 13 percent.

The company's CEO shall be authorized to make such minor formal adjustments of the resolution as might be necessary in connection with registration with the Swedish Companies Registration Office.

### Ownership structure

The Company's largest shareholders with shareholdings over five percent of the total shares in the Company as of 29 March 2019, are listed below.

Owner	Number of shares	Percentage
Ceranco Equity S.C.S	3,194,447	27.46%
Clape Holding ApS	2,875,000	24.71%
AmTRAN Technology Co. Ltd.	1,308,838	11.25%
Nordnet Pensionsförsäkring AB (Custodian)	635,177	5.46%
Other shareholders (approximately 1,100)	3,619,673	31.12%
<b>Total</b>	<b>11,633,135</b>	<b>100%</b>

### Lock-up arrangements

Clape and Ceranco have entered into renewed lock-up agreements and undertaken not to, directly or indirectly, sell more than 10 percent of their respective shareholdings from before the current issue within a period of twelve (12) months from the first day of subscription in the current issue. The obligation not to sell shares in the Company ceases in case of a major strategic investor joining or a public takeover of the company.

### Shareholders' agreement

As far as the Company's board of directors is aware, there are no shareholder agreements or other agreements between the Company's shareholders which aim to jointly influence the Company. Nor is the Company's board of directors aware of any agreements of similar that could lead to a change of control in the Company.



Europe 1.800 BC

# LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

## General

Realfiction Holding AB, with organization number 559110-3972, was registered with the Swedish Companies Registration Office on 28 April 2018. The Company's LEI code is 549300AZCIZU2QRKEZ19. The Company's association form is Aktiebolag (limited company) and is governed by the Swedish Companies Act ("Aktiebolagslagen" (2005:551)). The Company is public.

The provisions of the Articles of Association do not have any implications above and beyond those of the Companies Act as regards changes in shareholders' rights. The registered office of the Board is in the municipality of Helsingborg, Skåne County, Sweden.

The address of the registered office is:

Realfiction Holding AB  
c/o MAZARS SET Revisionsbyrå AB  
Terminalgatan 1  
252 78 Helsingborg  
Sweden

Website: <https://www.realfiction.com/>

## Group structure

Realfiction Holding AB owns 100% of the shares in its subsidiary Realfiction ApS. All activities are carried out in the subsidiary, and Realfiction Holding AB's only operational activity is to own and manage the subsidiary Realfiction ApS. Otherwise, Realfiction Holding AB does not own any shares in other companies.

## Material agreements

### Distribution- and supplier agreement with AmTRAN Technology Co. Ltd.

Realfiction has entered into a distribution- and supplier agreement with AmTRAN. According to the distribution agreement, AmTRAN and its wholly owned subsidiary have the exclusive right to distribute Dreamoc HD Mark II and End to wholesalers and retailers or act as sales agents in the territory of China, Hong Kong Macau and Taiwan. AmTRAN has, however, by e-mail dated 18 August 2015 stated to the Company that they will not use this right. The agreement can be terminated with three months' notice.

According to the supplier agreement, AmTRAN undertakes to sell Dreamoc HD Mark II to the Company. AmTRAN provides a two-year guarantee for the products that are delivered. The agreement with AmTRAN runs from 8 August 2013 for a period of two years and is then automatically extended by one year at a time unless termination takes place six months before the end of the contract period.

### Bridge financing agreement

On 4 October 2019, the Company secured a bridge loan of 6.1 MSEK on market terms from a group of private investors. The investors are: Gerhard Dal, Bengt Helmersson, Jimmie Landermand, MIB AB (Michael Blihaven), Modelio Equity AB (Oliver Molse), John Andersson

Moll, Christian Månsson, Kjell Nilsson, Peter Nilsson, Paginera Invest AB (Stefan Lundgren) and Fredrik Åhlander. The loan carries interest of 1.5% per month (minimum 6%), and the terms grant the Company the right to set off the debt against new shares in the company or by cash repayment before 31 July 2019.

