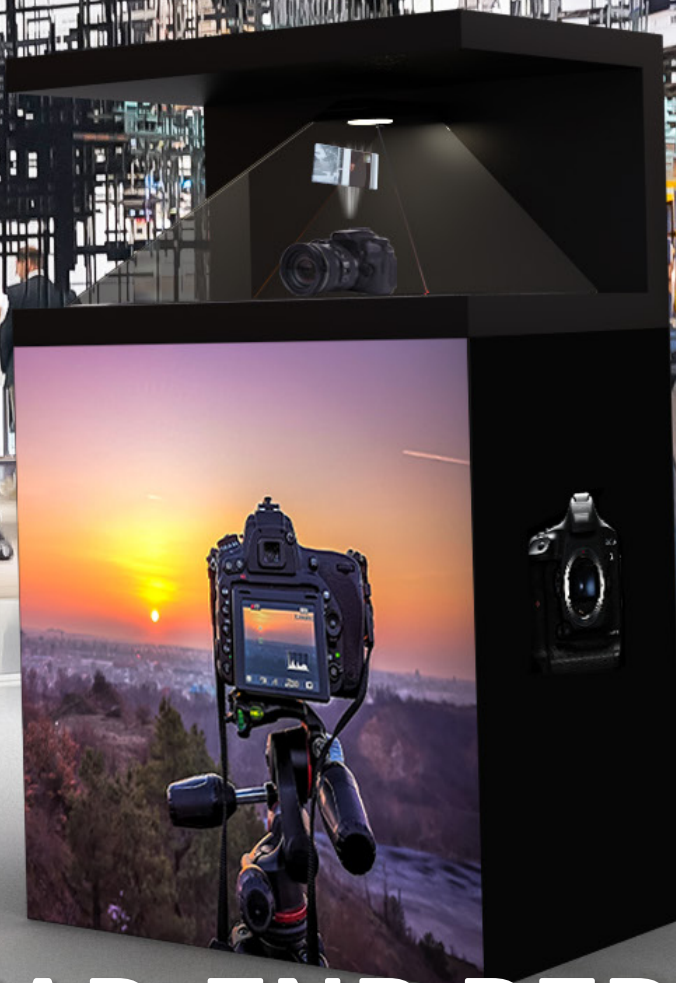


OLYMPUS PEN



YEAR-END REPORT

1 JANUARY – 31 DECEMBER 2019

Realfiction Holding AB (publ) | 559110-4616

YEAR-END REPORT – SUMMARY

“Inventing something with the potential to become a breakthrough technology is a rare achievement. In Realfiction, we are known for our visually breathtaking displays. But we have never made anything that could truly influence the daily life of people on a broad global scale – until now. With the invention of the ECHO technology, we could be standing with the chance to do just that. We are humbled by and very much dedicated to pursuing this opportunity. Realizing that we are still a small company with limited resources this leads to the natural conclusion that going forward, we will direct a larger part of our total resources in favor of ECHO.”

Clas Dyrholm
CEO, Realfiction

Q4 2019 (01-10-2019 – 31-12-2019)

- Revenue totaled TSEK 4,212 (Q4 2018: TSEK 5,819)
- Gross profit totaled TSEK 2,267 (Q4 2018: TSEK 3,064)
- Gross profit margin* was 53.8% (Q4 2018: 52.7%)
- Result after financial items amounted to TSEK -3,891 (Q4 2018: TSEK -3,389)
- Earnings per share** SEK -0.26 (Q4 2018: -0.26)
- Cash flow from operating activities was TSEK -2,350 (Q4 2018: TSEK -327)

Q1-Q4 2019 (01-01-2019 – 31-12-2019)

- Revenue totaled TSEK 21,357 (2018: TSEK 23,799)
- Gross profit totaled TSEK 11,367 (2018: TSEK 11,370)
- Gross profit margin* was 53.2% (2018: 47.8%)
- Result after financial items amounted to TSEK -14,792 (2018: TSEK -12,733)
- Earnings per share** SEK -1.04 (2018: -1.01)
- Cash flow from operating activities was TSEK -11,013 (2018: TSEK -14,323)

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

** 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 subsidiaries Realfiction ApS and Realfiction Lab ApS. Realfiction ApS and Realfiction ApS, the Group’s operating subsidiaries, were founded in 2008 and 2019. 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.

Picture on front page: Visualization of a Dreamoc XL4
at at tradeshow.

