

# ANNUAL REPORT 2020

EXTRACT OF THE OFFICIAL FINANCIAL  
STATEMENTS IN SWEDISH

Realfiction Holding AB  
559110-4616



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# SUMMARY OF THE YEAR

Total revenue amounted to 9.5 MSEK (2019: 21.4 MSEK)

Net profit/loss after financial income and expenses amounted to -9.7 MSEK (2019: -14.8 MSEK)

Gross profit totaled 5.0 MSEK (2019: 11.4 MSEK)

Gross profit margin was 52.5 % (2019: 53.2 %)

Earnings per share was -0.52 SEK (2019: -1.00 SEK)

The solvency ratio was 84.0 % at the end of the year (2019: 74.7 %)

Cash flow from operating activities amounted to -3.2 MSEK (2019: -11.0 MSEK)



Picture on front page: Dreamoc displays used by Polytech at China Wind Power 2020 in Beijing, China

Picture above: Peer Gynt hologram using a DeepFrame One



## CEO COMMENTS

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In 2020, we made important progress in all areas of the development of our ECHO 3D display technology. It has been a pleasure to see it grow in 2019 and 2020 from a vision and a promising technical concept to now being a full-fledged international development project.

### **Important milestones reached in the development of our ECHO 3D display technology**

In 2020, we made important progress in all areas of the development of our ECHO 3D display technology. It has been a pleasure to see it grow in 2019 and 2020 from a vision and a promising technical concept to now being a full-fledged international development project. We are proud to have a world-class team and very skilled research and industry partners that are now working tirelessly together on completing the integration license package.

On the technical side, we started the year with completing a small beta version of an LCD-based ECHO display in February. We were then able to come up with an improved and more elegant solution for the crucial backplane component, which was subsequently pre-validated in the feasibility study that was presented in November. This new approach is a major step forward, as it will make ECHO displays thinner, easier and thus even cheaper to manufacture, and also enable us to progress with multi-user versions based on both LCD and OLED display technology. Going forward, we are now using a dual approach to progress with the backplane towards large-scale manufacturability. It is included in our plan for completion of the integration license package together with our European research partners, and during this spring we will also actively seek a collaboration with an Asian manufacturing partner. Having a manufacturing partner on board would give us valuable access to complementary skillsets, while also

allowing us to progress towards prototyping the backplane in a mass-manufacturing setting.

On the IP side, our first ECHO patent application was published by the international patent agency WIPO in September. We have also complemented the first application, which is quite broad, with six additional patent applications focusing on more detailed aspects of ECHO. With this, ECHO now has a strong international IP protection pending approval, and we expect to add more patents going forward. Our proactive IP strategy is of great importance when it comes to building value for Realfiction's shareholders, and it will facilitate our future licensing discussions with developers of display products.

### **MaaS for Retail: COVID-19 caused unprecedented challenges, but the high international potential remains**

With lessons learned from our previous testing of the MaaS retail concept in Scandinavia, we progressed towards a leaner and more scalable approach in the beginning of the year. This was followed by a test launch in 25 EDEKA stores in Germany in the first quarter of 2020. The concept was very well received with slots being sold out into the summer, but we were then unfortunately faced with the unprecedented challenges of the COVID-19 pandemic. This led to a pausing of the test launch, but it was later resumed and completed. Furthermore, with the progression of ongoing vaccination programs, the outlook for the latter part of 2021 and 2022 is starting to gradually

improve. We are in contact with EDEKA and are talking with them about how and when to continue the collaboration after the social restrictions are lifted in Germany. We still very much believe in the concept now that we have refined the approach so that it can be scaled to the point where it becomes profitable for us and our partners.

### **MaaS for Exhibitions and Experience (Hardware): A challenging year with positive signs for the future**

Both of these segments were hit hard in 2020 by the social restrictions implemented all over the world due in March/April and thereafter due to the COVID-19 pandemic. Since then, we have seen some sales in regions where it has been possible to not close down completely, especially in the latter part of the year. In my CEO comment for Q4 2020 I stated that we are especially seeing a rising number of requests for quotes for larger orders in the magnitude of tens and even hundreds of systems compared to six months ago. This leads us to be cautiously optimistic for the future, as it is evident that the strong underlying demand for our products and services in these segments remain intact.

**Strong financial position with support from institutional investors**

The strong progress in the development of our ECHO 3D display technology was key to us being able to successfully complete a heavily oversubscribed directed issue of 35.8 MSEK in the fourth quarter of 2020, with an additional up to 41.0 MSEK in November 2021. I am humbled and thankful for this continued support in our business from institutional investors, and I also want to thank all of our long-term shareholders for being supportive during this challenging year.

With a strong financial position, we are now able to progress further towards commercialisation of our highly promising 3D display technology in full force. I am eager to find out what the rest of 2021 has in store for Realfiction, as we are now continue our journey towards creating magical and social moments in a way that many never thought would be possible within our lifetime.



**Clas Dyrholm**  
CEO, Realfiction Holding AB



Picture above: Visualization of a large format ECHO display.

# SELECTED EVENTS IN 2020

## February



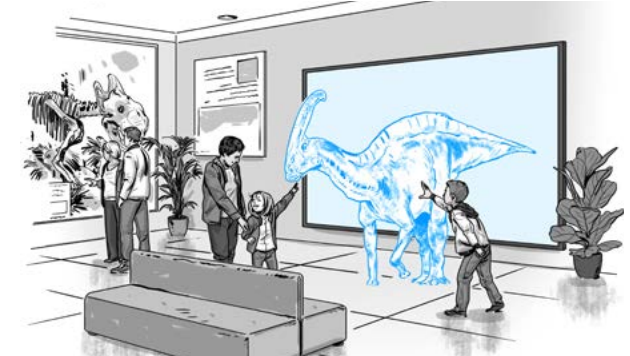
The company finalises the first beta version of a LCD display with built-in ECHO technology for one user with a pixel density corresponding to a 27 inch high-resolution display.

