



HALF-YEAR INTERIM REPORT

1 JANUARY – 30 JUNE 2018

Realfiction Holding AB (publ) | 559110-4616



REALFICTION™

Half-Year Interim Report – Summary

Q2 2018 (1 April – 30 June 2018)

- Revenue totaled TSEK 6,259
- Profit/(loss) after financial income and expenses amounted to TSEK -3,968
- Earnings per share* SEK -0.29
- Cash flow from operating activities was TSEK -7,415

H1 2018 (1 January – 30 June 2018)

- Revenue totaled TSEK 12,305
- Profit/(loss) after financial income and expenses amounted to TSEK -7,839
- Earnings per share* SEK -0.62
- Cash flow from operating activities was TSEK -10,904

* Earnings per share: The net profit or loss for the period divided by the average number of shares.

"Realfiction" or the "Company" means the Group, namely Realfiction Holding AB (registered under company registration number 559110-4616) and its wholly owned subsidiary Realfiction ApS. Realfiction ApS, which is the Group's operating subsidiary, started doing business in 2008. Realfiction Holding AB was formed in April 2017 by way of a non-cash issue in which the shares in Realfiction ApS were exchanged for shares in Realfiction Holding AB, which resulted in the group relationship.

SIGNIFICANT EVENTS DURING Q1 2018

- 16 April, Realfiction announces that the company has sold a DeepFrame mixed reality display to be installed in the following days at IBM's new innovation centre outside of Abu Dhabi in the United Arab Emirates. The centre will have a grand opening ceremony on the 1st of May. This is the company's first confirmed DeepFrame order to an end-client in the Middle East.

- 2 May, Realfiction announces that the company has sold the first Dreamoc Diamond mixed-reality display to an end-client in the USA, together with 12 smaller Dreamoc POP3 displays. They will initially be used in the Kaneko Reality exhibition, a 3-month show featuring world-renowned artists and technology firms, before being permanently installed at UNMC's new iExcel Center.

- 29 May, Realfiction announces an order for 49 Dreamoc HD3 mixed reality displays that will be used by one of the world's largest snacks companies Mondelez. 30 displays will be used in South Africa, while the remaining 19 units will be used for testing and evaluation in additional markets.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- 2 August, Realfiction announces that the company has developed a complete subscription service that include usage of the company's MR displays and scheduled content updates. The company is in final negotiations with end-clients in the retail sector and expect to present the first agreements in Q3 2018.

CEO comments



GEARING UP FOR MAJOR GROWTH

With Q2-18 as no exception, we can now look back at our first year as a listed company with several noticeable results.

Continued strong growth: In Q2-18 we saw continued strong revenue growth. More precisely 41% growth over Q2-17 and 39% cumulative growth in H1 over last year. Much of the growth is due to the successful market-introduction of our DeepFrame solutions since the first public appearances of the technology in late 2017.

DeepFrame for the Experience Industry: More end-client solutions have been delivered in Q2-18, and we are looking at a growing pipeline including very large international projects (undisclosed).

The growing attention that we are enjoying in the experience industry is supported by endorsements and good reviews from the likes of Engadget, Mashable and Discovery Channel.

At the same time our reseller partners have invested and created showrooms in the US, Japan, Australia, Germany, UK, Spain, Netherlands, Czech Republic,

CEO COMMENTS

etc. and established Fortune 500 companies like IBM and one of the world's largest accounting and consulting companies are showing the way for the industrial segment within the Experience Industry. In short, we have seen proof that there is a huge market potential for DeepFrame.

Magic-as-a-Service for Retail: End May we could tell about another Fortune 500 company Mondelez expanding their testing of the Dreamoc HD3 in several countries. Meanwhile Pfizer is evaluating their 12 months pilot project using Dreamoc HD3 as virtual advisors in pharmacies. With the very recent release of our new business model for especially Dreamoc called "Magic as a Service", we also expect to add even more growth to Dreamoc related revenue streams.

Innovation at pace: Last, but certainly not least, I am glad to say that our innovation team, lead by my co-founder Peter Simonsen, is also progressing in the invention of new and even more exciting technologies and concepts. Although some still at an early stage,

these innovations represent a giant leap in the direction set by our vision "Creating Magical Moments Through Technology".

