

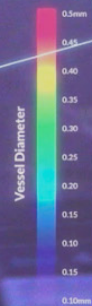
CÉPA VASCULATURE

VESSELS OF INTEREST ARE IDENTIFIED.
VESSEL MEASUREMENTS ARE OBTAINED.

Vessel A
Diameter 0.12mm
Length 0.95mm

Vessel B
Diameter 0.32mm
Length 2.81mm

Vessel C
Diameter 0.52mm
Length 2.81mm



Q2 INTERIM REPORT

1 APRIL – 30 JUNE 2019

Realfiction Holding AB (publ) | 559110-4616



REALFICTION™

Q2 INTERIM REPORT – SUMMARY

Q2 2019 (1 April – 30 June 2019)

- Revenue totaled TSEK 5,825 (Q2 2018: TSEK 6,259)
- Gross profit totaled TSEK 3,189 (Q2 2018: TSEK 3,143)
- Gross profit margin was 54.7% (Q2 2018: 50.2%)
- Result after financial items amounted to TSEK -2,875 (Q2 2018: TSEK -3,968)
- Earnings per share SEK -0.21 (Q2 2018: SEK -0.29)
- Cash flow from operating activities was TSEK -3,011 (Q2 2018: TSEK -7,415)

H1 2019 (1 January – 30 June 2019)

- Revenue totaled TSEK 12,849 (H1 2018: TSEK 12,305)
- Gross profit totaled TSEK 7,131 (H1 2018: TSEK 5,520)
- Gross profit margin was 55.5% (H1 2018: 44.9%)
- Result after financial items amounted to TSEK -6,084 (H1 2018: TSEK -7,839)
- Earnings per share SEK -0.46 (H1 2018: SEK -0.62)
- Cash flow from operating activities was TSEK -4,719 (H1 2018: TSEK -10,904)

"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, the Group's operating subsidiary, was founded 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 Q2 2019

- On 10 April, Realfiction announced that it has received several interesting orders in early spring including additional Magic-as-a-Service retail campaigns.
- On 16 May, Realfiction announced that to further accelerate its growth, the Company has carried out

a public rights issue of 17.4 MSEK in cash and a directed Issue of 6.8 MSEK through conversion of loans. The subscription will increase the number of shares from 11,633,135 to 14,057,908.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 4 July, Realfiction announced the launch of its first Magic-as-a-Service media channel in the travel retail market, covering airport and ferry boat locations in the Nordic European region with strategic display placements in tax-free shops.

- On 29 August, Realfiction announced that the timing of when its Sales Activities are expected to break-even has been pushed from any single month before the end of 2019 into 2020 due to a temporary slow-down in the orders and revenue from our new Magic-as-a-Service concept.

CEO COMMENTS

TOUGH BUT EXCITING TIMES

Realfiction is undergoing a major change in business model from general hardware sales to our new Magic-as-a-Service model within the two verticals Retail and Exhibitions. So far, we have been able to do this with constantly increasing sales and margins. However, the road to success is rarely a straight line and this upward trend was interrupted in Q2 with disappointing sales, primarily due to a temporary slow-down in Exhibition related orders.

At the same time, 2019 to date is by far the most exciting time ever in Realfiction, as we continue to see strong proof that our new Magic-as-a-Service model in Retail is working and is about ready to scale. Learnings from this approach is now being implemented in the Exhibition track as well. And our work on the hugely exciting Project Echo, our upcoming, patent pending light field technology program with a clear mission to change the world of 3D as we know it by creating true 3D in open air with no need for glasses, is well underway, with a proof of concept getting closer day by day. Let me explain ...

Magic-as-a-Service for Retail: Our customers are really positive about their initial Magic-as-a-Service campaigns and have – in addition to the obvious branding effect our solution creates – been able to achieve really positive extra sales results. This means that they now have a desire to enter into longer term contracts.

“ Our customers are really positive about their initial Magic-as-a-Service campaigns and have – in addition to the obvious branding effect our solution creates – been able to achieve really positive extra sales results. “

We have been promoting leading brands across a variety of product categories in Denmark's largest hypermarket Bilka. Orkla used it for a product introduction and our solution secured a sales performance at an impressive 225% compared to the other shops with the same introduction. Jack Daniels reported of improvements from the normal index 100 to index 174 and 134 on their Black Label and Tennessee Honey products during their campaign. And Cloetta reports of 65% more units sold during their campaign. These are just examples of the positive experiences the brands have reported back from their first pilot campaigns with us, and we feel confident that we are on the right path with this model. Interest is also rising in our neighbouring countries, as

these large organizations starts to communicate internally regarding the performance of their Magic-as-a-Service campaigns in Denmark.

With our clear “proof of effect” in hand, we can also (re)address many of the global brands that we have sold hardware to in the past with

an expectation that the combination of a proven effect and the ease of deployment of Magic-as-a-Service will pave the way for large scale adoption. We have also managed to establish our Magic-as-a-Service concept in a number of airports and ferries, proving that it is valuable in hotspots across a number of retail product categories and types of locations. So, although we are still in the first introduction year with a new model in a tough segment, we are seeing really positive progress.

Despite these great results, our customers have struggled to find funding for our platform in the middle of a year at a time when they have already allocated their annual marketing campaign budgets for 2019. So,

in order to continue running campaigns in the near term with us, they have to find extra funds, which influences the time it takes to close the campaign sales. This boils down to the following situation: a) we are growing our Magic-as-a-Service revenue, b) the industry is very positive about the solution after a number of test runs and c) the brands are now keen to integrate our solution into their annual budgets starting in 2020 – which will be the key to scaling our sales at home and abroad from test installations to prime time. Nevertheless, this does not help us here and now and as a result, we are slightly behind in expected Magic-as-a-Service volume and we are now investing a larger share of our time with the brands to secure our share of next years' budgets.