## February/March



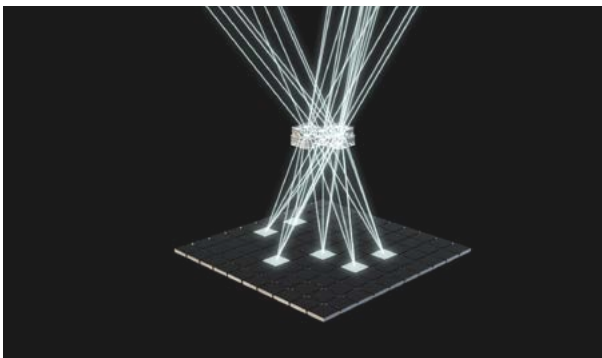
Realfiction enters into an agreement with EDEKA to test the Magic-as-a-Service offering in 25 EDEKA stores in Germany. After a strong start, the project is paused due to the COVID-19-situation.

## September



Realfiction's first ECHO patent application is published by WIPO. With the publication, and 6 additional patent applications filed, the ECHO technology has a strong pending IP protection shield.

## November



The company announces its plan for completion of the ECHO integration license package together with leading European research institutes and facilities, and potentially a commercial display manufacturer.

## November



Realfiction announces that it has successfully completed a directed issue to two institutional investors. Initial proceeds amounts to SEK 35.8 million, with additional proceeds of up to 41.0 MSEK in November 2021 if outstanding warrants are exercised.

## January 2021



The company announces positive results from its ECHO backplane feasibility study. The simplified ECHO fabrication aims for easier integration, a slimmer form factor and even lower manufacturing costs.

# REALFICTION'S BUSINESS AND CONCEPT

## LEADING MIXED REALITY PRODUCTS AND SERVICES

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.

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.

## FOCUS AREAS IN 2021

**ECHO:** In January 2021, Realfiction presented positive results from a feasibility study during which a simplified ECHO fabrication approach was pre-validated. The simplified approach aims for easier integration, a slimmer form factor and even lower manufacturing costs for both the LCD and OLED version of the ECHO 3D holographic display. During the rest of 2021, the company will focus on advancing the second step of the completion phase: finalizing the remaining sub-projects of the ECHO integration license package no later than the end of Q1, 2022. This will be done in collaboration with leading European research institutes and facilities. The ECHO integration license package is expected to include specification of components, illustrations and diagrams needed for a multi-user ECHO display. During the spring of

2021, Realfiction will seek a parallel co-development agreement with a commercial display manufacturer for the ECHO backplane. Although the backplane will also be developed with European research institutes, a cooperation with a large manufacturer could speed up the process of bringing ECHO to commercialization. A first ECHO display product could potentially reach the market in 2023. Throughout the entire completion phase, the company will continue to focus on continuously strengthening and safeguarding its ECHO IP portfolio.

**Magic-as-a-Service:** Realfiction's go-to market model has been revised through learnings from the initial roll-out in Denmark and Sweden, and the Company has refocused its energy and operational model into a leaner and simpler organisational setup that utilises external collaborating partners and industry agents. The revised Magic-as-a-Service concept was implemented throughout 2020 in a test launch in 25 EDEKA (Germany's largest department store company with over 11,000 stores) stores in Germany. In the first half of 2021, Realfiction will follow the expected reductions of COVID-19-related restrictions due to ongoing vaccination programs, in Germany as well as in other potential markets, closely and discuss future plans for the Magic-as-a-Service concept with relevant stakeholders and partners.

**Experience (hardware sales):** Realfiction's global partner network continues to deliver in the hardware sales segment. Partner sales remains as a high priority for the company and an important way to create global visibility.





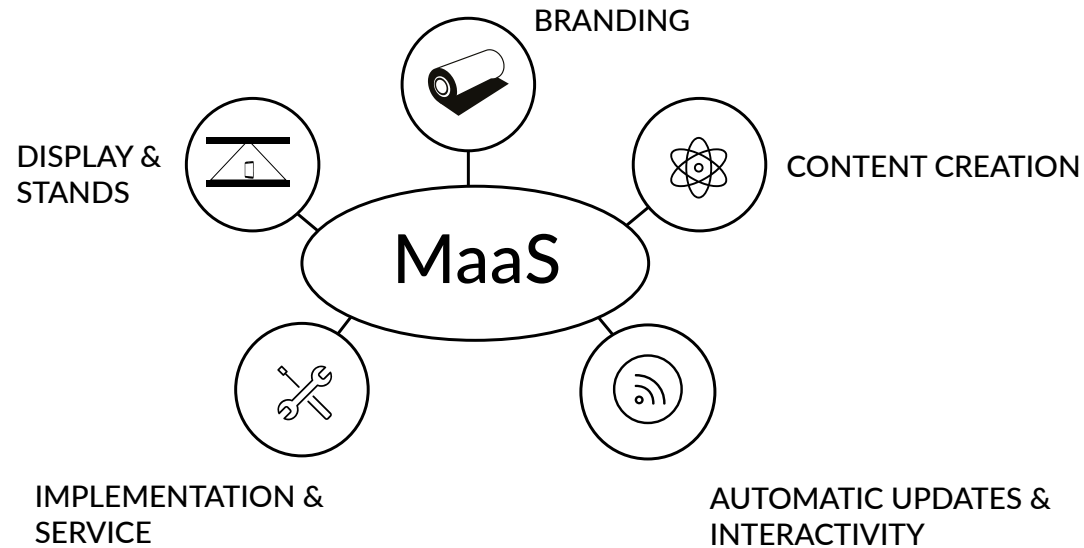
## INNOVATION

Our new ECHO 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. Assuming Realfiction succeeds in developing this patent pending technology, we will 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.