The bridge financing agreement will be set off against new shares in the Company through the directed offset issue carried out in tandem with the current Issue. The offset issue was decided on the Extraordinary General Meeting held on 24 April 2019 and increases the share capital by SEK 67,980.30 through a directed capital increase of 679,803 shares. The subscription price for the shares is SEK 10 per share. The new shares sets-off each of the above described Parties' debt against the company.

### Loan agreement with Vækstfonden

Realfiction has on 20 March 2015 signed a loan agreement for DKK 5,000,000 with Vækstfonden with an annual interest rate of 8.5%. The loan may only be used to finance the business plan for, among other things, Deepframe which the Company has submitted to Vækstfonden. If the loan is used in a significantly different way than what the Company has stated in the business plan, Vækstfonden can require that the loan is repaid within 30 days. Vækstfonden has the right to repayment if significant changes in ownership take place and Vækstfonden has not approved these in advance. Vækstfonden has confirmed that this emission (inclusive of the parallel directed capital increase) will not require them to repay the loan.

On 20 March 2015, a supplementary agreement with Vækstfonden was signed. According to the supplementary agreement, Vækstfonden is due to the high risk profile of the loan, under certain conditions entitled to an exit bonus and a performance bonus. Exit bonus of 10 percent of the loan amount is paid according to the supplementary agreement if the majority of existing shares in the Company are sold, the company is split or merged before 6 April 2022. It has been agreed in writing that the current issue (inclusive of the parallel directed capital increase) does not give rise to exit bonus. The performance bonus is 10 percent of the loan amount. Vækstfonden is entitled to a performance bonus if the Company's accumulated operating profit (EBITDA) exceeds DKK 10,000,000 before 6 April 2021.

## Transactions with related parties

During the financial year 2017, Gemstone Capital A/S (which is owned by the board members Søren Jonas Bruun and Peter Max, currently operating under the entity Gemstone Capital A/S) received payments of SEK 590,250 from the Company in addition to their board remuneration. The payments were related to rent and fund raising.

During the financial year 2018, Gemstone Capital A/S (which is owned by the board members Søren Jonas Bruun and Peter Max) received payments of SEK 644,430 from the Company in addition to their board remuneration. The payments were related to fund raising. Peter Bugge Johansen, board member, received payments of SEK 34,544 in addition to his board remuneration. The payments were related to consultancy services. All related party transactions are

entered into on market terms.

## Certified advisor

Realfiction's Certified Adviser is Sedermera Fondkommission. Sedermera does not own any shares in the Company.

## Insurance

The Company has an insurance program that the Board considers appropriate for the Company's operations. The insurance coverage is subject to continuous review.

## Intellectual property rights

In addition to the patents and trademarks described below, the Board deems that within the Company there are trade secrets and "know-how" which make it difficult for competitors to reproduce Realfiction's products and solutions strengthening Realfiction's competitive position.

## Patents and Patent Policy

Bearing in mind that loss of novelty, due to filing too late, can destroy the access to patent-protection of innovations, it is Realfiction's patent policy to apply for initial patent protection as soon as possible in the innovation phase.

The cost involved on filing initial patent applications is limited relative to the cost related to following through on the claims in several geographical areas (regions or countries). This can easily become very costly and must therefore be carefully and dynamically considered up against the expected commercial outlook for the technology or products involved.

Realfiction's patent and patent-pending portfolio will always be aligned with the commercial strategy of the company as well as a dynamic

assessment of the commercial potential and chance of reaching the point of fruition related to each innovation.

Realfiction will, from time to time, choose to either pursue the wider geographical reach, or strengthen the content and claims of its patent-applications with increased or reduced force. For competitive reasons such decisions will not always be immediately forthcoming.

Realfiction is continuously and discreetly pursuing new innovative technologies. This way the family of patent claims, filed by Realfiction will continue to expand and renew. Also, many innovations or ideas are developed upon, changed, side-tracked or even scrapped to avoid unjustified expenses. This will also not always trigger patent protection activity nor will it always be communicated to the market for competitive reasons.