Magic-as-a-Service for Exhibitions: The Magic-as-a-Service Exhibition track has not performed as expected in Q2, which is the main reason behind the fact that sales in Q2 were lower than Q1, 2019, which is known as the most active quarter of the year in the global exhibition industry. The good news is that we received a lot of positive feedback from customers who previously used our larger attention-grabbing solutions at trade shows and events. Several of them are now using, or planning to use, our solutions for the second or third tradeshow as a clear proof of the value we add. After a busy first quarter, we have seen that the sales generated via our partner-based go-to-market model is not yet performing as we had hoped for, so we have decided to refocus our go-to-market approach, and instead focus primarily on directly targeting larger industrial SME's as well as global corporations with local satellite organizations that use exhibitions and fairs as one of their main promotional activities. Now, with a strong focus on

the Nordics and the US, where we have our own sales staff, we have much better control on the outcome of our efforts. We expect to begin to see the results from this adjustment before year-end 2019.

Experience (Hardware): our hardware sales are performing better than expected. As a natural part of our transition we have been focusing less on the partner-based hardware sales, and as a result, revenue from this part of the business is expected to decrease in 2019 compared to 2018. Nevertheless, hardware sales is outperforming our expectations. It is a well-known fact, that hardware sales yields lower gross profit margins than Magic-as-a-Service sales. This explains why the gross margin is not growing in Q2, but in fact is reduced by one percentage point to 55%. With continued growth in the Magic-as-a-Service related revenue as anticipated in 2020 and onwards, the overall gross margin will be due to grow towards 60%.

Project Echo: We have previously announced that a proof of concept was anticipated during 2019. I can now say that we expect to be ready with this very important milestone towards the end of the current quarter, or early in the next quarter i.e. by the end of September 2019 or in the beginning of October.

This will include demonstrating the first pixel(s) floating freely and proving the look-around capability that is one of the key features of Project Echo. This may not sound like much, but it is in fact a living proof that the technology works. This will also kick off the next exciting stage for the development of this remarkable scalable technology, when we start to build working prototypes etc. We are currently also investigating whether a

technological variation of the core vision could allow for a faster track to the commercial phase, by leveraging the inventions of Project Echo in a context of using key components from existing display technologies. More patent applications might be submitted in the near future based on these positive discoveries, and our confidence in Project Echo is growing. I look very much forward to be able to get into more details on this topic before the end of the year.

All in all – despite disappointing sales for the time being and that we now expect breakeven in our Sales Activities will be pushed from any single month before the end of 2019 into 2020 - we are very much on the right track and we are pleased to confirm that the massive potential of our business, no matter if one refers to Magic-as-a-Service for Retail or Exhibitions or indeed to Project Echo ... is Real, not Fiction.



Clas Dyrholm
CEO, Realfiction Holding AB



Clas Dyrholm
CEO, Realfiction Holding AB

INNOVATION



Since the beginning of our journey more than a decade ago, our vision has always been about creating experiences that bring people together. At the heart of this vision sits our innovation team, a group of dedicated, like-minded individuals all sharing the belief that our technology should be about enabling magical moments that can be collectively experienced and shared with others. Positioned in the so-called field of Mixed Reality, Realfiction is dedicated to exploring and inventing technology that breaks with the current approach of head-mounted wearables, as we believe this is just the first, primitive stage. We want to create social Mixed Reality that takes back the public space and enables epic experiences that challenge the very perception of reality.

PROJECT ECHO – TRANSFORMING SCIENCE FICTION INTO REALITY

We have intensified our investment in innovation – and we now believe that we have found the technology that will allow us to invent the holy grail of 3D experiences; free-floating holograms that require no glasses, devices or other lenses between the human eye and the effect, and where 3D objects can be viewed and interacted with from different angles. This display has for many years existed purely as an item of science fiction,

deemed improbable to ever surface in our present lifetime. However, with the recently submitted patent applications for the new directional pixel technology, referred to as Project Echo, Realfiction is finally on the path to materialize this dream and bring it to market. Project Echo is currently the main focus of our development department, with potential to provide significant licensing and joint cooperation opportunities in the future.

Picture above: Steen Iversen and Peter Simonsen from Realfiction's R&D department.

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 social interactions between human beings in the real world. This is now within reach with the Project Echo pixel technology. Assuming Realfiction succeeds in developing this patent pending technology, the Company believes it could potentially set a new standard for home entertainment, how we experience TV shows, series and movies on our phones, tablets and TV's, in comparison to the switch from black and white to color TV.

PHASES AND MILESTONES

The next milestone is to complete and announce a proof of concept for the Project Echo pixel technology end of September or early October 2019. The

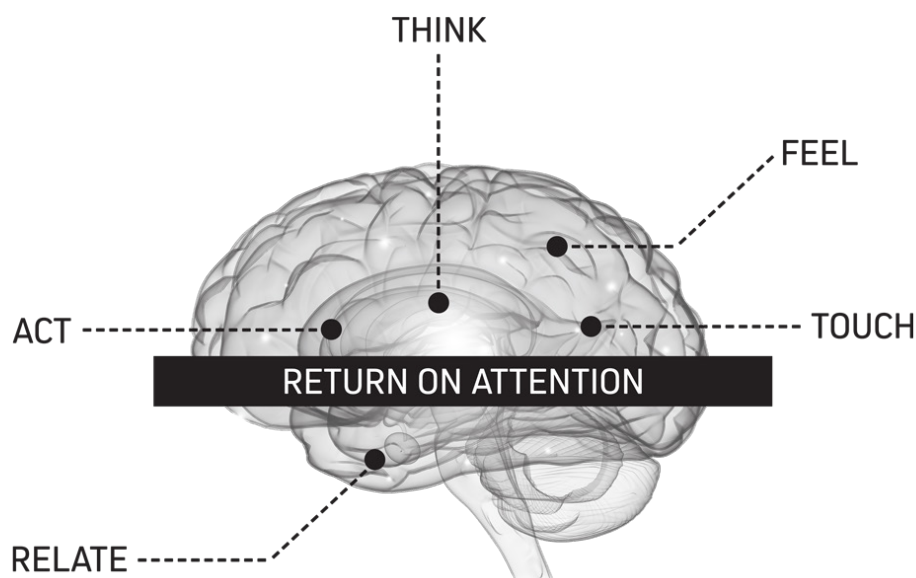
objective is to manufacture new directional pixels to present a clear path towards commercial mass production of displays comprising millions of such directional pixels. In its final and fully commercial form, the technology and related content effects will be available at scale and at price points that 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 projects, 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.