### 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 our patent pending directional pixel technology, referred to as ECHO, Realfiction is finally on the path to materialize this dream and bring it to market. 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: An artist's impression of an ECHO television being used for gaming.  
[Video can be found here.](#)



### MAGIC-AS-A-SERVICE (MAAS)

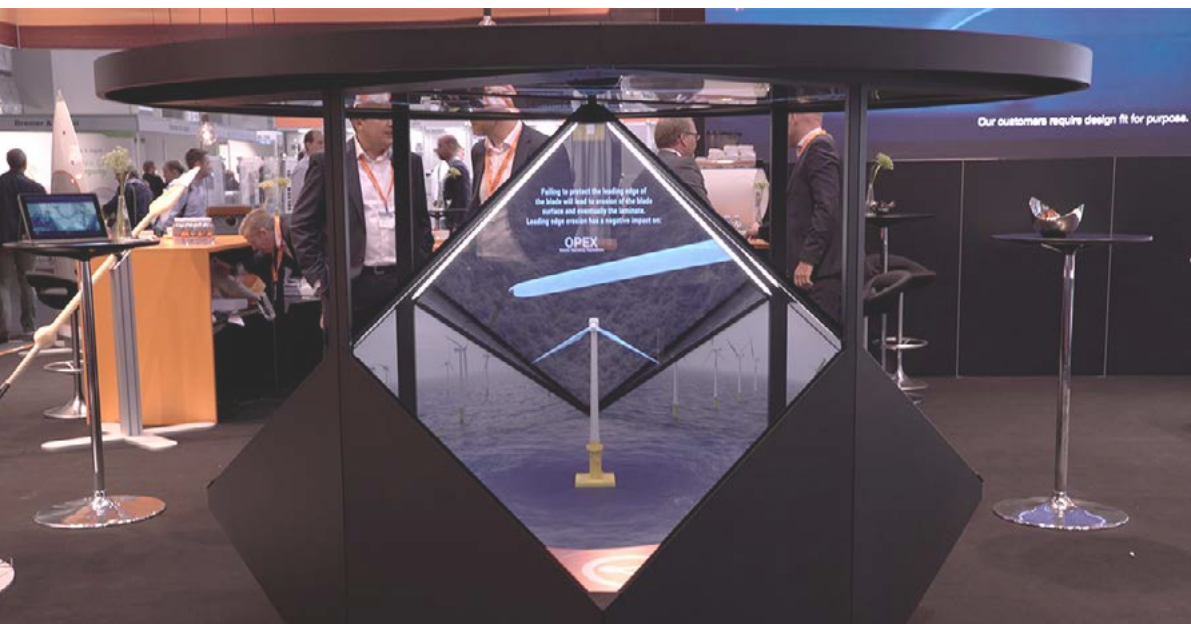
Realfiction continues to accelerate its Magic-as-a-Service (MaaS) business model, offering the company's full-solution concept as turnkey campaigns or event installations. The MaaS model provides retailers and brand owners with a very flexible way of utilizing Realfiction's portfolio of Mixed Reality 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.



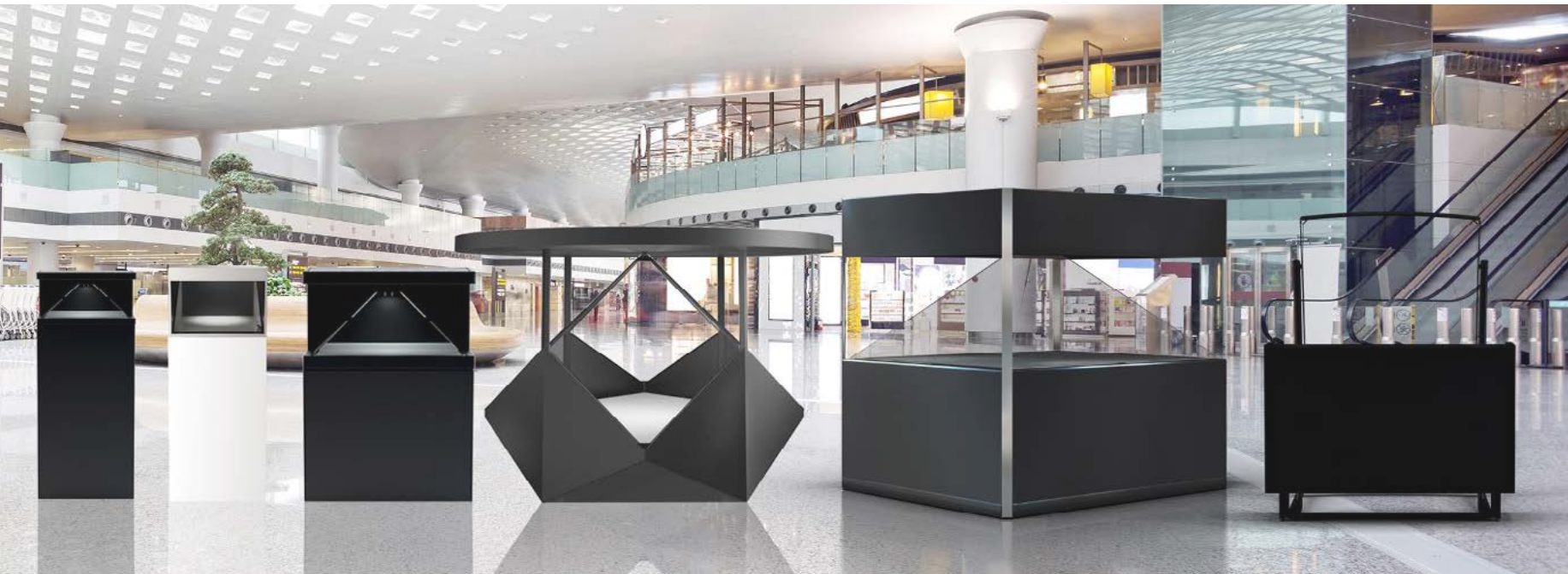
Top: Dreamoc Diamond at an architecture fair with KingSpan

Bottom: Dreamoc Diamond at Hamburg Wind Energy fair with PolyTech

## 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.



## DISPLAY PORTFOLIO

### 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. 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.

Picture above: Realfiction's display portfolio

### DEEPFRAME – THE WORLD'S LARGEST MIXED REALITY DISPLAY

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 a 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.