SIGNIFICANT EVENTS DURING Q4 2019

- On 27 October, Realfiction announced it had not reached an agreement with Bilka to continue its MaaS retail solution in Bilka stores in 2020. Realfiction has been creating unique Mixed Reality campaigns for consumer products in Bilka stores since November 2018 and has been negotiating terms to continue the initiative within Bilka in 2020. But since a balanced agreement could not be reached, it has been decided to end the cooperation from January 1st 2020.
- On 28 October, Realfiction announced it had been awarded up to 500,000 DKK as an InnoBooster grant from Innovation Fund Denmark to develop and test a 3D LCD display beta-version. The development of the technology is based on Realfiction's patent pending ECHO technology.
- On 30 October, Realfiction announced its ECHO technology can reduce the power consumption of TV displays by up to 80%. During the development of ECHO, it has become clear that implementation of ECHO into existing display technology, can reduce power consumption of the display by up to 80% due to the significant reduction in transmitted light. To secure the rights to this invention Realfiction has submitted an update to its ECHO patent application adding to the potential of its portfolio of patents pending regarding the ECHO technology.
- On 31 October, Realfiction announced the positive outcome of a novelty search regarding the patent pending ECHO technology. The Danish Patent and Trademark Office and Budde Schou, Patent Attorneys have carried out novelty searches as part of the patentability investigation of the invention behind the ECHO technology and conclude that Realfiction's directional pixel technology is novel with respect to the known techniques identified by the Danish Patent and Trademark Office Examiner and presents distinct advantages.
- On 27 November, Realfiction announced that based on the authorization given by the annual general meeting held 11 June 2019, the board decided on a directed new issue of 1,483,705 shares at a price of 9.82 SEK per share. This means that the Company will receive net proceeds of approximately SEK 14.4m.
- On 29 November, Realfiction announced that Søren Steen Pedersen, Chief Operation Officer of the Company's operating subsidiary, Realfiction ApS, has decided to resign and pursue other opportunities.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 20 January 2020, Realfiction reported the following changes in the compilation of the board of directors: Søren Jonas Bruun and Peter Max leave the board of directors with immediate effect. Instead, Søren Jørgensen will start to participate as an observer to the board with effect from today, and he will be proposed for election at the first upcoming general meeting.
- On 6 February, Realfiction announced the successful completion of a Project ECHO display beta-version. Following the development activities, supported by the 500,000 DKK Innobooster grant that we previously announced, we are happy to say that the first step of the development of the Project ECHO LCD beta-version has just been completed.
- On 12 February, Realfiction announced that the company had entered into an agreement with EDEKA that will open for testing the Magic-as-a-Service offering in 25 EDEKA stores in the Niedersachsen and Nordrhein-Westfalen regions in Germany. The first campaign will go live on the 16th of March 2020, and the test phase is planned to last for the remaining part of 2020.
- On 13 March, Realfiction announced that the company is experiencing a noticeable but short-term negative effect on its global Experience (hardware) and Magic-as-a-Service (MaaS) sales related to exhibitions due to events being postponed or cancelled. This effect is so far mitigated by a strong order pipeline, operational cost reductions implemented in late 2019 and progress in the retail space with the German launch of a MaaS Media channel in 25 EDEKA stores in March proceeding as planned.
- On 26 March Realfiction updated its guidance and paused its test launch of MaaS for Retail in Germany due to the coronavirus situation. The company has a strong financial position and expects to have the liquidity necessary to sustain all its business operations, including the development of ECHO, into 2021. However, due to the current uncertainty, the company can no longer be certain that it will reach breakeven for its sales activities in 2020 as previously stated, and the company will not provide any new financial guidance until the coronavirus situation stabilizes.

CEO COMMENTS

TURBULENT TIMES

The coronavirus situation has further highlighted that we as a global society will need to use more digital solutions going forward. This is true in the short term to protect our loved ones and carry on with our lives in times of extraordinary precautions, but even more so in the long run to protect the environment and the very planet we live on. Being able to communicate and collaborate over distance with a high degree of shared presence is a key aspect here, and there will be a continued push for technologies that support and improve all aspects of these shared experiences. With the potential to facilitate a higher degree of visual communication, while also supporting a reduction of the global power consumption, we see the relevance for our ECHO technology growing by the day.

FINANCIAL RESILIENCE

The implementation of a new and lean approach in our MaaS for Retail model enabled us to initiate organizational reductions and changes in late 2019, resulting in monthly cost reductions of approximately 350 TSEK. We thus stepped into 2020

with a significantly lower burn-rate, in addition to having added 14.4 MSEK in additional funding in December. As announced on March 26, we then further decreased our operating costs related to our MaaS for Retail in the Nordic region and MaaS for Exhibitions segments through a permanent reduction of 2 employees and a further reduction of 4 employees for a limited time period. This means that we expect to have sufficient liquidity into 2021, even in the event of a prolonged

negative impact from the coronavirus situation. We will pursue governmental aid in Denmark that we are eligible for after our latest personnel adjustments. We will not provide any new guidance on when we expect to reach breakeven for our sales activities until the coronavirus situation has been stabilized, as there is simply too much uncertainty right now.

ECHO

In Q4 we were able to announce several positive achievements related to our ECHO development. This included a grant award from Innovation Fund Denmark, and the announcement that our ECHO technology can integrate into TV sets to drastically reduce their power consumption. We also received positive outcomes from

the novelty searches carried out as a part of the patentability investigation. The ECHO development program is progressing well and according to plan, and we look forward to presenting display-based prototypes to selected industry players in the near future.