Time to raise the game: Based on our findings over the last 12 months, we have sharpened our strategic focus and concluded, that now is the time to gear up and prepare the company for significant further growth. You will see from our current cost structure, that we have already made several offensive dispositions. These are designed to prepare our company for a more dedicated hunt for larger deals in the international market. This ranges from hirings in sales and administration to investments in innovation, marketing and inventory to support our new Magic-as-a-Service strategy.

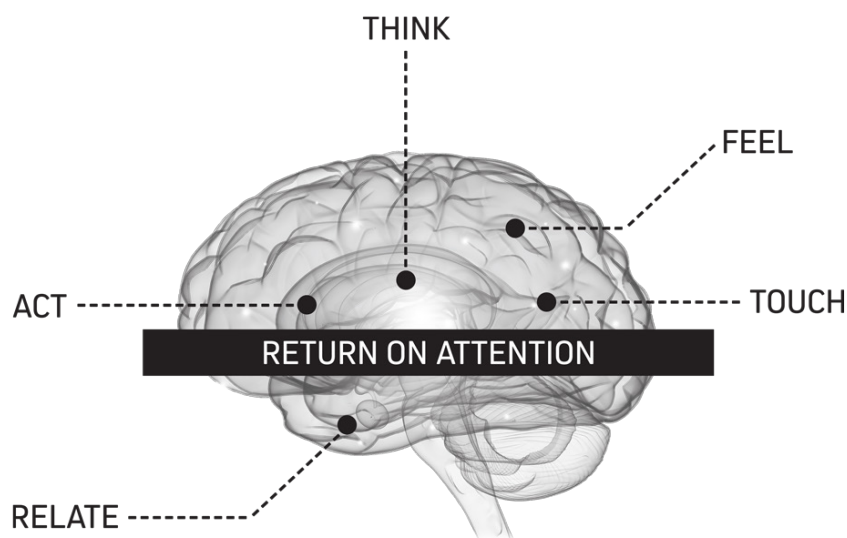
Thank you: I wish to thank our investors for your valuable support throughout this first year, and welcome you all to take part in the journey ahead.

We are only just getting started ...



Clas Dyrholm
CEO, Realfiction Holding AB

Realfiction's business and concept



ABOUT THE COMPANY

Realfiction develops, sells and rents market leading mixed reality (MR) products and services based on innovative, as well as patent and designed protected, hardware platforms that has 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.

RELEVANT ACROSS MANY INDUSTRIES

Examples of customer groups that can 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.

BRAND AWARENESS AND CUSTOMER CONVERSION

Realfiction's MR solutions can create interest for a brand or a specific product in a very visual and engaging way. 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. The company calls this method "Return on Attention".

ASTONISHING AND ENGAGING EXPERIENCES

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.

FROM DISPLAY MANUFACTURER TO PROVIDER OF COMPLETE MR SOLUTIONS

Realfiction is repositioning the company from being a hardware provider to offering complete mixed reality solutions for truly magical experiences. 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. This is an important paradigm shift that will enable the company to substantially increase its recurring revenues and thus building a stable cash flow that can be used to expand its line of leading products and solutions.



Sales and business model

SALES AND RENTING VIA A WORLDWIDE PARTNER NETWORK

Realfiction's global partner network consists of more than 150 resellers and/or content developers in Europe, North and South America, Asia, Australia, the Middle East and other regions. The company's partners can purchase MR displays from Realfiction, but now also rent them for use during a limited time period. This enables a lot more flexibility as the partners can offer the latest display types in the right size at a low initial cost.

The company has outsourced the production to third party manufacturers, which makes it possible to continuously adapt the production to the current demand for products in different geographical markets.

NEW AND INNOVATIVE RETAIL BUSINESS MODEL WITH FIXED MONTHLY COSTS

With the ever-growing demand for differentiation to online shopping, retail chains and brand owners are increasingly focusing on delivering unique, relevant and inspiring in-store experiences. Realfiction's new retail business model, "Magic-as-a-Service", aims at

addressing this growing market demand by making the company's mixed reality solutions even more accessible and easy to implement at store level.