REALFICTION'S BUSINESS AND CONCEPT



ABOUT THE COMPANY

Realfiction develops, sells and rents out market leading Mixed Reality (MR) products and services based on innovative, as well as patent and design protected, hardware platforms that have been developed over more than a decade. All of the above is packaged into a simple, profitable and powerful service concept that we call “Magic-as-a-Service”. The company’s MR displays are especially well-suited for social environments as they do not require special glasses or other accessories.

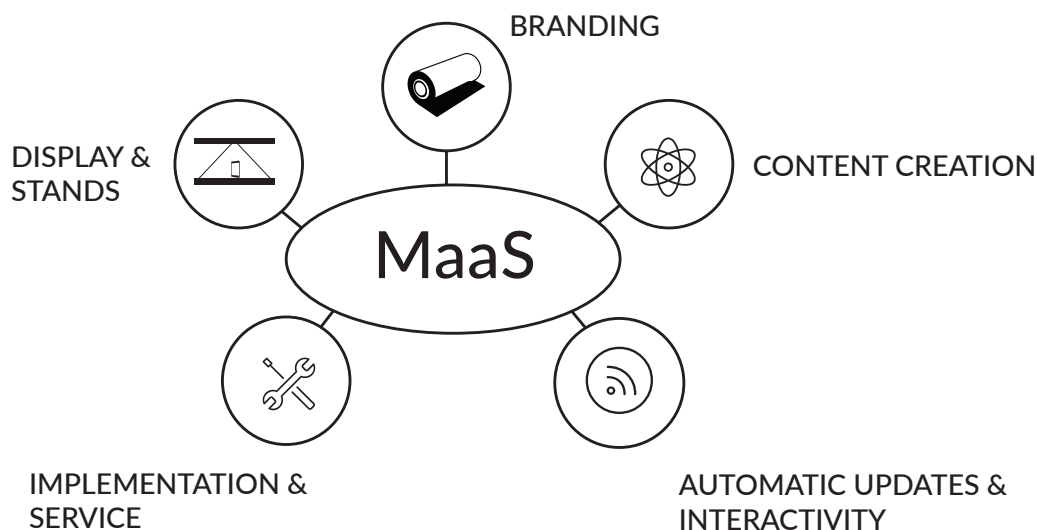
RELEVANT ACROSS MANY INDUSTRIES

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”.

SALES AND BUSINESS MODEL



MAGIC-AS-A-SERVICE (MaaS)

Realfiction continues to accelerate its Magic-as-a-Service business model, offering the Company's full-solution concept as turnkey campaigns or event installations. The Magic-as-a-Service model provides retailers and brand owners with a very flexible way of utilizing Realfiction's portfolio of Mixed Reality displays, without the need for long-term investments in the hardware or involve external creative agencies.

With the Magic-as-a-Service business model, Realfiction provides domestic and international companies with a new and attractive way of showcasing their products and services towards customers. By delivering complete end-to-end solutions, Realfiction takes ownership of the entire value chain and customer journey from the creative storyboard, development of 3D content, holographic display rental, branding, and on-site installation. To deliver time and cost-efficient 3D content to a variety

of different clients, the Company is continuously optimizing the content creation method. The high-quality 3D content is developed and customized for each client by Realfiction's in-house team of 3D artists and external developers.

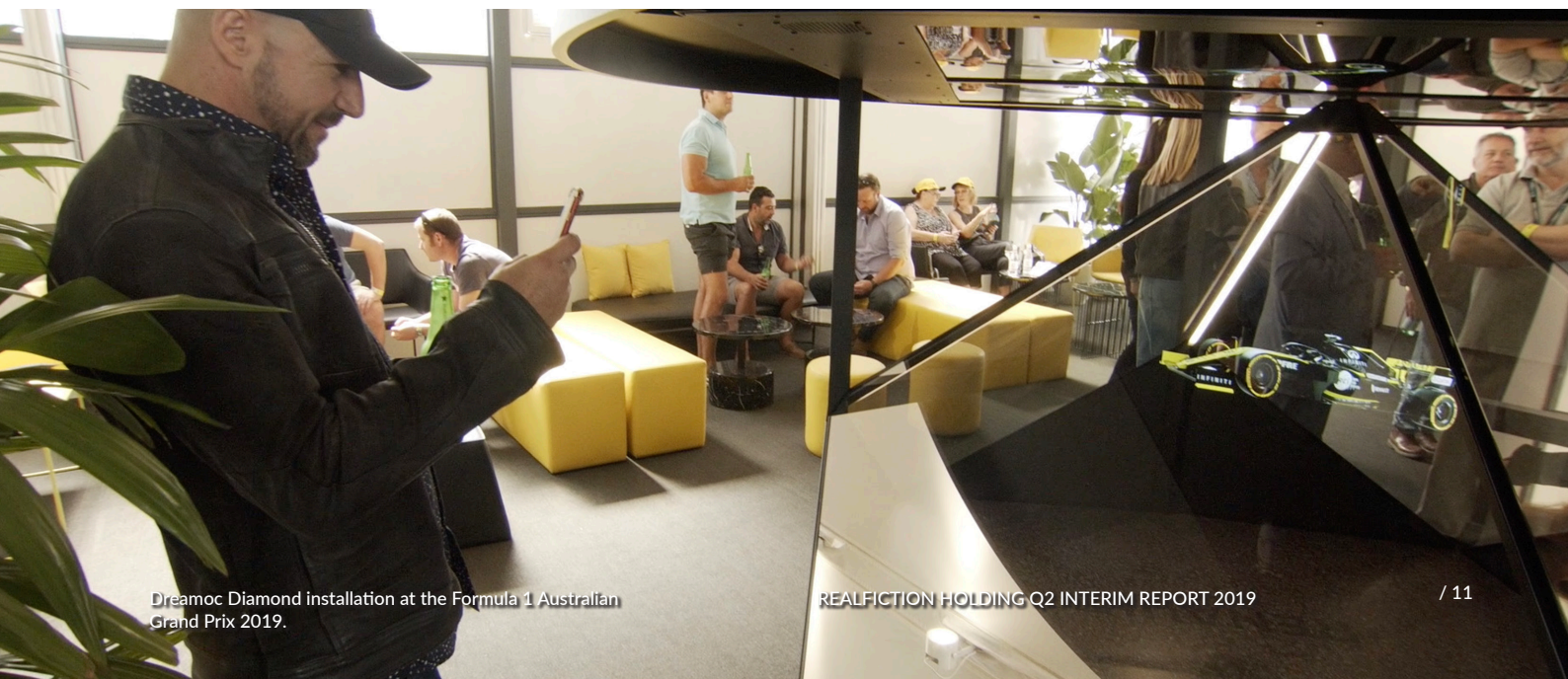
The Magic-as-a-Service model can also function as a subscription-based service, where customers receive 3D content updates and rebranding on a monthly basis. This allows for regular in-store marketing promotions or a global tour of exhibition venues.