“With the potential to facilitate a higher degree of visual communication, while also supporting a reduction of the global power consumption, we see the relevance for our ECHO technology growing by the day.”

MaaS for Retail

Towards the end of 2019, we wound down the cooperation with Bilka. A cooperation that provided great learnings that will contribute to how we approach new markets. With our new and lean approach in our MaaS for Retail segment in place, we are now confident that we have found a way to scale this solution beyond the Nordics. We are receiving interest from new and much larger international retailers, exemplified by

the cooperation with German giant EDEKA, which substantiates the large potential of our improved model. This successful test launch is currently paused due to EDEKA focusing its personnel resources on its core business until the coronavirus situation stabilizes. With strong initial brand feedback and the orderbook for new campaigns being full up until August, we expect to be able to resume this launch where we left off. As we continue to scale this model further on the global market, our large international network of partners will be of great value to us.

MaaS for Exhibitions

As expected, we are seeing several of our customers in this segment coming back for their second and third event. This is a solid proof that the quality and service we deliver also manifests as positive results at the show for them, and that our solutions offer a great way to communicate and visualize their messages. We can also clearly see in our profit margin that the growing attribution from this segment is a healthy addition to our balance. There is an expanding pipeline of great events coming up in 2020, but with the current coronavirus situation and related social restrictions, we will of course

see a temporary slowdown in the short term. However, as many events are being postponed rather than cancelled, there is a strong rebound potential when things get back to normal.

Experience (Hardware)

The performance of our Experience business has clearly suffered from our strong focus on ECHO and MaaS in 2019. We do however still have many great reseller partnerships as well as new and promising resellers joining our network. In times like this it is also a considerable strength that our international partner network covers several geographical regions, and that their customer base is heavily diversified between different verticals. We are still getting orders in the 300-500 TSEK range with deliveries in the coming months.

In these turbulent times I want to express my humble thanks and appreciation to our investors for their continued confidence in our abilities and potential. We are truly grateful for your support, and we are working as hard as ever to reach our goals.



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 Morten Corell 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.

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

PROOF OF CONCEPT AND PATENTABILITY

The Proof of Concept was announced on 26 September 2019. The essence of the Proof of Concept is the demonstration that directional pixels can be constructed using the ECHO technology, that is much more precise, faster and scalable to larger displays than other types of directional pixels.

In order to evaluate the patentability, it is common practice that the European patent authorities research databases all over the world, to search for existing and filed patents similar to ECHO's. However, this is a process that commonly takes several years to complete. Realfiction therefore requested novelty searches from Budde Schou and the Danish Patent and Trademark Office to obtain an early assessment of ECHO's position. A firm conclusion presents that Realfiction's directional pixel technology (ECHO) is indeed novel concerning the known techniques identified.





POTENTIAL

During the recent development process, a new discovery has shown that the ECHO principle can be implemented into existing display technologies, and significantly reduce the overall power consumption with up to 80%. This new and groundbreaking feature potentially paves the way for a faster time to market for ECHO, as the core technology behind the add-on power reduction could be licensed to key industry manufacturers of commercial television displays.

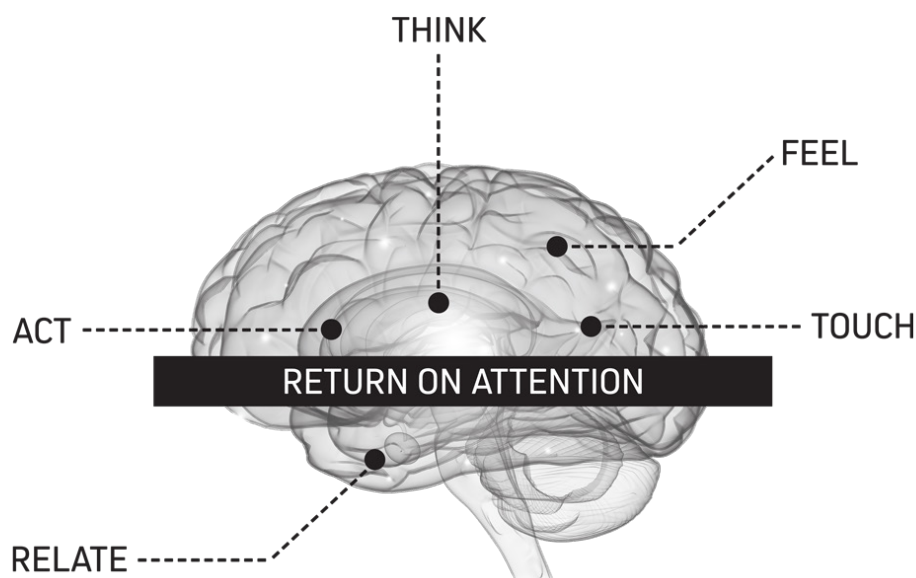
Project ECHO represents a licensing opportunity to Realfiction, due to materialize gradually. However, as with all other development projects, it should be noted that a risk exists that the development of

Project ECHO may be delayed, impeded or challenged by others and other, currently unknown technologies.