With fixed monthly costs, the new model eliminates the concerns and barriers often linked to large roll-outs, such as the upfront investment in hardware, as well as the cost and time associated with refreshing the content on a regular basis. "Magic-as-a-Service" directly addresses these known barriers by providing turnkey mixed reality solutions including displays, maintenance and content development with scheduled updates. This means that retail chains and brand owners can now very easily adapt the company's solutions and visually present new products, offers or highlighted features, linked to their existing campaign calendar.

Currently, "Magic-as-a-Service" is available for the retail industry in Denmark and the Nordic countries, delivered through the cooperation between Realfiction and its partners in those markets.

Products

DREAMOC AND DEEPFRAME – MARKET LEADING MIXED REALITY (MR) DISPLAYS

Realfiction's line of Dreamoc and DeepFrame displays are at the center of the company's MR solutions offered to end-clients by its worldwide partner network.

DREAMOC – WORLD CLASS HOLOGRAPHIC EFFECTS

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.

Dreamoc HD3 is the smallest and most flexible model for single products that be experienced from several directions simultaneously. **Dreamoc POP3** and **Dreamoc POP3B** can only be experienced from

the front and are especially well suited for displays on shelves and for displaying several objects together.

Dreamoc XL3 and **Dreamoc XXL3** are, as their names suggests, larger models that makes it possible to create attention for really large objects, for instance at airports or in shopping malls.

Dreamoc Diamond is one of Realfiction's biggest Dreamoc displays, and the most elegant. A Dreamoc Diamond creates an extraordinary experience that fits brilliantly into exclusive boutiques.



Visualization Dreamoc Pop3 fusion in store window

DEEPFRAME – THE WORLD'S LARGEST MIXED REALITY DISPLAY

With the patent pending product series DeepFrame, that was launched in 2017, Realfiction has once again broken the barriers for what can be achieved with mixed reality. DeepFrame is the world's largest MR display and can create unbelievable real time experiences where holographic images and animations are projected over existing surfaces and objects. 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 unforgettable 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.

Realfiction is also developing a **DeepFrame model for outdoor use** that makes it possible to project content over kilometer wide spaces. It will open up even more use cases within the experience and tourism industries as well as for ongoing construction projects.

The DeepFrame technology also has potential to be **built into consumer products**, and Realfiction is cooperating with LEGO, among others, to evaluate the potential within this field. For instance, smaller products, all the way down to a mobile phone in size, could be developed and then connected to an app-based ecosystem.



Visualization DeepFrame One in space museum



Financial review

Group structure & Shareholding

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.

DEVELOPMENT IN Q2 AND H1 2018

Income Statement

Group net revenue amounts to TSEK 6,259 and 12,305 for Q2 and H1 respectively. This is a significant increase by 41% and 39% compared to Q2 and H1 2017. The primary part of net revenue Q2 and H1 2018 consists of product sales from the Dreamoc and DeepFrame category.

Cost of goods sold amounts to TSEK 3,217 and 6,785 for Q2 and H1 respectively.

Other external costs and personnel costs are at a high level in Q2 and H1 due to onboarding of sales resources and continuous investments in product and market development including exhibitions, which for the larger part take place in the beginning of the year. Realfiction expects to continue these investments, but as part of our journey towards becoming a more mature company, and because annual investments related to innovation and development have reached an annual level of MSEK 2.5 to 3.5, we will adjust our processes and procedures to allow us to capitalize development projects in accordance with the capitalization accounting principle. We expect to change the accounting principle in the 2018 Annual Report, but in the Q3 report, we expect to maintain the present cost principle.

Group net financial costs consist of interest on the loan with Vækstfonden.

The net result for the Group in Q2 and H1 2018 amounts to TSEK -3,347 and -7,218.

Balance Sheet

Realfiction's total assets at 30 June 2018 amounts to TSEK 23,589. Inventory at 30 June 2018 amounts to TSEK 11,044. The increase in inventory is a result of preparing the capacity to the increased sales and rental forecast in the second half of 2018.

Trade receivables remain higher than last year due to the increase in sales during Q2 2018.

Other short-term receivables and tax receivable are increased to TSEK 3,068 and 1,550 (of which 632 is included in other long-term receivables) due to a temporary delay in refund of VAT, expected refund of tax in Denmark in 2019 and DKK appreciation against SEK.