The Company's go-to-market strategy for the Magic-as-a-Service model currently focuses on the two main verticals being (1) short-term rentals targeted towards the exhibition and event market, and (2) in-store advertising in retail. However, the concept can be expanded to address several additional market segments where added revenue can be attained in the future.

SALES AND RENTAL VIA A WORLDWIDE NETWORK OF PARTNERS

Realfiction's global network of partners consists of more than 150 resellers and/or 3D content developers located in Europe, North and South America, Asia, Australia, the Middle East, and other regions. Despite an increased focus on driving the Magic-as-a-Service offering, the Company will continue to let partners purchase its portfolio of Mixed Reality displays and accessories.

Furthermore, the option for renting the displays for short-term periods will also remain. The production of the displays will continue to be outsourced to third-party manufacturers, as this allows Realfiction to continuously adapt the production according to local market demands.



MAGIC-AS-A-SERVICE: IN-STORE ADVERTISING IN RETAIL

Throughout the first half of 2019, Realfiction has been focused on growing the revenue and market presence through the established Magic-as-a-Service placements in hypermarkets in Denmark. The Magic-as-a-Service media channel offers new and existing suppliers to the hypermarkets with access to a highly flexible and attractive way of creating in-store advertising, thus ensuring unique brand exposure to millions of customers each month.

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.

With 1-3 displays in each hypermarket, Realfiction can deliver targeted in-store advertising with adjustable placements according to the brand and product category. This enables suppliers and brand owners with a time-efficient way of bringing campaigns to market, as the negotiations regarding promotional placements inside the hypermarkets have already been taken care of by Realfiction.

As the Company continues to strengthen its presence in hypermarkets, the strategic outline and sales efforts are now focused on securing more long-term agreements with existing suppliers and brand owners. This will enable the Magic-as-a-Service media channel to become a more generic part of the yearly advertising budgets and marketing mix, building on the many new cases and positive sales results from clients.





Within the Magic-as-a-Service media channel, Realfiction currently has 38 holographic displays permanently positioned in 19 Bilka hypermarkets in Denmark, as well as an additional fleet of displays used for non-permanent campaign placements in a selection of other larger supermarket chains.

During the spring of 2019, Realfiction announced plans to launch a Magic-as-a-Service media channel in selected airports in the Nordic European region. The coverage was then extended to include airports in Copenhagen, Amsterdam, and Aalborg as well as Nordic ferry boats from DFDS Seaways and Colorline to name a few.

The Company's ambition is to continue to strengthen its presence within the travel retail and tax-free sector by delivering a steady flow of campaigns to the current locations. Additionally, Realfiction plans to secure more Magic-as-a-Service placements at additional airports, ferry boats,

and other key travel retail locations in the Nordic European region.

Realfiction's ambition is still to expand its Magic-as-a-Service concept and media channel to additional retail chains during 2019, within the "fast-moving consumer goods" (FMCG) retail market as the primary sector to begin with. The ambition is to build a similar media channel approach as in Denmark, fueled by in-store marketing campaigns to the local subsidiaries of suppliers and brand owners, who have already completed successful Magic-as-a-Service campaigns in Denmark.

Furthermore, the previously communicated expansion to other European countries in 2020 remains a firm strategic goal for the Company. This will involve a similar strategy of targeting the largest key suppliers in the FMCG sector, combined with the option for expanding the presence with local Realfiction sales associates.

MAGIC-AS-A-SERVICE: EVENTS AND EXHIBITIONS

Despite the short term drop in Exhibition related sales in Q2, 2019, Realfiction continues to see a growing demand for renting the Company's portfolio of holographic displays for exhibitions and events. The targeted sales and marketing activities are primarily focused on driving awareness and attracting clients in the Nordic countries and the United States. With the Magic-as-a-Service concept for event and exhibitions, Realfiction is directly targeting larger industrial SME's and global corporations with local satellite organizations that use exhibitions and fairs as one of their main promotional activities.

By renting a display solution from Realfiction, companies can elevate the brand experience they provide to fair attendees, generate attention in their market space, and communicate their often-complex value proposition in a highly visual way. Realfiction delivers a full-solution that includes display rental, custom 3D content animation, external/internal display branding as well as logistics and installation at the exhibition.

Realfiction's rental concept offers the three largest display models from the portfolio: The Dreamoc Diamond, DeepFrame, and Dreamoc XL3. To accommodate for market needs, certain technical adjustments and add-on

products have been developed in the first half of 2019. To generate additional engagement at the exhibitions, an interactive and customizable touchscreen can be added to all rental display models. Additionally, all of the displays now feature heavy-duty flight cases that can support the wear and tear of continuous transportation and handling.

By delivering a complete end-to-end solution, the rental program positions Realfiction as a one-stop service provider, successfully bypassing the client's need for hiring installation workforce or an external creative agency for developing the bespoke 3D content. Having the ability to directly demonstrate the effect of the Mixed Reality displays in front of potential customers has proven very important for accelerating the sales process. As such, Realfiction is establishing local showroom facilities in key locations in Denmark, the United States, and the United Kingdom, where a majority of the target companies are situated. The showroom facilities are located within the premises of external partners. Additionally, Realfiction will continue to fuel the lead generation by exhibiting at industry-specific fairs and accelerate its B2B appointment setting via external agencies.