INNOVATION FUND DENMARK

In late October, we were pleased to announce that we'd been awarded a grant from the Innovation Fund Denmark, as part of their InnoBooster program. The grant totals a value of up to 500.000 DKK and will cover approximately 33% of the expected cost of developing and testing a beta-version of a 3D LCD display that will allow us to demonstrate the features and benefits of incorporating the new technology into a flat screen display.

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.

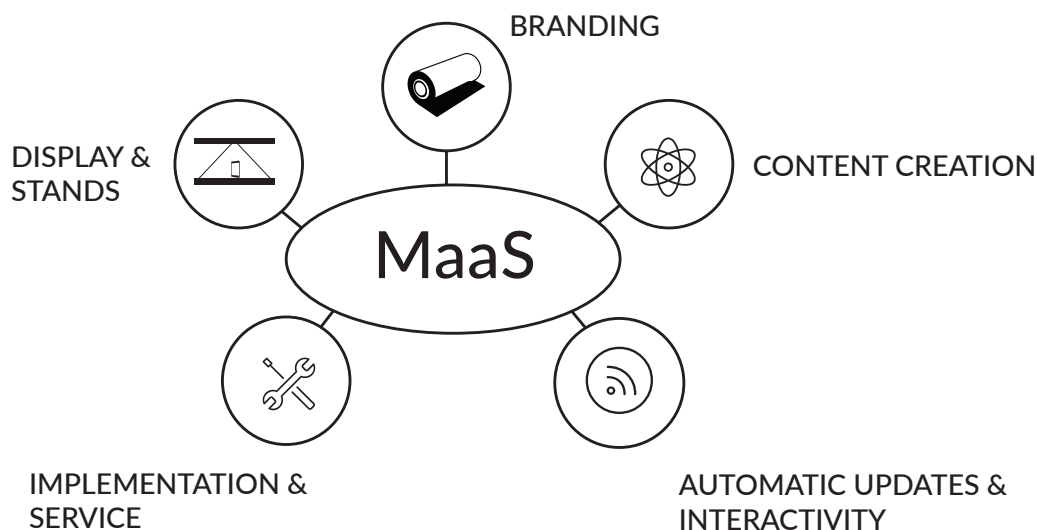
RELEVANT ACROSS MANY INDUSTRIES

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 (MaaS) business model, offering the Company's full-solution concept as turnkey campaigns or event installations. The MaaS 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 MaaS 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 MaaS 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 MaaS 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 MaaS 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 2019, Realfiction has been focused on refining the Magic-as-a-Service retail concept in Denmark, and in the past few months in Sweden as well. The Magic-as-a-Service concept can deliver targeted in-store advertising to consumers, at the most vital part of the customer journey. This enables suppliers and brand owners with a time-efficient way of bringing below-the-line (BTL) campaigns to market, as well as present a unique way of generating attention and brand awareness.

We continue to see a growing demand for our offering in retail. Currently, we are exploring various options on how to further customize the offering to cater to specific client needs, such as additional branding, interactive elements, and other features to elevate the in-store experience further. The continuous positive

results and feedback that we are receiving from our clients and consumers alike are a firm reminder that our concept works, and indeed satisfy a market need in brick-and-mortar retail.

After having revised our activities with the Bilka hypermarket chain throughout 2019, it is evident that the implementation and logistical part of our retail offering needs to be handled in a different way going forward. In order to accomplish that, we will carry out our activities in a leaner and simpler organizational setup that utilizes external collaborating partners and industry agents when needed.

Our ambition is to expand the MaaS concept, with a structured focus on the FMCG (fast-moving consumer goods) and travel retail market as the primary industry sectors.