With a view to its current strategic focus (please refer to the STEP-UP 2019 strategy as announced in Q4-18), the following are the primary – and hence most important - IP positions held by Realfiction at the current time:

Dreamoc product family: protected by a number of design patents (unchanged)

DeepFrame One and DeepFrame: patent pending (new since the IPO)  
Project Echo: Patent-pending (new since the IPO)

Other: Pursuing Echo will require a substantial portion (potentially all) of the development and IP-protection resources available for the foreseeable future. Therefore, the previously announced patent applications relating to a consumer and/or gaming version of the DeepFrame technology have been left on the "back-burner" in order to prioritize the greater commercial potential of Project Echo. While DeepFrame technology

could still be highly potential, such products would be in competition with the entire electronic toy industry which is notoriously known for price pressure and short product life cycles. On the contrary, the new Project Echo carries a much larger commercial potential as it may redefine a number of industries and potentially make the billion USD market for glasses/goggle-based AR/VR seem outdated.

Patent description	Status	Valid until	Region/Country
DeepFrame B2C	Patent pending		EU
DeepFrame B2B	Patent pending		USA
Designpatent Dreamoc A	Approved	3 December 2032	EU
Designpatent Dreamoc B	Approved	28 December 2032	EU
Designpatent Dreamoc C	Approved	18 November 2033	EU
Designpatent Dreamoc D	Approved	6 January 2034	EU
Designpatent Dreamoc E	Approved	15 September 2035	EU
Designpatent Dreamoc	Approved	8 June 2024	USA
Designpatent Dreamoc	Approved	24 September 2030	Japan
Project Echo A	Patent pending		EU
Project Echo B	Patent pending		EU

Steen Iversen, the Company's Director of Advanced Display Technology, has according to his employment contract the right to earn royalty fees from patented and patent-pending products to which he has been the inventor. The royalty fee amounts to three (3) percent of the gross profit margin. The royalty fee is earned regardless if Iversen is an employee of Realfiction or not.

In addition, Schmelling Industriel Design ApS receives a 5 percent royalty of all invoiced amounts pertaining to sale/rental of DeepFrame One and Dreamoc Diamond. Anders Heger Design receives a fixed royalty amounting to approximately 1-2 percent of the sales price for each sold unit of the Dreamoc series.

## Trademarks

Realfiction holds the following Trademark registrations:

Trademark description	Status	Valid until	Region/Country
Realfiction	Registered	30 July 2024	International – WIPO
Realfiction	Registered	31 January 2024	EU
Realfiction A	Registered	20 July 2021	China
Realfiction B	Registered	6 August 2021	China
Realfiction C	Registered	13 August 2021	China
Realfiction	Registered	30 July 2024	China – part of international
Realfiction	Registered	30 July 2024	Japan – part of international
Realfiction	Registered	13 December 2020	Hong Kong
Realfiction	Registered	30 July 2024	USA – part of international
Dreamoc	Registered	31 July 2022	USA
Dreamoc A	Registered	20 July 2021	China
Dreamoc B	Registered	6 August 2021	China
Dreamoc	Registered	14 October 2023	EU
Dreamoc	Registered	13 December 2020	Hong Kong

Realfictions trademarks are continuously extended and as such there is no real end date.

### **Domain names**

The Company own the domain names www.realfiction.com and www.dreamoc.com.

### **Disputes**

The Company has not been a party to any legal proceedings or arbitration proceedings which have or have had significant effects on the Company's financial position or profitability at any time. The Board of Directors of the Company does not know of any circumstances that could lead to any such legal proceedings or arbitration proceedings.

### **Investments exceeding five percent of the offering**

The Board is not aware of any intentions by any investor to subscribe for five percent or more of the current issue, in addition to those who have Pre-subscribed for shares under the terms presented elsewhere in this Memorandum.

### **Advisors**

The issuing agent in relation to the issuing of the new shares as described in this Memorandum is Eminova Fondkommission AB, Biblioteksgatan 3, 111 46 Stockholm, Sweden. Eminova assumes no responsibilities of any kind related to investments made in the Company, or for any information included in this Memorandum.