# COMPANY HISTORY



**2008**

In October 2008, Realfiction was founded by Peter Simonsen and Clas Dyrholm.



**2009**

In spring 2009, the Dreamoc 3D display was announced. It was embraced by high-end retail brands and distributed through a worldwide network of partners.



**2010**

In 2010, the Dreamoc XL display was launched in order to satisfy the customer need for an even more spacious Dreamoc.



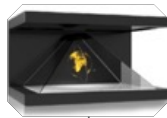
**2012**

In late 2012, Realfiction introduced a transparent LCD display, enabling the creation of powerful effects with a combination of physical objects and full color video content.



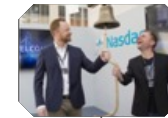
**2013**

In 2013, the Dreamoc Scandinavia XXL was created for use in airports, shopping malls, exhibitions, experience centers, museums etc.



**2016**

In 2016, Realfiction updated its mid-large display solution with new components, accessories and a considerably lower price point.



**2017**

In 2017, the massive Dreamoc XXL3 was presented, and the Dreamoc Diamond was introduced as an innovative and highly attractive retail solution.

Realfiction was listed on Nasdaq First North Stockholm.



**2018**

In 2018, Realfiction launched DeepFrame One, the world's largest mixed reality display, during CES 2018 in front of a limited audience of journalists and media.



**2019**

In 2019, Realfiction announced its plan to create a multi-user, glasses-free 3D display under the name "Project ECHO".

Steen Iversen joined the team as the Company's Director of Advanced Display Technology.

During the fall, the ECHO proof of concept was successfully completed, and Realfiction partnered with Ibsen Photonics and others.



**2020**

In 2020, Realfiction successfully completed an LCD beta version of an ECHO display with a full color spectrum, showing a real-time generated and eye-tracked stereo 3D image for a single user.

# MARKET OVERVIEW AND ECHO BUSINESS OPPORTUNITIES

**The awareness and demand for products and services related to mixed, augmented and virtual reality is growing rapidly. Some say that it is the fourth wave of computing following the PC, internet and mobile.**

This trend of growing interest and demand is expected to continue during the following years as more usable solutions are launched on the market. Realfiction expects this to spur additional demand from customers in a wide spectrum of segments from marketing and retail to the experience industry, education, architecture and construction.

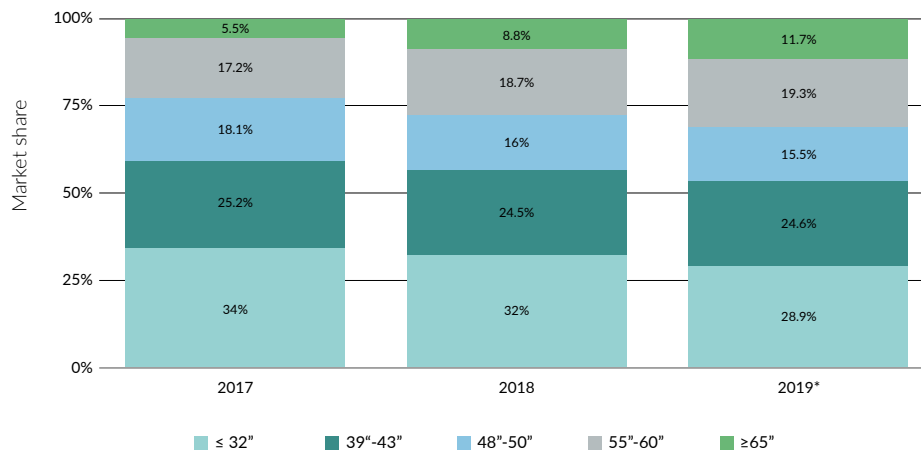
According to the November 2019 update of the Worldwide Augmented and Virtual Reality Spending Guide, published by the global analysis company IDC that is owned by IDG (the world's largest company in media, data and marketing services), the AR and VR market is expected to grow to 18.8 billion USD in 2020, an increase of 78.5 % compared to the estimate for 2019.<sup>1)</sup> Further strong growth is also expected in the following years, with an average annual growth rate of 77.0 % in 2019-2023. This would constitute an even stronger growth than what Goldman Sachs predicts in a report where the value of the AR and VR market is expected to grow to 80 billion USD in 2025.<sup>2)</sup> According to the IDC report, the distribution and service sector is expected to constitute 23.4 % of the market while the consumer segment constitutes 37.4 % in 2020.

## Market potential for ECHO in the large-sized television set segment

Within the broader realm of MR, AR and VR solutions, ECHO will target the 3D display market with a strong focus on the segment for large-sized television sets. Additionally, the ECHO technology will be suitable for a wide range of B2B applications when implemented in professional 3D displays. It is estimated that the global 3D display revenue will grow from 48.21 billion USD in 2017 to 253.9 billion USD in 2026.<sup>3)</sup>

The focus on implementing ECHO in large television sets, defined as 48 inches and above, is due to the fact that this is the premium segment where the latest features are implemented first, and where consumers are prepared to pay a premium for these features. Also, the impact of immersive 3D experiences is greater when using a larger display size. Compared to other competing technologies, ECHO also has the advantage of not being limited by size or resolution constraints. In 2019, large television sets held a market share of almost 50 % of 295 million units, and this market share has been growing steadily in recent years as consumers are upgrading to larger sizes.

Worldwide TV market share by screen size from 2017 to 2019



Sources  
WitsView; TrendForce  
© Statista 2020

1) <https://www.idc.com/getdoc.jsp?containerId=prUS45679219>

2) <http://www.goldmansachs.com/our-thinking/pages/technology-driving-innovation-folder/virtual-and-augmented-reality/report.pdf>

3) Statistics MCR with additional information from Wordwide, 2017

# COMPETING TECHNOLOGIES AND COMPANIES

Currently, Microsoft (with its HoloLens and Mixed Reality platform) and Magic Leap are two major players in the mixed reality segment with solutions based on head-mounted displays. Because of this, only the person wearing the product will be able to experience the overlay of 3D objects and effects that blend with the physical reality.