MAGIC-AS-A-SERVICE: EVENTS AND EXHIBITIONS

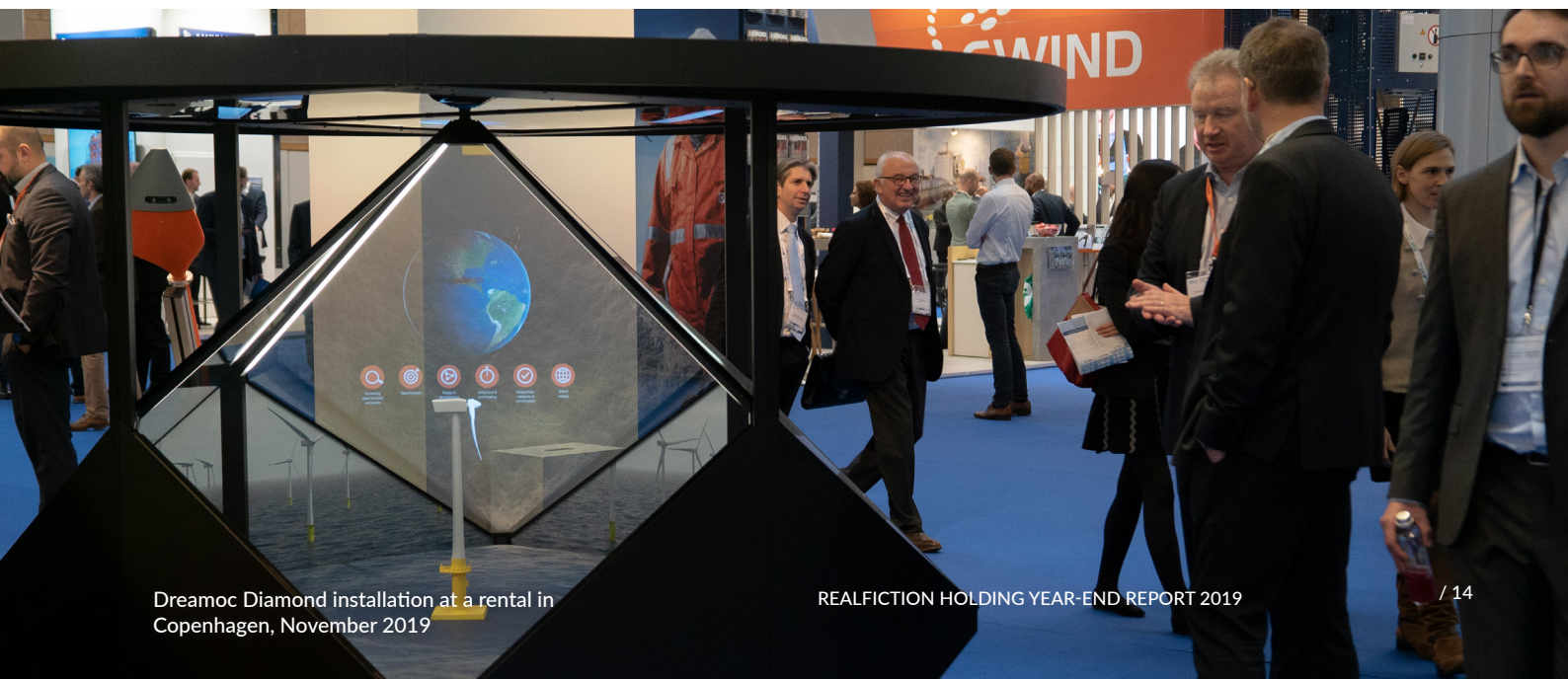
Realfiction continues to see a growing demand for renting the Company's portfolio of holographic displays for exhibitions and events. The targeted sales and marketing activities are primarily focused on driving awareness and attracting clients in the Nordic countries and the United States. With the Magic-as-a-Service 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 the new Dreamoc XL4. To accommodate for market needs, certain technical

adjustments and add-on products have been developed in 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 a rental in Copenhagen, November 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**, **XL4** 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.

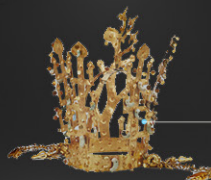
Dreamoc Diamond is one of Realfiction’s biggest Dreamoc displays, and the most elegant. A Dreamoc Diamond creates an extraordinary experience that fits brilliantly into exclusive boutiques.

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.





Gold thread belt is made with a traditional 'pulling' technique during the Silla period



Seobongschong Tomb

A gold crown decorated with three pheasants was excavated in the Neungdong neighborhood of Gyeongju, Gyeongang province in South Korea in 1970. It is the only 'Silla' crown found in the Silla period. The crown is made of gold and is decorated with three pheasants. It is the only 'Silla' crown found in the Silla period.



FINANCIAL REVIEW

GROUP STRUCTURE & SHAREHOLDING

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

DEVELOPMENT IN Q4 AND Q1-Q4 2019

Income Statement

Group net revenue amounts to TSEK 4,212 for Q4, 2019, representing a decline of 28% from Q4, 2018, (TSEK 5,819) while TSEK 21,357 for Q1-Q4, 2019 represents a decline of 10% compared to Q1-Q4, 2018 (TSEK 21,357). The primary part of net revenue in Q4 and Q1-Q4, 2019 consists of product sales from the Dreamoc and DeepFrame category, while sales from our Magic-as-a-Service concept account for TSEK 977 and TSEK 3,819 for Q4 and Q1-Q4 respectively. In Q4 and Q1-Q4, 2018, sales from our Magic-as-a-Service concept accounted approximately for TSEK 690 and TSEK 880 respectively.

Adjusted for currency conversion effects, the Company's revenue in the fourth quarter of 2019, declined by 31% to TDKK 2,961 compared to the average quarterly revenue of 2018 (TDKK 4,304).