Eminova owns no securities and holds no other interests in the Company, but may provide similar services to the Company in the future.

Gemstone Capital A/S is assisting the Company in the current issue in relation to marketing in Denmark and otherwise. Bergh & Co Advokatbyrå AB acts as legal advisor.

### **Tax considerations in Sweden**

Transactions in Realfiction's securities may result in tax consequences for the holder. Holders of securities in the Company are advised to seek advice from tax advisors regarding the tax

consequences that may arise in each individual case. For individuals who are unlimited taxpayers in Sweden, preliminary tax on dividends is 30 percent. The preliminary tax is normally managed by Euroclear, or by the trustee if the shareholdings is registered at a trustee.

Realfiction is not responsible for withholding tax.



ZARA

**ARTICLES OF  
ASSOCIATION**

**DELTA G I SKATTEJAGTE  
MED PEPPER**

*N.B. The English text is an unofficial translation.*

## **BOLAGSORDNING FÖR REALFICTION HOLDING AB**

### **ARTICLES OF ASSOCIATION OF REALFICTION HOLDING AB**

#### **§ 1 Firma/ Name of company**

Bolagets firma är Realfiction Holding AB. Bolaget är publikt (publ).

The name of the company is Realfiction Holding AB. The company is a public company (publ).

#### **§ 2 Styrelsens säte/ Registered office of the company**

Styrelsen har sitt säte i Helsingborg, Skåne län.

The registered office of the company is situated in Helsingborg, Skane lan.

#### **§ 3 Verksamhet/ Objects of the company**

Föremålet för bolagets verksamhet skall vara att utveckla, producera, sälja och marknadsföra mixed reality displays och mjukvara samt därmed förenlig verksamhet samt att äga och förvalta aktier.

The company shall develop, produce, sell and promote mixed reality displays and software and activities compatible therewith, also own and deal with shares.

#### **§ 4 Aktiekapital och antal aktier/ Share capital and number of shares**

Aktiekapitalet utgör lägst 802 680 kronor och högst 3 210 720 kronor. Antalet aktier ska vara lägst 8 026 830 stycken och högst 32 107 320 stycken.

The share capital shall be not less than SEK 802,680 and not more than SEK 3,210,720. The number of shares shall be not less than 8,026,830 and not more than 32,107,320.

#### **§ 5 Styrelse/ Board of directors**

Styrelsen ska bestå av 3-10 ledamöter med högst 10 suppleanter.

The board of directors shall comprise 3-10 members and not more than 10 alternate members.

#### **§ 6 Revisorer/ Auditors**

Bolaget ska ha 1-2 revisorer med högst 2 revisorssuppleanter eller ett registrerat revisionsbolag.

The company shall have 1-2 auditors and not more than 2 alternate auditors or a registered accounting/inn.

#### **§ 7 Kallelse till bolagsstämma/ Notice to attend general meetings**

Kallelse till bolagsstämma ska ske genom annonsering i Post- och Inrikes Tidningar och genom att kallelsen hålls tillgänglig på bolagets webbplats. Samtidigt som kallelse sker ska bolaget genom annonsering i Svenska Dagbladet upplysa om att kallelse har skett. Om Svenska Dagbladet upphör med sin utgivning ska annonsering ske i Dagens Industri.

Notice to a general meeting shall take place through an announcement in Post- och Inrikes Tidningar and by making the notice available on the company's website. Concurrently with issuance of notice to attend, the company shall announce in Svenska Dagbladet that the notice to attend has taken place, ff Svenska Dagbladet ceases its issuance shall notice take place in Dagens Industri.

#### **§ 8 Anmälan till stämman/ Notification to the general meeting**

Rätt att delta i stämman har sådana aktieägare som upptagits i aktieboken på sätt som föreskrivs i 7 kap. 28 § 3 stycket aktiebolagslagen (2005:551) och som anmält sig hos bolaget senast den dag som anges i kallelsen till stämman. Denna dag får inte vara söndag, annan allmän helgdag, lördag, midsommarafton, julafton eller nyårsafton och inte infalla tidigare än femte vardagen före stämman. Avser aktieägare att medföra biträden skall antalet biträden anges i anmälan.