When it comes to glasses-free 3D displays, there are some companies developing or to some extent offering single-user or multi-user display products. Single-user displays include Samsung's Holographic Displays and Sony's Spatial Reality Display, while examples of companies active in the multi-user display space include FoVI3D, JDI, Lightfield Labs, and Looking Glass.

Realfiction's foresees no direct competition from head-mounted display solutions and single-user displays due to their inability to be used in social settings. Furthermore, competing multi-user solutions are limited by one or more of the following factors: low perceived resolution, high manufacturing costs and an extremely high amount of data generation and transmission when used by multiple persons.

Compared to the competition, ECHO has key advantages such as a very high resolution for each user, low-manufacturing costs, lower bandwidth requirements and excellent scalability to large display sizes.



Microsoft HoloLens

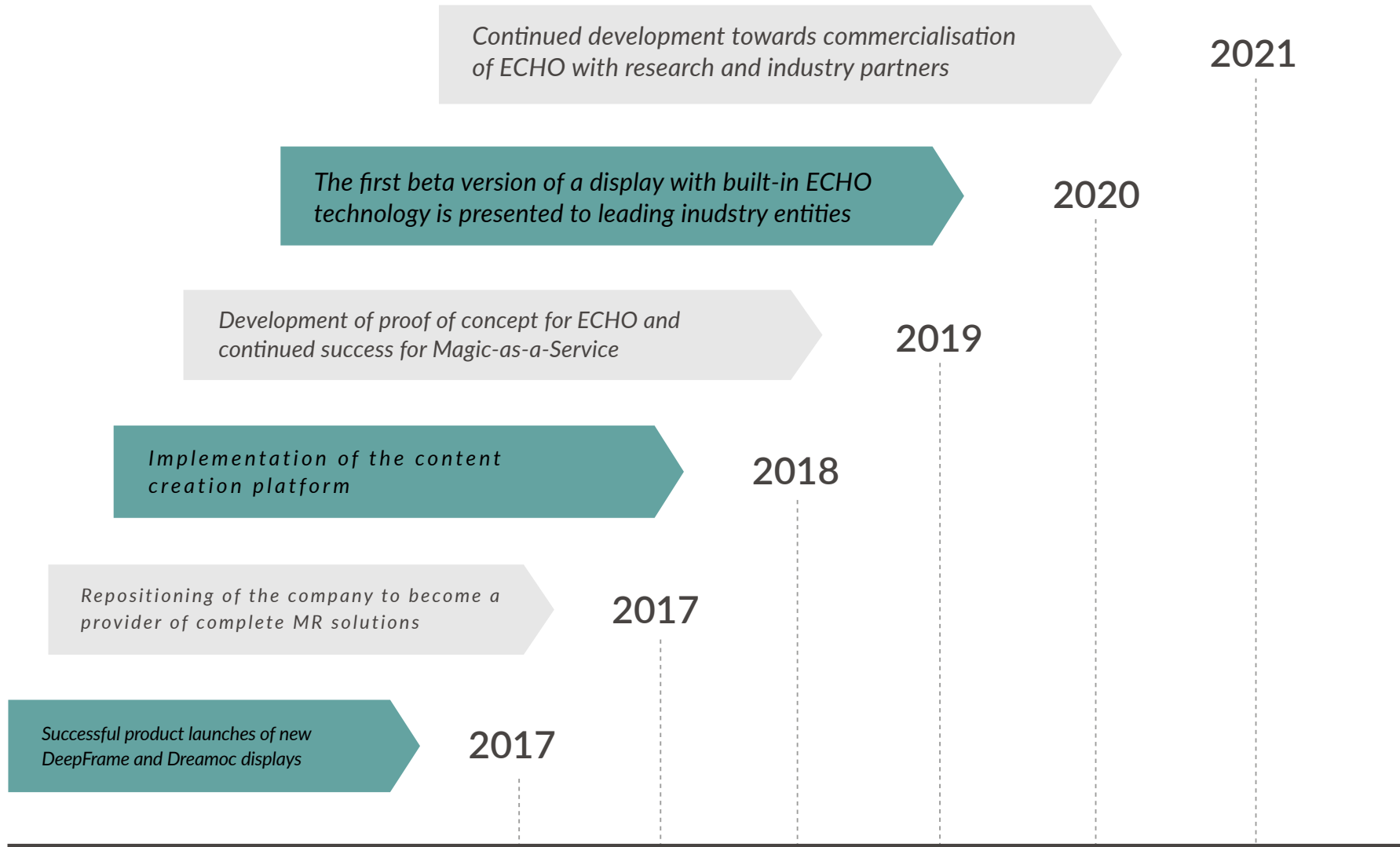


Sony Spatial Reality Display



Looking Glass

# COMPANY PROGRESSION AND NEXT STEPS IN 2021





# FINANCIAL REVIEW

The Board of Directors and the Chief Executive Officer of Realfiction Holding AB hereby publishes the annual report and the consolidated accounts for the financial year 2020.

**This is an extract from parts of the official Swedish Annual Report. The official report is available at the company's website under "Financial reports" and is called "Årsredovisning 2020 (PDF)".**

## Business operations

Realfiction develops, sells and rents out market leading products and services in Mixed Reality (MR) based on innovative, as well as patent and design protected hardware platforms. All offerings are also packaged in an easy and powerful service concept called "Magic-as-a-Service".

The parent company's registered address is in Helsingborg.

## Group structure & Shareholding

Realfiction Holding AB has two fully owned subsidiaries, Realfiction ApS and Realfiction Lab ApS. All activities are mainly carried out in the subsidiaries. In addition to the above, Realfiction Holding AB does not own any shares in other companies.