Cost of goods sold amounts to TSEK 1,945 and 9,990 for Q4 and Q1-Q4, 2019 respectively. Thus, our gross profit in Q4, 2019 decreased to TSEK

2,267 from 3,064 in Q4, 2018 and resulted in gross profit margin in Q4, 2019 of 53.8% compared to 52.7% in Q4, 2018. The slight increase in the gross profit margin is caused by an increase in sales from our Magic-as-a-Service concept. The gross profit in Q1-Q4, 2019 compared to Q1-Q4, 2018 was steady at TSEK 11,367 compared to TSEK 11,370 in Q1-Q4, 2018 with gross profit margins of 53.2% in Q1-Q4, 2019 and 47.8% in Q1-Q4, 2018. The increase in the gross profit margin in Q1-Q4, 2019 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.

In Q4 and Q1-Q4, 2019 the Company has capitalized development expenditure relating to Project ECHO that fulfils the requirements of the capitalization accounting principle. As such, the Q4 operating result is positively impacted by TSEK 1,185 (Q1-Q4 by TSEK 3,427) from the capitalization of salaries and internal expenses relating to Project ECHO.

Other external costs increased to TSEK 2,307 in Q4, 2019 from TSEK 1,573 in Q4, 2018 and to TSEK 9,899 in Q1-Q4, 2019 from 9,184 in Q1-Q4, 2018. The increase is primarily due to increased sales, marketing and product development costs.

Personnel costs are at a high level in Q4 and Q1-Q4, 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 and interest until June on the bridge loan that was converted to share capital in June 2019.

The net result for the Group in Q4 and Q1-Q4, 2019 amounts to TSEK -3,287 and TSEK -12,947 compared to TSEK -3,070 and -11,793 in Q4 and Q1-Q4, 2018.

Supplementary Income Statement

On page 26 Realfiction's supplementary income statement is presented with our two main activities: Sales and Innovation & Development. In Q4, 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: 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.

Our gross expenditure in Innovation & Development Activities increased to TSEK 1,719 in Q4, 2019 from TSEK 928 in Q4, 2018 and to TSEK 5,937 in Q1- Q4, 2019 from TSEK 4,176 in Q1-Q4, 2018. The operating result from our Sales Activities decreased from a loss of TSEK 8,381 in Q1-Q4, 2018 to a loss of TSEK 11,651 in Q1-Q4 2019, and the Q4, 2019 operating result from our Sales Activities deteriorated to a loss of TSEK 3,316 compared to a loss of TSEK 2,152 in Q4, 2018.

Balance Sheet

Realfiction's total assets at 31 December 2019 amounts to TSEK 37,834 compared to TSEK 20,821 at 31 December 2018. Inventory at 31 December 2019

amounts to TSEK 7,242 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 Magic-as-a-Service strategy.

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

Current liabilities decreased to TSEK 6,519 at 31 December 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 2020 instalments to 2021.

The Group's solvency ratio at 31 December 2019 is 74,7% compared to 22,5% at 31 December 2018.

Investments

In Q4, 2019, the Company has capitalized additional development expenditure of TSEK 2,424 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 Q4, 2019, Realfiction added additional Magic-as-a-Service displays to its rental fleet. These displays have been capitalized as tangible assets which increased to TSEK 2,225 at 31 December 2019 compared to 1,707 at 31 December 2018.

Cash Flow and Liquidity

The Company's liquid funds and cash equivalents

at 31 December 2019 amount to TSEK 17,240 compared to 5,140 at 31 December 2018. Cash flow from operating activities for Q4 and Q1-Q4 2019 amounts to TSEK -2,350 and -11,013 compared to Q4 and Q1-Q4 2018 of TSEK -327 and TSEK -14,323 respectively. The Q1-Q4 2018 figure was negatively impacted by increases to inventory.

To ensure that sufficient liquidity is available to continue with the business plan including the further development of the ECHO technology the Company announced on 27 November its decision to carry out a directed share issue through a private placement of approximately 14.4 MSEK. 31 December 2019, the new shares were fully paid, but not yet registered at Bolagsverket.

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. On 31 December 2019, the number of issued shares in Realfiction Holding AB amounts to 14,057,908. Paid-in but not issued shares amount to 1,552,705. 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 December 2019 (including the fully paid but not yet registered/issued directed share issue announced on 27 November 2019).

Name	Number of shares	Ownership (in %)
Ceranco Equity S.C.S ¹	3,194,447	20.46
Clape Holding ApS ²	2,875,000	18.42
AmTRAN Technology Co. Ltd.	1,997,461	12.80
Nordnet Pensionsförsäkring AB	1,028,876	6.59
Försäkringsaktiebolaget, Avanza Pension	792,715	5.08
Other shareholders (more than 1,350)	5,722,114	36.65
Total	15,610,613	100.0

1. Ceranco Equity S.C.S is an investment company with private investors, with former 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 Year-End 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:

Annual Report 2019:	18 May 2020
Interim Report Q1 2020:	28 May 2020
General Meeting 2020:	8 June 2020
Interim report Q2 2020:	27 August 2020
Interim Report Q3 2020:	19 November 2020
Year-end Report 2020:	25 March 2021

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 the company'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
Telefon: +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 Year-End Report 2019 presents a fair view of the financial position of the Company at 31 December 2019 as well as of the results of the group operations and cash flows for the periods 1 October – 31 December 2019 and 1 January – 31 December 2019.