Net interest-bearing debt decreased due to payment of planned instalments to Vækstfonden. Increased trade payables are due to delivery of DeepFrame and Dreamoc Diamond products immediately before 30 June 2018.

The Group's solvency ratio at 30 June 2018 is 40,2%.

Investments

There were no significant investments in non-current assets in the period, as Realfiction continues to expense development projects, as per the information in the Income Statement section.

Cash Flow and Liquidity

The Company's liquid funds and cash equivalents at 30 June 2018 amount to TSEK 5,601. Cash flow from operating activities for Q2 and H1 2018 amounts to TSEK -7,415 and -10,904. Cash flow for the three and six month periods are negatively impacted by the increase in inventory as described above. The additional inventory will have a positive impact in the future cash-flows as products in inventory are gradually sold and paid.

The Shares

Realfiction Holding AB's share was listed on Nasdaq Stockholm First North 14 July 2017. The share is traded with the ticker REALFI and its ISIN-code is SE0009920994. 30 June 2018, the number

of shares in Realfiction Holding AB amounts to 11,633,135. The Company has one share class. All shares have equal dividend rights.

Operational risks & uncertainties

The risks and uncertainties that Realfiction's operations are exposed to are concentrated in the categories of competition, technology development, patents, government requirements, capital requirements, currencies and interest rates. During the current period, no significant changes regarding risk or uncertainty factors have occurred. For more detailed reporting of risks and uncertainties, refer to the previously published company description, published in the 2017 Annual Report.

OWNERSHIP STRUCTURE

The table below shows key shareholders in Realfiction Holding AB at 30 June 2018.

Name	Number of shares	Ownership (in %)
Ceranco Equity S.C.S ¹	3,194,447	27,46
Clape Holding ApS ²	2,875,000	24,71
AmTRAN Technology Co. Ltd.	1,308,838	11,25
Nordnet Pensionsförsäkring AB (förvalter)	884,714	7,61
Investeringssekskabet Artha Optimum A/S	344,987	2,97
Other shareholders (more than 1100)	3,025,149	26,00
Total	11,633,135	100,0

1. Ceranco Equity S.C.S is an investment company with private investors, with board member Søren Jonas Bruun as its general partner and main owner of the associated management company.

2. 50 % owned by CEO and board member Clas Dyrholm & 50 % owned by board member Peter Simonsen.

Audit review

The interim Report has not been audited or reviewed by the Company's independent auditors. The Annual Report 2017 for Realfiction ApS and Realfiction AB has been audited.

Accounting policies

Realfiction Holding AB applies the Annual Accounts Act and the Board of Directors' General Advice BFAR 2012:1 (K3) in the preparation of its Swedish financial reports.

Future financial reports:

Interim Report Q1-Q3, 2018: 29 November, 2018
Year End report 2018: 21 March, 2019

Certified Adviser

Sedermåra Fondkommission is Realfiction Holding AB's Certified Adviser.

For further information, please contact:

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The Board of Directors and the CEO declare that to the best of their knowledge, the Half-Year Interim Report 2018 presents a fair view of the financial position of the Company at 30 June 2018 as well as of the results of the group operations and cash flows for the periods 1 April - 30 June 2018 and 1 January - 30 June 2018.

Helsingborg, 30 August 2018
Realfiction Holding AB
Board of Directors and CEO

This information is information that Realfiction Holding AB is obliged to make public pursuant to the Swedish Securities Market Act (Lagen (2007:528) om värdepappersmarknaden). The information was submitted for publication, through the agency of the contact person set out above, on August 30, 2018.

Financial Highlights and Key Ratios

Selected Financial Highlights and Key Ratios – Group

SEK '000	Q2-2018 01-04-2018 - 30-06-2018 3 months	Q2-2017 01-04-2017 - 30-06-2017 3 months	H1-2018 01-01-2018 -30-06-2018 6 months	H1-2017 01-01-2017 -30-06-2017 6 months	2017 01-01-2017 -31-12-2017 12 months
Net revenue	6,259	4,453	12,305	8,829	16,319
Gross profit	3,042	2,088	5,520	4,105	7,474
Result after financial items	-3,968	-2,864	-7,839	-3,790	-10,226
Total Assets	23,589	31,296	23,589	31,296	26,084
Cash flow from operating activities	-7,415	-4,417	-10,904	-4,506	-9,752
Cash at bank and in hand	5,601	23,313	5,601	23,313	17,137
Solvency ratio (%)	40.2	68.5	40.2	68.5	62.2
Average number of employees	15	10	15	10	14
Earnings per share (SEK)	-0.29	-0.31	-0.62	-0.44	-0.87
Average number of shares	11,633,135	8,764,982	11,633,135	8,397,950	10,028,838