Dreamoc Diamond installation at the American Thoracic Society expo 2019

DISPLAY PORTFOLIO



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

All our products are sold individually and packaged into a simple and powerful service concept that we call “Magic-as-a-Service”. Realfiction’s line of Dreamoc and DeepFrame displays is at the center of the company’s MR solutions offered to end-clients through 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 can be experienced from several directions simultaneously. **Dreamoc POP3** can only be experienced from the front and

is especially well suited for displays on shelves and for displaying several objects together. **Dreamoc XL3** and **Dreamoc XXL3** are, as their names suggest, larger models that make 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.

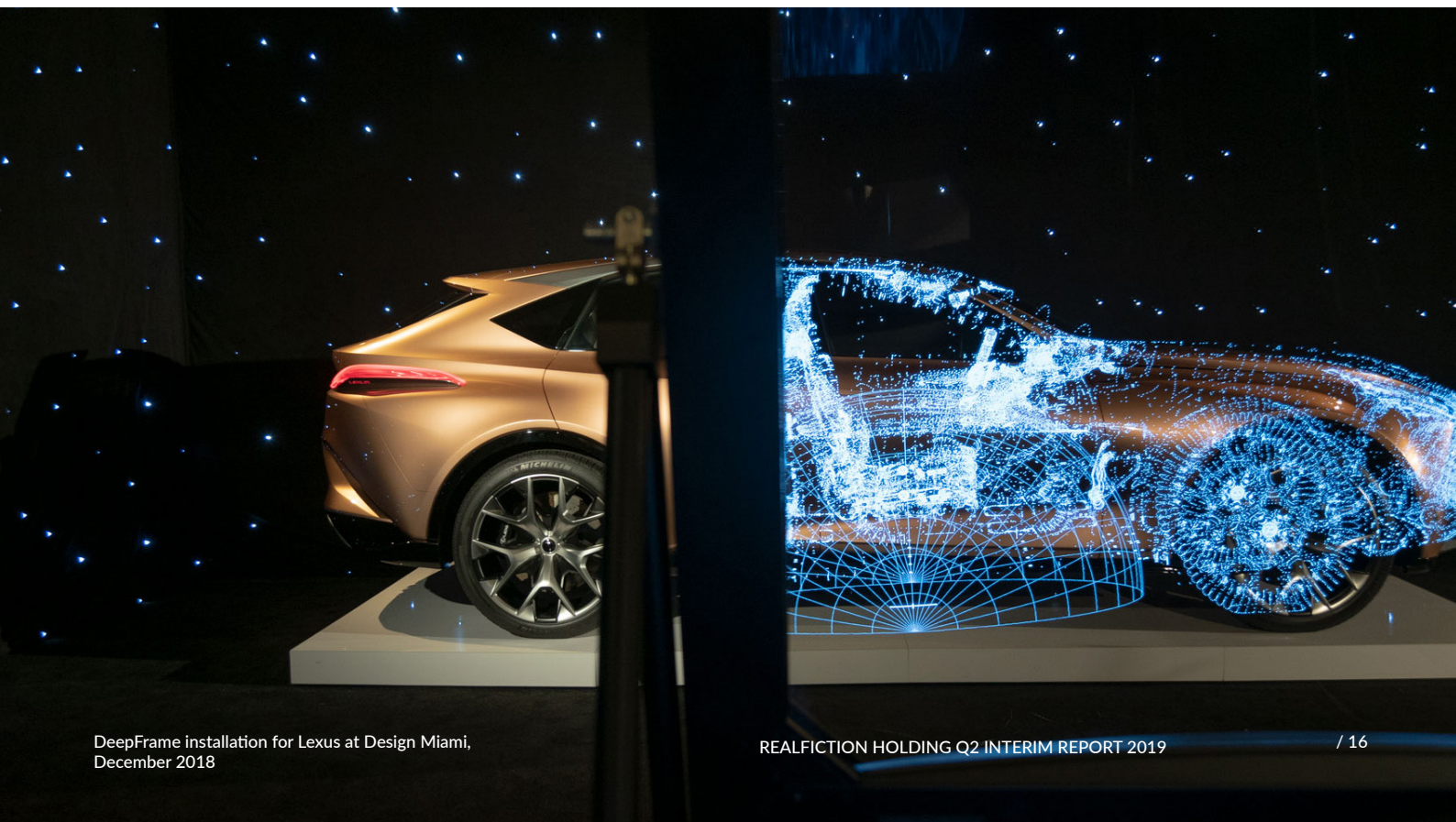
DEEPFRAME - THE WORLD'S LARGEST MIXED REALITY DISPLAY

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.

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.





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 2019

Income Statement

Group net revenue amounts to TSEK 5,825 for Q2, 2019, representing a decline of 7% from Q2, 2018, while TSEK 12,849 for H1, 2019 represents an increase of 4% compared to H1, 2018. The primary part of net revenue in Q2 and H1, 2019 consists of product sales from the Dreamoc and DeepFrame category, while sales from our Magic-as-a-Service concept account for TSEK 1,115 and TSEK 2,310 for Q2 and H1 respectively. In Q2 and H1, 2018, our sales were from product sales only.

Cost of goods sold amounts to TSEK 2,636 and 5,718 for Q2 and H1, 2019 respectively. Thus, our gross profit in Q2, 2019 increased to TSEK 3,189 from 3,143 in Q2, 2018 and resulted in gross profit margin in Q2, 2019 of 54.7% compared to 50.2% in Q2, 2018. The improvement in gross profit in H1, 2019 compared to H1, 2018 is more significant as gross profit in H1, 2019 amounts to TSEK 7,131 compared to TSEK 5,520 in H1, 2018 with gross profit margins of 55.5% in H1, 2019 and 44.9% in H1, 2018. The significant increase in the gross profit margin is primarily attributable to the increase in sales from our Magic-as-a-Service concept, but also due to

a negative impact to gross profit in Q1, 2018 from sales of new products offered at lower prices.