Helsingborg, 26 March 2020
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 26 March 2020.

FINANCIAL HIGHLIGHTS AND KEY RATIOS

Selected Financial Highlights and Key Ratios – Group

SEK '000	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
Net revenue	4,212	5,819	21,357	23,799
Gross profit	2,267	3,064	11,367	11,370
Result after financial items	-3,891	-3,389	-14,792	-12,733
Total Assets	37,834	20,821	37,834	20,821
Cash flow from operating activities	-2,350	-327	-11,013	-14,323
Cash at bank and in hand	17,240	5,140	17,240	5,140
Solvency ratio (%)	74.7	22.5	74.7	22.5
Average number of employees	18	16	17	15
Gross profit margin (%)	53.8	52.7	53.2	47.8
Earnings per share (SEK)	-0.26	-0.26	-1.04	-1.01
Average number of shares	12,845,522	11,633,135	12,441,393	11,633,135
Number of shares at the end of the period	14,057,908	11,633,135	14,057,908	11,633,135

Definitions

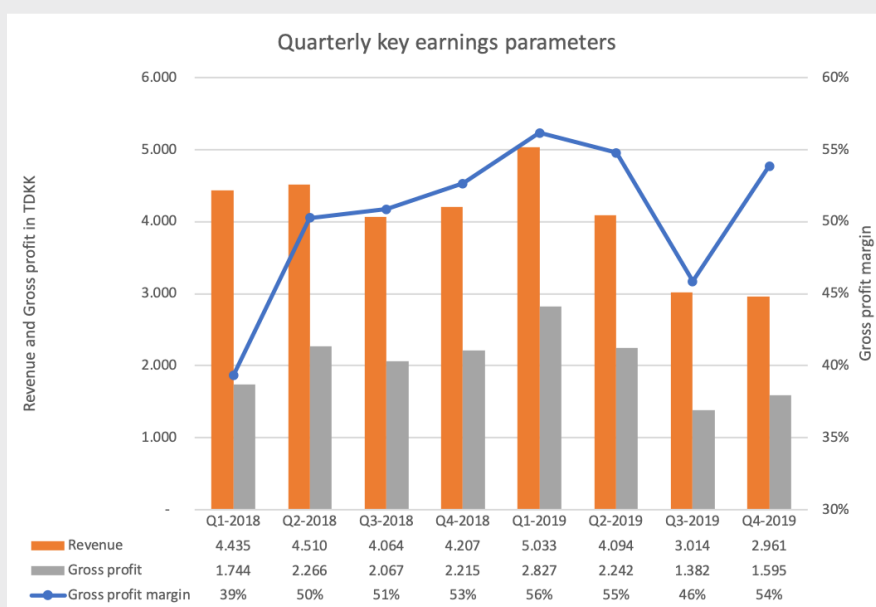
Solvency ratio: Equity as a percentage of the balance sheet total. Key ratios of equity are presented to provide a better understanding of Realfiction's long-term ability to pay its debt.

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	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
Net revenue	4,212	5,819	21,357	23,799
Cost of goods sold	-1,945	-2,755	-9,990	-12,429
Gross profit	2,267	3,064	11,367	11,370
Capitalized own work performed	1,185	0	3,427	0
Other external costs	-2,307	-1,573	-9,899	-9,184
Personnel costs	-4,671	-4,375	-18,149	-14,768
Depreciation of tangible fixed assets	-443	-189	-1,334	-290
Other income and expenses	136	-7	489	1,126
Operating result	-3,833	-3,080	-14,099	-11,746
Other financial income	15	31	91	219
Other financial costs	-73	-340	-784	-1,206
Result after financial items	-3,891	-3,389	-14,792	-12,733
Tax on the profit of the period	604	319	1,845	940
Net result for the period	-3,287	-3,070	-12,947	-11,793

Balance Sheet (condensed) - Group

SEK '000	31-12-2019	31-12-2018
Assets		
Non-current assets		
Development projects under construction	5,451	0
Total tangible assets	5,451	0
Other property, plant and equipment	2,225	1,707
Total financial assets	2,225	1,707
Other long-term receivables	323	317
Total financial assets	323	317
TOTAL NON-CURRENT ASSETS	7,999	2,024
Current assets		
Inventories	7,242	8,909
Total inventories	7,242	8,909
Trade receivables	2,275	1,551
Other short-term receivables	930	648
Prepaid expenses	327	1,610
Tax receivable	1,821	939
Total short-term receivables	5,353	4,748
Cash at bank and in hand	17,240	5,140
TOTAL CURRENT ASSETS	29,835	18,797
TOTAL ASSETS	37,834	20,821
Liabilities and Equity		
Equity		
Share capital	1,406	1,163
Other reserves incl. retained earnings	26,866	3,517
TOTAL EQUITY	28,272	4,680
Credit institutions	3,043	2,051
Non-current liabilities	3,043	2,051
Short-term part of non-current liabilities	918	1,848
Trade payables	1,648	1,320
Other payables	3,953	10,922
Total current liabilities	6,519	14,090
TOTAL LIABILITIES	9,562	16,141
TOTAL LIABILITIES AND EQUITY	37,834	20,821