## Income Statement

COVID-19 caused significant decline in sales during 2020. However, due to cost savings from the simplified go-to-market model and governmental financial support packages, the impact on the result and liquidity of the Group is not as negative as if we had not implemented such measures.

Group net revenue amounted to 9,501 TSEK in 2020 and 21,357 TSEK in 2019. This corresponds to a decrease of 56 % compared to 2019, which was due to COVID-19 related restrictions. The primary part of net revenue in 2020 consists of product sales from the Dreamoc and DeepFrame category, while the sales of the company's Magic-as-a-Service concept amounted to 1,857 TSEK compared to 3,819 TSEK in 2019.

In note 15, we present the company's gross profit analysis. Cost of goods sold

amounts to 4,516 TSEK (9,990 TSEK). The gross profit for 2020 can thus be established to 4,985 TSEK (11,367 TSEK), which resulted in a decreased gross profit margin in 2020 of 52.5 % compared to 53.2 % in 2019. The decrease in the gross profit margin in 2020 is attributable to the decrease in sales combined with additional cost in our Magic-as-a-Service business in Germany as a result of additional processes due to COVID-19.

In 2020 the Company had capitalized development expenditure relating to ECHO that fulfils the requirements of the capitalization accounting principle. As such, the 2020 operating result is positively impacted by 4,970 (TSEK 3,427) from the capitalization of salaries and internal expenses relating to ECHO.

Other external costs decreased to TSEK 6,336 in 2020 from 9,899 in 2019. The decrease is primarily due to the simplified and low cost go-to-market model for our MaaS concept.

The simplified go-to-market model for our MaaS concept entails that we have reduced the workforce from December, 2019 to the end of 2020. Thus resulting in significantly lower personnel costs of TSEK 12,364 (TSEK 18,149) in 2020.

All in all, we reduced our "Net operating cost" by TSEK 11,040 in 2020 to TSEK 14,426 from TSEK 25,466 in 2019 as per note 15.

Group net financial costs consist of interest on the loan with Vækstfonden, while the 2019 financial costs also included interest on a bridge loan.

The net result for the Group in 2020 amounted to TSEK -8,195 (TSEK -12,947) in 2019.

## Supplementary Income Statement

in note 16, we present our supplementary income statement with our two main activities; Sales Activities and Innovation & Development. The supplementary income statement illustrates our investment in Innovation & Development, and the underlying performance of our Sales Activities.

## Balance sheet

Realfiction's total assets at 31 December 2020 amounted to 65,348 TSEK compared to 37,834 TSEK at 31 December 2019. The inventory at 31 December 2020 amounted to 6,438 TSEK compared to 7,242 TSEK at 31 December 2019.

Trade receivables are lower than last year due to the decrease in sales.

Other short-term receivables are lower than last year and current liabilities decreased to TSEK 5,956 at 31 December 2020 compared to TSEK 6,519 at 31 December 2019 due to a combination of an extension of an installment deferral on the loan with Vækstfonden and financial support from governmental COVID-19 support packages and a change in the vacation payment legislation in Denmark resulting in an increase in non-current liabilities.

The Group's solvency ratio at 31 December 2020 was 84.0 % compared to 74,7 % at 31 December 2019.

Realfiction Holding AB issued a shareholder contribution of 11,074 TSEK to wholly owned subsidiaries. The premium was delivered on 31 December 2020 and will not entitle the shareholder to recover the supplement later. The contribution was made by reducing the company's loan receivable on the subsidiary with the corresponding amount.

## Investments

In 2020, the company invested 214 TSEK (1,845 TSEK in 2019) in its Magic-as-a-Service platform in the form of additional displays under tangible fixed assets.

In 2020, Realfiction invested 7,177 TSEK (5,603 TSEK) in intangible fixed assets related to the company's development of ECHO, with the aim to develop a new generation of 3D experiences – free-floating holograms without the need for glasses or other types of lenses between the eye and the effect, and the possibility to see and interact with 3D objects from different angles.

## Liquidity and funding

Realfiction's liquidity at 31 December 2020 amounts to 42,372 TSEK compared to 17,240 TSEK at 31 December 2019. Cash flow from operating activities for 2020 amounts to -3,162 TSEK compared to -11 013 TSEK for 2019.

Cash flow from operating and investing activities during 2020 was positively affected by cost savings due to the simplified go-to-market model, governmental COVID-19 support packages and a new vacation pay legislation in Denmark that defers payment of certain vacation accruals.

## 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. At 31 December 2020, the number of shares in Realfiction Holding AB was 18,241,442 pieces (including fully paid but not yet registered share issue) compared to 15,610,613 pieces (including fully paid but not yet registered share issue) on 31 December 2019. The company has one share class. Each share entails equal rights to recognize the company's assets and results.

## Financial risk management

The financial risks can primarily be divided in the following categories:

### Currency risk

The Groups sales are made in local currency as well as in foreign currency, primarily USD and DKK. Purchases are primarily made in DKK and USD. When deemed necessary, future currency flows are hedged through financial instruments. The goal is to try to neutralize the currency effects when transactions are made in different currencies. At the end of the year, the company did not own any currency futures or warrants.

### Interest risk

The Group's interest rate risks are mainly connected to interest-bearing liabilities with floating interest rate, totaling 3,845 TSEK at the balance day compared to 3,961 TSEK at 31 December 2019.

### Credit risk

The Group tries to find business partners with the highest possible credit rating. The majority of the Group's sales can be made with low credit risk. Historically, the credit losses have been low.

### Liquidity risk and financing risk

The Group is constantly working to maintain and improve its liquidity and to plan and ensure access to long-term financing.

### Significant events after the end of the year

- On 29 January, Realfiction announced positive results from the ECHO backplane feasibility study, which was announced in November 2020. The simplified ECHO fabrication approach pre-validated during the study aims for easier integration, a slimmer form factor and even lower manufacturing costs for both the LCD and OLED version of the ECHO 3D holographic display. The positive results were produced by Realfiction's development team with important contribution from Aalborg University, Denmark, and other collaboration partners.
- On 26 February, Realfiction announced that the company had completed the strategic review of its Sales Activities, which was announced in September 2020. The recommended course of action is to maximize shareholder value by continuing to run these parts of the company inhouse together with its global partner network. Realfiction's Board has decided to follow this recommendation, and it has a positive outlook for these parts of the company in H2 2021 and thereafter as coronavirus restrictions are expected to be further reduced in key markets.