A shareholder has the right to attend the general meeting if the shareholder has been included in the share register in such a way described in Chapter 7 paragraph 28 point 3 of the Companies Act (2005:551) and have notified the company not later than the date specified in the notice to a/lend the general meeting. Such a date may not be a Sunday, other public holiday, Saturday, i'vfidsummer Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the general meeting. If a shareholder intends to bring advisors the number of advisors shall be given in the notification.

#### **§ 9 Öppnande av stämman/ Opening of the meeting**

Styrelsens ordförande eller den styrelsen därtill utser öppnar bolagsstämman och leder förhandlingarna till dess ordförande vid stämman valts.

The chairman of the board of directors or a person appointed by the board of directors for this purpose opens the general meeting and presides over the proceedings until a chairman of the meeting is elected.



**§ 10 Årsstämma/**

**Annual general meeting**

Årsstamma hålls årligen inom sex månader efter räkenskapsarets utgång.

The annual general meeting is held each year within six months of the end of the financial year.

På årsstämma ska följande ärenden förekomma.

The following matters shall be addressed at the annual general meeting.

1. Val av ordförande vid stämman,

Election of a chairman of the meeting;

2. Upprättande och godkännande av röstlängd,

Preparation and approval of the voting register;

3. Godkännande av dagordning,

Approval of the agenda;

4. Val av en eller tvåjusteringspersoner,

Election of one or two persons to attest the minutes;

5. Prövning av om stämman blivit behörigen sammankallad,

Determination of whether the meeting was duly convened;

6. Föredragning av framlagd årsredovisning och revisionsberättelse samt, i förekommande fall, koncernredovisning och koncernrevisionsberättelse

Presentation of the annual report and auditor's report and, where applicable, the consolidated financial statements and auditor's report for the group;

7. Beslut om/  
Resolutions regarding

a) fastställande av resultaträkning och balansräkning, samt, i förekommande fall, koncernresultaträkning och koncernbalansräkning,

adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet;

b) dispositioner beträffande vinst eller förlust enligt den fastställda balansräkningen,

a/location of the company's profit or loss according to the adopted balance sheet;

c) ansvarsfrihet åt styrelseledamöter och verkställande direktör när sådan förekommer,

discharge from liability for board members and the managing director, where applicable;

8. Fastställande av styrelse- och revisorsarvoden,

Determination of fees for the board of directors and the auditors;

9. Val av styrelse och revisionsbolag eller revisorer,

Election of the board of directors and accounting firm or auditors;

10. Annat ärende, som ankommer på stämman enligt aktiebolagslagen eller bolagsordningen.

Any other business incumbent on the meeting according to the Companies Act or the articles of association.

**§ 11 Räkenskapsår/  
Financial year**

Bolagets räkenskapsår ska vara kalenderår.

The company's financial year shall be the calendar year.

**§ 12 Avstämningsförbehåll/  
CSD Clause**

Bolagets aktier ska vara registrerade i ett avstämningsregister enligt lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument (avstämningsförbehåll).

The company's shares shall be registered in a CSD (central securities depository) register pursuant to the Financial Instruments (Accounts) Act (SFS 1998:1479) (CSD clause).

# Contacts

## The Company

C/O Realfiction ApS  
Øster Alle 42, 7th floor, DK-2100  
Copenhagen Ø, Denmark

Phone: +45 70 20 64 90

Email: [contact@realfiction.com](mailto:contact@realfiction.com)

CVR: 30514777

## Issuing agent

Eminova Fondkommission AB  
Biblioteksgatan 3,  
114 46 Stockholm

Phone: +46 (0)8 - 684 211 00

Email: [info@eminova.se](mailto:info@eminova.se)

## Advisor

Gemstone Capital A/S  
The Danish National Stadium, Parken  
Øster Alle 42, 7  
2100 Copenhagen  
Denmark

Phone: +45 33 22 07 00

Email: [info@gemstonecapital.com](mailto:info@gemstonecapital.com)