Definitions

Solvency ratio: Equity as a percentage of the balance sheet total. Key ratios of equity are presented to provide a better understanding of Realfiction's long-term ability to pay its debt.

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.

Income Statement (condensed) – Group

SEK '000	Q2-2018 01-04-2018 - 30-06-2018 3 months	Q2-2017 01-04-2017 - 30-06-2017 3 months	H1-2018 01-01-2018 -30-06-2018 6 months	H1-2017 01-01-2017 -30-06-2017 6 months	2017 01-01-2017 -31-12-2017 12 months
Net revenue	6,259	4,453	12,305	8,829	16,319
Cost of goods sold	-3,217	-2,365	-6,785	-4,724	-8,845
Gross profit	3,042	2,088	5,520	4,105	7,474
Other external costs	-2,696	-2,802	-5,621	-3,738	-9,064
Personnel costs	-4,151	-1,925	-7,303	-3,840	-8,351
Depreciation of current assets & non-current assets	-29	0	-55	0	-18
Operating result	-3,834	-2,639	-7,459	-3,473	-9,959
Other financial income	119	0	148	0	363
Other financial costs	-253	-225	-528	-317	-630
Result after financial items	-3,968	-2,864	-7,839	-3,790	-10,226
Tax on the profit of the period	621	129	621	129	1,497
Net result for the period/year	-3,347	-2,735	-7,218	-3,661	-8,729

Balance Sheet (condensed) - Group

SEK '000	30-06-2018	30-06-2017	31-12-2017
Assets			
Non-current assets			
Tangible assets			
Other property, plant and equipment	400	71	163
Total tangible assets	400	71	163
Other long-term receivables	890	228	237
Total financial assets	890	228	237
TOTAL NON-CURRENT ASSETS	1,290	299	400
Current assets			
Inventories	11,044	5,097	4,804
Total inventories	11,044	5,097	4,804
Trade receivables	1,668	821	460
Other short-term receivables	3,068	978	2,417
Tax receivable	918	788	866
Total short-term receivables	5,654	2,587	3,743
Cash at bank and in hand	5,601	23,313	17,137
TOTAL CURRENT ASSETS	22,299	30,997	25,684
TOTAL ASSETS	23,589	31,296	26,084
Liabilities and Equity			
Equity			
Share capital	1,163	1,163	1,163
Other reserves incl. retained earnings	8,324	20,281	15,060
TOTAL EQUITY	9,487	21,444	16,223
Credit institutions	3,050	4,541	3,799
Non-current liabilities	3,050	4,541	3,799
Short-term of non-current liabilities	1,810	1,493	1,587
Trade payables	6,404	1,411	1,816
Other payables	2,838	2,407	2,659
Total current liabilities	11,052	5,311	6,062
TOTAL LIABILITIES	14,102	9,852	9,861
TOTAL LIABILITIES AND EQUITY	23,589	31,296	26,084