## MULTIPLE YEAR OVERVIEW (TSEK)

Group	2020	2019	2018	2017	2016*
Net revenue	9,501	21,357	23,799	16,319	19,640
Result after financial items	-9,749	-14,792	-12,733	-10,226	-4,075
Total Balance Sheet	65,348	37,834	20,821	26,084	14,089
Solvency ratio (%)**	84.0	74.7	22.5	62.2	3.6
Average number of employees	13	17	15	12	10
Gross profit 1)***	4,985	11,367	11,370	7,474	9,030
Gross profit margin (%)****	52.5	53.2	47.8	45.8	46
Earnings per share (SEK)*****	-0.52	-1.00	-1.01	-0.87	-
Average number of shares	15,761,189	12,943,521	11,633,135	11,633,135	-
Number of shares at the end of the period	18,241,442	15,610,613	11,633,135	11,633,135	-

\*Comparative 2016 figures for the Group refer to the Danish subsidiary Realfiction ApS

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

\*\*\*Gross profit Net turnover after costs for goods sold

\*\*\*\*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

1) See note 17

Parent company	2020	2019	2018	2017 <sup>2</sup>
Net revenue	600	600	600	0
Result after financial costs	-861	-1,226	-1,203	-702
Total Balance Sheet	94,324	59,962	30,734	25,000
Solvency ratio (%)	99.3	98.7	77.1	99.6
Average number of employees	0	0	0	0

2) The first fiscal year of the parent company is 2017, from 28 April 2017.

## Ownership structure

The table below shows shareholders in Realfiction Holding AB as of December 31, 2020. It was used in full paid but not yet registered / issued new share issue.

Name	Number of shares	Ownership (in %)
Ceranco Equity S.C.S <sup>1</sup>	3,194,447	17.51
Clape Holding ApS <sup>2</sup>	3,005,000	16.47
AmTRAN Technology Co. Ltd.	1,983,768	10.88
Formue Nord Markedsneutral A/S <sup>1</sup>	1,450,000	7.95
Tamarind Limited <sup>1</sup>	1,204,509	6.60
Other shareholders (more than 4,100)	7,403,718	40.59
<b>Total</b>	<b>18,241,442</b>	<b>100.00</b>

1. Ceranco Equity S.C.S, Formue Nord Markedsneutral A / S and Tamarind Limited are investment companies with private investors.

2. CLAPE Holding ApS is 50 percent owned by the CEO and board member Clas Dyrholm and 50 percent by board member Peter Simonsen.

## Proposed appropriation of retained earnings

(Amount in SEK)

Proposition for the appropriating the company's retained earnings

At the proposal of the general meeting:

Share premium reserve	92,713,571
Loss for the year	-861,385
	<b>91,852,186</b>

The board proposes to:

Adding to the share premium reserve: 91,852,186

## PROFIT AND LOSS

TSEK	Note	Group	
		2020	2019
<b>Operating income</b>			
Net revenue		9,501	21,357
Capitalised work for own account		4,970	3,427
Other income		639	489
<b>Total operating income</b>		<b>15,110</b>	<b>25,273</b>
<b>Operating expenses</b>			
Cost of goods sold	15	-4,516	-9,990
Other external costs		-6,336	-9,899
Personnel costs	4	-12,364	-18,149
Depreciation of tangible and non-tangible assets	8	-1,335	-1,334
<b>Total operating expenses</b>		<b>-24,551</b>	<b>-39,372</b>
<b>Operating result</b>	15. 16	<b>-9,441</b>	<b>-14,099</b>
<b>Result from financial investments</b>			
Other interest income and similar profit/loss items	5	54	91
Interest costs and similar profit/loss items	6	-362	-784
<b>Total financial items</b>		<b>-308</b>	<b>-693</b>
<b>Result after financial items</b>		<b>-9,749</b>	<b>-14,792</b>
Tax for result of the year	7	1,554	1,845
<b>Result of the year</b>		<b>-8,195</b>	<b>-12,947</b>

## BALANCE SHEET

TSEK	Note	Group	
		31-12-2020	31-12-2019
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Development costs	8	12,163	5,451
<b>Total intangible fixed assets</b>		<b>12,163</b>	<b>5,451</b>
<b>Tangible fixed assets</b>			
Fixtures, tools and installations	8	948	2,225
<b>Total tangible fixed assets</b>		<b>948</b>	<b>2,225</b>
<b>Financial fixed assets</b>			
Other long-term receivables	10	264	323
<b>Total financial fixed assets</b>		<b>264</b>	<b>323</b>
<b>Total Fixed Assets</b>		<b>13,375</b>	<b>7,999</b>
<b>Current assets</b>			
<b>Inventories etc.</b>			
Finished products and goods for sale		6,438	7,242
<b>Total inventories etc.</b>		<b>6,438</b>	<b>7,242</b>
<b>Short-term receivables</b>			
Trade receivables		583	2,275
Current tax receivables		1,486	1,821
Other receivables		636	930
Prepaid expenses		458	327
<b>Total short-term receivables</b>		<b>3,163</b>	<b>5,353</b>
<b>Cash and bank</b>	12	<b>42,372</b>	<b>17,240</b>
<b>Total current assets</b>		<b>51,973</b>	<b>29,835</b>
<b>Total assets</b>		<b>65,348</b>	<b>37,834</b>