Adjusted for currency conversion effects, the Company's revenue in the second quarter of 2019, declined by 5% to TDKK 4,094 compared to the average quarterly revenue of 2018 (TDKK 4,304). However, due to sales of the Company's Magic-as-a-Service concept, gross profit has increased by 8% to TDKK 2,242 from the average of 2018 of TDKK 2,073 and the gross profit margin has increased by 14% (7 points) to 55% from the average of 2018 of 48%.

The gross profit margin varies from quarter to quarter based on sales mix, but the positive contribution to the gross profit margin from the Magic-as-a-Service concept is clear – even though it is still in its early days.

In Q2, 2019 the Company has capitalized development expenditure relating to Project Echo that fulfills the requirements of the capitalization accounting principle. As such, the operating result is positively impacted by TSEK 1,262 from the reclassification of salaries and internal expenses relating to Project Echo.

Other external costs decreased to TSEK 2,256 in Q2, 2019 from TSEK 2,912 in Q2, 2018 and TSEK 4,869 in H1, 2019 from 5,842 in H1, 2018. The decrease in Q2, 2019 is primarily due to decreased product development costs as the Company's current development project classify as intangible assets and is capitalized as such as per above and in the "Investments" section below. The additional decrease in H1, 2019 is caused by decreased marketing costs as the Company launched new products at expos in Q1 2018.

Personnel costs are at a high level in Q1 and H1, 2019 due to onboarding of sales resources and continuous investments in product and market development and innovation.

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

The net result for the Group in Q2 and H1, 2019 amounts to TSEK -2,467 and TSEK -5,310 compared to TSEK -3,347 and -7,218 in Q2 and H1, 2018.

Supplementary Income Statement

On page 27 Realfiction's supplementary income statement is presented with our two main activities; Sales and Innovation & Development. In Q2, 2019, we continued the acceleration of our Innovation & Development Activities, with primary focus on Project Echo. Project Echo aims at inventing the holy grail of 3D experiences; freefloating holograms that require no glasses, devices or other lenses between the human eye and the effect, and where 3D objects can be viewed and interacted with from different angles. Our gross expenditure in Innovation & Development Activities increased to TSEK 1,729 in Q2, 2019 from TSEK 1,460 in Q2, 2018 and TSEK 3,251 in H1, 2019 from TSEK 2,346 in H1, 2018. With increased gross profit as mentioned above, the operating result from our Sales Activities improved from a loss of TSEK 5,179 in H1, 2018 to a loss of TSEK 3,582 in H1 2019, while the Q2, 2019 operating result from our Sales Activities increased to a loss of TSEK 2,194 compared to TSEK 2,203 in Q2, 2018.

Balance Sheet

Realfiction's total assets at 30 June 2019 amounts to TSEK 31,192 compared to TSEK 20,821 at 31 December 2018. Inventory at 30 June 2019 amounts to TSEK 7,545 compared to TSEK 8,909 at 31 December 2018. The decrease in inventory is a result of sales of units and transfer to tangible assets to support our "STEP-UP-2019" strategy.

Trade receivables are higher than last year due to longer credit terms with new Magic-as-a-Service costumers.

Current liabilities decreased to TSEK 6,468 at 30 June 2019 from TSEK 14,090 at 31 December 2018, primarily as a result of conversion to share capital of bridge loans granted in October 2018. In addition, Vækstfonden has deferred the Company's 2019 instalments.

The Group's solvency ratio at 30 June 2019 is 69,4% compared to 22.5% at 31 December 2018.

Investments

In Q2, 2019, the Company has capitalized development expenditure of TSEK 1,643 relating to the patent-pending Project Echo. Development projects that fulfil the requirements of the capitalization accounting principle are presented as intangible assets and are measured at cost (or fair value if lower) until the project has been completed. In Q2, 2019, Realfiction rolled out additional Magic-as-a-Service displays. These displays have been capitalized as tangible assets which increased to TSEK 2,085 at 30 June 2019 compared to 1,707 at 31 December 2018.

Cash Flow and Liquidity

The Company's liquid funds and cash equivalents at 30 June 2019 amount to TSEK 13,581 compared to 5,140 at 31 December 2019. Cash flow from operating activities for Q2 and H1 2019 amounts to TSEK -3,011 and -4,719 showing improvement compared to Q2 and H1 2018 of TSEK -7,415 and TSEK -10,904 respectively. The 2018 figures were negatively impacted by increases to inventory and the 2019 figures are positively impacted by improvement in result after financial items due to increased Magic-as-a-Service revenue.

During spring of 2019, we have strengthened the Company's balance sheet and liquidity via a capital increase of MSEK 24.3 (before cost of MSEK 2.2). The capital increase consisted of conversion of loans for MSEK 6.8 and a cash capital increase for MSEK 17.5. The cash will be used to further intensify the execution of our go to market strategy for Magic-as-a-Service and to invest into Project Echo – our new development project that we expect will ensure that Realfiction takes a leap beyond our competitors.

As previously stated, we now expect that breakeven in our Sales Activities will be pushed from any single month before the end of 2019 and into 2020, resulting in a similar delay in when our Sales Activities will become cash flow positive on a monthly basis in 2020.

The Share

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. On 30 June 2019, the number of shares in Realfiction Holding AB amounts to 14,057,908. 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 2018 Annual Report.

OWNERSHIP STRUCTURE

The table below shows key shareholders in Realfiction Holding AB at 31 July 2019.

Name	Number of shares	Ownership (in %)
Ceranco Equity S.C.S ¹	3,194,447	22.72
Clape Holding ApS ²	2,875,000	20.45
AmTRAN Technology Co. Ltd.	1,508,663	10.73
Nordnet Pensionsförsäkring AB	993,502	7.07
Försäkringsaktiebolaget, Avanza Pension	732,651	5.21
Other shareholders (more than 1,350)	4,753,645	33.82
Total	14,057,908	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 and 50 % owned by board member Peter Simonsen.