Cash Flow Statement (condensed) – Group

SEK '000	Q2-2018 01-04-2018 - 30-06-2018 3 months	Q2-2017 01-04-2017 - 30-06-2017 3 months	H1-2018 01-01-2018 -30-06-2018 6 months	H1-2017 01-01-2017 -30-06-2017 6 months	2017 01-01-2017 -31-12-2017 12 months
Operating result	-3,834	-2,639	-7,459	-3,473	-9,959
Exchange adjustments	37	-5	0	-7	-78
Depreciation	29	0	55	0	18
Operating result after exchange adjustments	-3,769	-2,644	-7,404	-3,480	-10,019
Operating activities					
Change in trade receivables	505	-428	-1,141	-378	-9
Change in inventories	-6,798	715	-5,879	1,746	2,176
Change in other receivables	-1,166	-148	-527	445	-1,188
Change in short-term part of long-term payables	0	116	11	469	542
Change in other payables	265	880	416	1,224	1,179
Change in trade payables	3,584	-3,174	3,903	-4,706	-3,999
Cash flow from ordinary activities	-7,378	-4,683	-10,621	-4,680	-11,318
Paid financial costs	-36	-225	-283	-317	-267
Tax payments	0	491	0	491	1,833
Cash flow from operating activities	-7,415	-4,417	-10,904	-4,506	-9,752
Purchase of financial assets	0	0	-7	-14	0
Purchase of tangible assets	-121	-71	-277	-71	-181
Cash flow from investing activities	-121	-71	-284	-85	-181
Financing activities					
Payment of long-term liabilities	-419	-483	-844	-836	-1,685
Share issue	0	24,552	0	24,552	24,596
Cash flow from financing activities	-419	24,069	-844	23,716	22,911
Cash flow for the period	-7,955	19,581	-12,032	19,125	12,978
Cash and cash equivalents at period start	13,570	3,693	17,137	4,159	4,159
Exchange rate recalculation difference – cash and cash equivalents	-14	39	496	29	0
Cash and cash equivalents at period end	5,601	23,313	5,601	23,313	17,137

Statement of Changes in Equity (condensed) - Group

SEK '000	Q2-2018 01-04-2018 - 30-06-2018 3 months	Q2-2017 01-04-2017 - 30-06-2017 3 months	H1-2018 01-01-2018 -30-06-2018 6 months	H1-2017 01-01-2017 -30-06-2017 6 months	2017 01-01-2017 -31-12-2017 12 months
Equity at period start	11,860	-420	16,223	509	509
Adjustment of exchange adjustments and other short-term receivables at 31 March 2018 *	903	0	0	0	0
Exchange adjustments	71	-7	482	-10	-163
Share issues	0	27,408	0	27,408	27,408
Costs of share issue, (2 share issues)	0	-2,802	0	-2,802	-2,802
Net result for the period	-3,347	-2,735	-7,218	-3,661	-8,729
Equity at period end	9,487	21,444	9,487	21,444	16,223

*) The Company's assets and equity in the interim report at 31 March 2018 excluded receivables for 903 SEK '000, which instead was included in the exchange adjustments of 492 SEK '000. This exclusion had no impact on the net result in Q1. As a consequence of this, an adjustment is included above.

Income Statement (condensed) – Parent company

SEK '000	01-04-2018 -30-06-2018 3 months	28-04-2017 -30-06-2017 Appr. 2 mth	01-01-2018 -30-06-2018 6 months	28-04-2017 -30-06-2017 Appr. 2 mth.	28-04-2017 -31-12-2017 Appr. 8 mth.
Operating income					
Net revenue	0	0	0	0	0
Operating costs					
External costs	-573	-603	-860	-603	-1,001
Personnel costs	-263	0	-263	0	0
Operating result	-615	-603	-902	-603	-1,001
Other financial income	2	0	4	0	306
Other financial costs	-1	-5	-4	-5	-7
Net result for the period	-614	-608	-902	-608	-702

Balance Sheet (condensed) – Parent company

SEK '000	30-06-2018	30-06-2017	31-12-2017
Non-current assets			
Financial assets			
Shares in subsidiary	19,000	1,000	19,000
Total financial assets	19,000	1,000	19,000
TOTAL NON-CURRENT ASSETS	19,000	1,000	19,000
Current assets			
Intercompany receivable	190	2,351	247
Other receivables	529	54	352
Total short-term receivables	719	2,405	599
Cash at bank and in hand	4,779	22,323	5,401
TOTAL CURRENT ASSETS	5,498	24,728	6,000
TOTAL ASSETS	24,498	25,728	25,000
Liabilities and Equity			
Equity			
Share capital	1,163	1,163	1,163
Other reserves	23,740	24,442	24,442
Net result of the period	-902	-608	-702
TOTAL EQUITY	24,001	24,997	24,903
Trade payables	142	73	2
Other payables	355	658	95
Total short-term liabilities	497	731	97
TOTAL LIABILITIES	497	731	97
TOTAL EQUITY AND LIABILITIES	24,498	25,728	25,000