TSEK	Note	Group	
		31-12-2020	31-12-2019
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		1,801	1,406
Share issue under registration		23	155
Other received capital		95,354	60,245
Other equity incl. the result of the period		-42,293	-33,534
<b>Total equity</b>		<b>54,885</b>	<b>28,272</b>
<b>Long-term liabilities</b>			
	11		
Liabilities to credit institutions		3,845	3,043
Other liabilities		662	0
<b>Total long-term liabilities</b>		<b>4,507</b>	<b>3,043</b>
<b>Short-term liabilities</b>			
Liabilities to credit institutions		0	918
Accounts payable		1,864	1,648
Other liabilities		2,933	3,449
Accrued costs and prepaid income		1,159	504
<b>Total short-term liabilities</b>		<b>5,956</b>	<b>6,519</b>
<b>Total equity and liabilities</b>		<b>65,348</b>	<b>37,834</b>

## CHANGES IN EQUITY

Group					
TSEK	Share capital	Share issue under registration	Other contributed capital	Other own capital incl profit for the year	Total amount equity
<b>Amount at the beginning of the year 01-01-2019</b>	<b>1,163</b>	<b>0</b>	<b>23,952</b>	<b>-20,435</b>	<b>4,680</b>
Share issues*	243	155	38,677	0	39,075
Share issue costs	0	0	-2,384	0	-2,384
Exchange rate difference for the year	0	0	0	-152	-152
Result for the year	0	0	0	-12,947	-12,947
<b>Amount at the end of the year 31-12-2019</b>	<b>1,406</b>	<b>155</b>	<b>60,245</b>	<b>-33,534</b>	<b>28,272</b>
New issues in 2019 registered in 2020	155	-155	0	0	0
Share issues*	240	23	37,155	0	37,418
Share issue costs	0	0	-2,046	0	-2,046
Exchange rate difference for the year	0	0	0	-564	-564
Result for the year	0	0	0	-8,195	-8,195
<b>Amount at the end of the year 31-12-2020</b>	<b>1,801</b>	<b>23</b>	<b>95,354</b>	<b>-42,293</b>	<b>54,885</b>

\*) Share issues consists of the following 4 increases in equity that were fully paid in 2020:

- Directed issue of 400,750 shares that were registered on November 20 2020
- Preferential issue of 2,000,000 shares that were registered on December 4 2020
- Exercise of subscription warrant of 50,000 shares that were registered on January 7 2021
- Preferential issue of 180,079 shares that were registered on January 13 2021

The number of shares amounts to 18,011,363 pieces and the quota value is 0.10 SEK/share. Additionally, there are 230,079 shares that were under registration on December 31 2020.

The company has 538,100 outstanding warrants from the 2017 management program. Every warrant entitles the owner to subscribe for one Realfiction share.

The warrants can be used until June 22, 2027, with an average subscription price of 1.64 SEK.

The company has 1,527,789 TO1 warrants outstanding. Each warrant entitles the holder to subscribe for one share in Realfiction Holding AB.

The warrants may be exercised from October 25, 2021 through November 5, 2021 at a subscription price of 70 percent of the volume weighted average price of the Company's share during the period from October 25, 2021 until and including November 5, 2021. The subscription price shall never be determined to a higher amount than SEK 26.85.

## CASH FLOW ANALYSIS

TSEK	Note	Group	
		2020	2019
<b>Operating activities</b>			
Operating result		-9,441	-14,099
Depreciation		1,335	1,334
Received interest		54	92
Payed interest		-364	-787
Received tax		1,819	979
<b>Cash flow from operating activities before changes in operating capital</b>		<b>-6,597</b>	<b>-12,481</b>
<b>Cash flow from changes in operating capital</b>			
Decrease(+)/increase(-) in inventory		583	1,842
Decrease(+)/increase(-) in current receivables		1,848	303
Decrease(+)/increase(-) in current liabilities		1,004	-677
<b>Cash flow from operating activities</b>		<b>-3,162</b>	<b>-11,013</b>
<b>Investment activities</b>			
Purchase of tangible fixed assets		-7,177	-5,603
Purchase of intangible fixed assets		-214	-1,845
Sales of tangible assets		139	0
Sales of financial assets		51	0
<b>Cash flow from investment activities</b>		<b>-7,201</b>	<b>-7,448</b>
<b>Financing activities</b>			
Share issue		35,372	36,691
Bridge loan		0	-6,405
<b>Cash flow from financing activities</b>		<b>35,372</b>	<b>30,286</b>
<b>Cash flow for the year</b>		<b>25,009</b>	<b>11,825</b>
Cash and cash equivalents at the beginning of the year		17,240	5,140
Foreign exchange difference in cash and cash equivalents		123	275
<b>Cash and cash equivalents at the end of the year</b>		<b>42,372</b>	<b>17,240</b>



**Note 15 Gross profit analysis**

		<b>Group</b>	
	Note	<b>2020</b>	<b>2019</b>
Net revenue		9,501	21,357
Cost of goods sold		-4,516	-9,990
<b>Gross profit</b>		<b>4,985</b>	<b>11,367</b>
Capitalised work for own account		4,970	3,427
Other external costs		-6,336	-9,899
Personnel costs	4	-12,364	-18,149
Depreciation of tangible fixed assets	8	-1,335	-1,334
Other income and expenses		639	489
<b>Net operating cost</b>		<b>-14,426</b>	<b>-25,466</b>
<b>Operating result</b>		<b>-9,441</b>	<b>-14,099</b>

### Note 16 Supplementary Income Statement - 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

	Note	2020	2019
<b>Gross profit (Note 15)</b>	15	<b>4,985</b>	<b>11,367</b>
Other external costs		-4,188	-8,761
Personnel costs		-7,877	-13,374
Depreciation of tangible fixed assets		-1,311	-1,310
Other income and expenses		631	427
<b>Operating result</b>		<b>-7,760</b>	<b>-11,651</b>

#### Innovation & Development Activities

	2020	2019
Capitalised work for own account	4,970	3,427
Other external costs	-2,148	-1,138
Personnel costs	-4,487	-4,775
Depreciation of tangible fixed assets	-24	-24
Other income and expenses	8	62
<b>Operating result</b>	<b>-1,681</b>	<b>-2,448</b>