Audit review

The Q2 Interim Report has not been audited or reviewed by the Company's independent auditors. The Annual Report 2018 for Realfiction ApS has been audited.

Accounting policies

Realfiction Holding AB applies the Annual Accounts Act and the Board of Directors' General Advice BFNAR 2012.1 (K3) in the preparation of its Swedish financial reports.

Financial Calendar:

Interim Report Q1-Q3:	28 November 2019
Year-End Report 2019:	26 March 2020

The above reports will be available for download from the company's website (www.realfiction.com). A printed copy can be ordered via investor@realfiction.com.

Certified Adviser

Mangold Fondkommission AB is Realfiction Holding AB's Certified Adviser and can be contacted via ca@mangold.se or +46 8 503 015 50.

For further information, please contact:

Clas Dyrholm, CEO
Telephone: +45 70 20 64 90
E-mail: investor@realfiction.com

The Board of Directors and the CEO declare that to the best of their knowledge, the Q2 Interim Report 2019 presents a fair view of the financial position of the Company at 30 June 2019 as well as of the results of the group operations and cash flows for the period 1 January– 30 June 2019.

Helsingborg, 29 August 2019
Realfiction Holding AB
Board of Directors and CEO

FINANCIAL HIGHLIGHTS AND KEY RATIOS

Selected Financial Highlights and Key Ratios – Group

SEK '000	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
Net revenue	5,825	6,259	12,849	12,305	23,799
Gross profit	3,189	3,143	7,131	5,520	11,370
Result after financial items	-2,875	-3,968	-6,084	-7,839	-12,733
Total Assets	31,192	23,589	31,192	23,589	20,821
Cash flow from operating activities	-3,011	-7,415	-4,719	-10,904	-14,323
Cash at bank and in hand	13,581	5,601	13,581	5,601	5,140
Solvency ratio (%)	69.4	40.2	69.4	40.2	22.5
Average number of employees	17	15	16	15	15
Gross profit margin (%)	54.7	50.2	55.5	44.9	47.8
Earnings per share (SEK)	-0.21	-0.29	-0.46	-0.62	-1.01
Average number of shares	11,633,135	11,633,135	11,633,135	11,633,135	11,633,135

Definitions

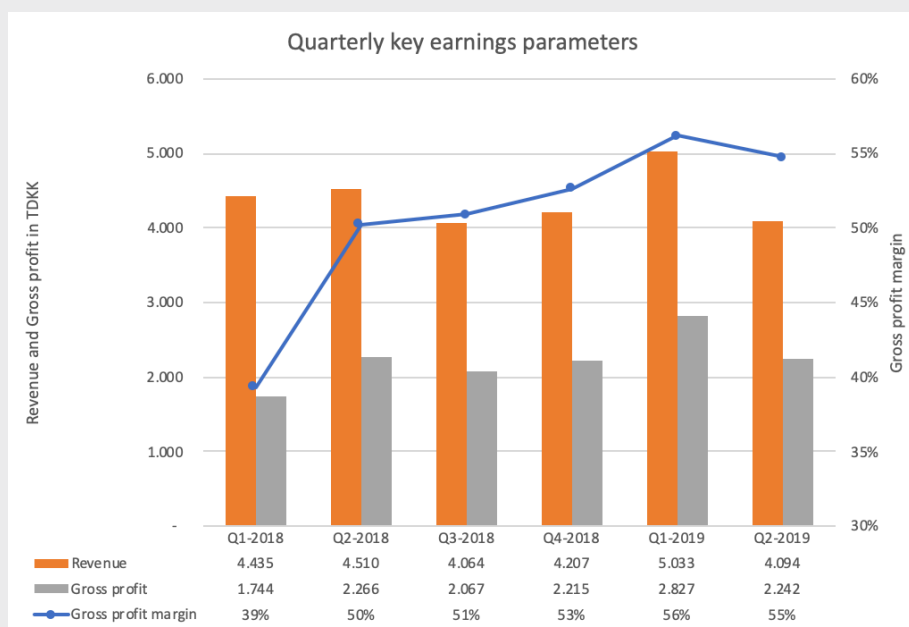
Solvency ratio: Equity as a percentage of the balance sheet total. Key ratios of equity are presented to provide a better understanding of Realfiction's long-term ability to pay its debt.

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.

Gross profit: Net turnover after costs for goods sold.

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

The development in the Company's quarterly revenue, gross profit and gross profit margin is illustrated below:



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.

Income Statement (condensed) – Group

SEK '000	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
Net revenue	5,825	6,259	12,849	12,305	23,799
Cost of goods sold	-2,636	-3,116	-5,718	-6,785	-12,429
Gross profit	3,189	3,143	7,131	5,520	11,370
Capitalized own work performed	1,262	0	1,262	0	0
Other external costs	-2,256	-2,912	-4,869	-5,842	-9,184
Personnel costs	-4,666	-4,151	-8,775	-7,303	-14,768
Depreciation of tangible fixed assets	-292	-29	-519	-55	-290
Other income and expenses	118	115	227	221	1,126
Operating result	-2,645	-3,834	-5,543	-7,459	-11,746
Other financial income	11	119	49	148	219
Other financial costs	-241	-253	-590	-528	-1,206
Result after financial items	-2,875	-3,968	-6,084	-7,839	-12,733
Tax on the profit of the period	408	621	774	621	940
Net result for the period	-2,467	-3,347	-5,310	-7,218	-11,793