Cash Flow Statement (condensed) – Group

SEK '000	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
Operating result	-3,833	-3,080	-14,099	-11,746
Depreciation	443	189	1,334	290
Paid financial costs	-89	-486	-695	-1,079
Tax payments	979	903	979	903
Cashflow from operating activities before changes in operating capital	-2,500	-2,474	-12,481	-11,632
Operating activities				
Change in trade receivables	122	461	-726	-1,062
Change in inventories	604	192	1,842	-3,940
Change in other receivables	202	975	1,029	929
Change in short-term part of long-term payables	0	0	0	11
Change in other payables	-19	894	-543	1,430
Change in trade payables	-759	-375	-134	-59
Cash flow from operating activities	-2,350	-327	-11,013	-14,323
Purchase of financial assets	0	-63	0	-70
Purchase of tangible assets	-860	-38	-1,845	-1,831
Purchase of intangible assets	-2,424	0	-5,603	0
Cash flow from investing activities	-3,284	-101	-7,448	-1,901
Financing activities				
Payment of long-term liabilities	0	-444	-6,405	-1,724
Bridge loan	0	5,447	0	5,447
Capital increase, net of costs	14,716	0	36,691	0
Cash flow from financing activities	14,716	5,003	30,286	3,723
Cash flow for the period	9,082	4,575	11,825	-12,501
Cash and cash equivalents at period start	7,912	506	5,140	17,137
Exchange rate recalculation difference – cash and cash equivalents	246	59	275	504
Cash and cash equivalents at period end	17,240	5,140	17,240	5,140

Statement of Changes in Equity (condensed) - Group

	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
SEK '000				
Equity at period start	17,292	7,928	4,680	16,223
Exchange adjustments	-449	-178	-152	250
Capital increase, net of costs	14,716	0	36,691	0
Net result for the period	-3,287	-3,070	-12,947	-11,793
Equity at period end	28,272	4,680	28,272	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	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
SEK '000				
Gross profit	2,267	3,064	11,367	11,370
Other external costs	-1,888	-1,331	-8,761	-7,750
Personnel costs	-3,377	-3,689	-13,374	-12,026
Depreciation of tangible fixed assets	-437	-189	-1,310	-290
Other income and expenses	119	-7	427	315
Operating result	-3,316	-2,152	-11,651	-8,381

Innovation & Development Activities	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
SEK '000				
Capitalized own work performed	1,185	0	3,427	0
Other external costs	-419	-242	-1,138	-1,434
Personnel costs	-1,294	-686	-4,775	-2,742
Depreciation of tangible fixed assets	-6	0	-24	0
Other income and expenses	17	0	62	811
Operating result	-517	-928	-2,448	-3,365

Income Statement (condensed) – Parent company

SEK '000	Q4-2019 01-10-2019 -31-12-2019 3 months	Q4-2018 01-10-2018 -31-12-2018 3 months	Q1-Q4-2019 01-01-2019 -31-12-2019 12 months	Q1-Q4-2018 01-01-2018 -31-12-2018 12 months
Operating income				
Net revenue (group internal)	150	150	600	600
Operating costs				
External costs	-165	-252	-767	-1,145
Personnel costs	-172	-127	-649	-516
Operating result	-187	-229	-816	-1,061
Other financial income	0	84	0	133
Other financial costs	0	-275	-410	-275
Net result for the period	-187	-420	-1,226	-1,203

Balance Sheet (condensed) – Parent company

SEK '000	31-12-2019	31-12-2018
Non-current assets		
Financial assets		
Shares in subsidiary	44,842	26,911
Total financial assets	44,842	26,911
TOTAL NON-CURRENT ASSETS	44,842	26,911
Current assets		
Other receivables	63	76
Prepaid expenses	82	810
Total short-term receivables	145	886
Cash at bank and in hand	14,975	2,937
TOTAL CURRENT ASSETS	15,120	3,823
TOTAL ASSETS	59,962	30,734
Liabilities and Equity		
Equity		
Share capital	1,406	1,163
Other reserves	58,985	23,740
Net result of the period	-1,226	-1,203
TOTAL EQUITY	59,165	23,700
Trade payables	0	11
Other payables	797	7,023
Total short-term liabilities	797	7,034
TOTAL LIABILITIES	797	7,034
TOTAL EQUITY AND LIABILITIES	59,962	30,734