Balance Sheet (condensed) - Group

SEK '000	30-06-2019	30-06-2018	31-12-2018
Assets			
Non-current assets			
Development projects under construction	1,643	0	0
Total intangible assets	1,643	0	0
Other property, plant and equipment	2,085	400	1,707
Total tangible assets	2,085	400	1,707
Other long-term receivables	1,100	890	317
Total financial assets	1,100	890	317
TOTAL NON-CURRENT ASSETS	4,828	1,290	2,024
Current assets			
Inventories	7,545	11,044	8,909
Total inventories	7,545	11,044	8,909
Trade receivables	2,935	1,668	1,551
Other short-term receivables	747	2,716	648
Prepaid expenses	591	352	1,610
Tax receivable	965	918	939
Total short-term receivables	5,238	5,654	4,748
Cash at bank and in hand	13,581	5,601	5,140
TOTAL CURRENT ASSETS	26,364	22,299	18,797
TOTAL ASSETS	31,192	23,589	20,821
LIABILITIES AND EQUITY			
Equity			
Share capital	1,406	1,163	1,163
Other reserves incl. retained earnings	20,237	8,324	3,517
TOTAL EQUITY	21,643	9,487	4,680
Non-current liabilities			
Credit institutions	3,081	3,050	2,051
Non-current liabilities	3,081	3,050	2,051
Current liabilities			
Short-term of non-current liabilities	930	1,810	1,848
Trade payables	1,229	6,404	1,320
Other payables	4,309	2,838	10,922
Total current liabilities	6,468	11,052	14,090
TOTAL LIABILITIES	9,549	14,102	16,141
TOTAL LIABILITIES AND EQUITY	31,192	23,589	20,821

Cash Flow Statement (condensed) – Group

SEK '000	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
Operating result	-2,645	-3,834	- 5,543	-7,459	-11,746
Exchange adjustments	0	37	0	0	0
Depreciation	292	29	519	55	290
Operating result after exchange adjustments	-2,353	-3,768	-5,024	-7,404	-11,456
Operating activities					
Change in trade receivables	-1,387	505	-1,365	-1,141	-1,062
Change in inventories	952	-6,798	1,627	-5,879	-3,940
Change in other receivables	885	-1,166	962	-527	929
Change in short-term part of long-term payables	0	0	0	11	11
Change in other payables	-25	265	374	416	1,430
Change in trade payables	-882	3,584	-780	3,903	-59
Cash flow from ordinary activities	-2,810	-7,378	-4,206	-10,621	-14,147
Paid financial costs	-201	-36	-513	-283	-1,079
Tax payments	0	0	0	0	903
Cash flow from operating activities	-3,011	-7,414	-4,719	-10,904	-14,323
Purchase of financial assets	0	0	0	-7	-70
Purchase of tangible assets	-430	-121	-854	-277	-1,831
Purchase of intangible assets	-1,676	0	-1,676	0	0
Cash flow from investing activities	-2,106	-121	-2,530	-284	-1,901
Financing activities					
Payment of long-term liabilities	0	-419	0	-844	-1,724
Bridge loan	-6,405	0	-6,405	0	5,447
Capital increase, net of costs	22,085	0	22,085	0	0
Cash flow from financing activities	15,680	-419	15,680	-844	3,723
Cash flow for the period	10,563	-7,955	8,431	-12,032	-12,501
Cash and cash equivalents at period start	3,042	13,570	5,140	17,137	17,137
Exchange rate recalculation difference – cash and cash equivalents	-24	-14	10	496	504
Cash and cash equivalents at period end	13,581	5,601	13,581	5,601	5,140

Statement of Changes in Equity (condensed) - Group

	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
SEK '000					
Equity at period start	1,922	11,860	4,680	16,223	16,223
Exchange adjustments	103	974	188	482	250
Capital increase, net of costs	22,085	0	22,085	0	0
Net result for the period	-2,467	-3,347	-5,310	-7,218	-11,793
Equity at period end	21,643	9,487	21,643	9,487	4,680

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.

Sales Activities	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
SEK '000					
Gross profit	3,189	3,143	7,131	5,520	11,370
Other external costs	-1,782	-2,139	-3,928	-4,858	-7,750
Personnel costs	-3,417	-3,464	-6,477	-5,941	-12,026
Depreciation of tangible fixed assets	-286	-29	-507	-55	-290
Other income and expenses	102	77	199	155	315
Operating result	-2,194	-2,412	-3,582	-5,179	-8,381

Innovation & Development Activities	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
SEK '000					
Capitalized own work performed	1,262	0	1,262	0	0
Other external costs	-474	-773	-941	-984	-1,434
Personnel costs	-1,249	-687	-2,298	-1,362	-2,742
Depreciation of tangible fixed assets	-6	0	-12	0	0
Other income and expenses	16	38	28	66	811
Operating result	-451	-1,422	-1,961	-2,280	-3,365

Income Statement (condensed) – Parent company

SEK '000	Q2-2019 01-04-2019 - 30-06-2019 3 months	Q2-2018 01-04-2018 - 30-06-2018 3 months	H1-2019 01-01-2019 -30-06-2019 6 months	H1-2018 01-01-2018 -30-06-2018 6 months	2018 01-01-2018 -31-12-2018 12 months
Operating income					
Net revenue (group internal)	150	0	300	0	600
Operating costs					
External costs	-182	-352	-365	-639	-1,145
Personnel costs	-152	-263	-283	-263	-516
Operating result	-184	-615	-348	-902	-1,061
Other financial income	0	2	0	4	133
Other financial costs	-117	-1	-393	-4	-275
Net result for the period	-301	-614	-741	-902	-1,203

Balance Sheet (condensed) – Parent company

SEK '000	30-06-2019	30-06-2018	31-12-2018
Non-current assets			
Financial assets			
Shares in subsidiary	26,911	19,000	26,911
Total financial assets	26,911	19,000	26,911
TOTAL NON-CURRENT ASSETS	26,911	19,000	26,911
Current assets			
Intercompany receivable	6,873	190	0
Other receivables	164	350	76
Prepaid expenses	130	179	810
Total short-term receivables	7,167	719	886
Cash at bank and in hand	12,116	4,779	2,937
TOTAL CURRENT ASSETS	19,283	5,498	3,823
TOTAL ASSETS	46,194	24,498	30,734
Liabilities and Equity			
Equity			
Share capital	1,406	1,163	1,163
Other reserves	44,379	23,740	23,740
Net result for the period	-741	-902	-1,203
TOTAL EQUITY	45,044	24,001	23,700
Trade payables	0	142	11
Other payables	1,150	355	7,023
Total short-term liabilities	1,150	497	7,034
TOTAL LIABILITIES	1,150	497	7,034
TOTAL EQUITY AND LIABILITIES	46,194	24,498	30,734