



# Q3 INTERIM REPORT

1 JULY – 30 SEPTEMBER 2020

Realfiction Holding AB (publ) | 559110-4616



REALFICTION™

# Q3 INTERIM REPORT

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## Q3, 2020 (01-07-2020 – 30-09-2020)

- Revenue: TSEK 2,038 (Q3, 2019: TSEK 4,296)
- Gross profit: TSEK 1,132 (Q3, 2019: TSEK 1,969)
- Gross profit margin: 55.5% (Q3, 2019: 45.8%)
- Result after financial items: TSEK -2,293 (Q3, 2019: TSEK -4,817)
- Earnings per share: SEK -0.12 (Q3, 2019: SEK -0.31)
- Cash flow from operating activities: TSEK -2,873 (Q3, 2019: TSEK -3,942)

## Q1-Q3, 2020 (01-01-2020 – 30-09-2020)

- Revenue: TSEK 7,431 (Q1-Q3, 2019: TSEK 17,145)
- Gross profit: TSEK 4,105 (Q1-Q3, 2019: TSEK 9,100)
- Gross profit margin: 55.2% (Q1-Q3, 2019: 53.1%)
- Result after financial items: TSEK -7,800 (Q1-Q3, 2019: TSEK -10,901)
- Earnings per share: SEK -0.42 (Q1-Q3, 2019: SEK -0.77)
- Cash flow from operating activities: TSEK -2,793 (Q1-Q3, 2019: TSEK -8,661)



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## SIGNIFICANT EVENTS DURING Q3 2020

- On 1 September 2020, Realfiction announced the initiation of a strategic review of its Sales Activities (Magic-as-a-Service for Retail/Exhibitions and Experience hardware sales) as well as all non-ECHO IP and hardware development, including the highly acclaimed Dreamoc and DeepFrame Mixed Reality product ranges. The strategic review follows the strong progress achieved in 2020 in the development of ECHO. Potential recommendations from the strategic review may include, but are not limited to, a sale, joint venture or spin-out of any, all or none of these assets. Realfiction has contracted a corporate finance firm with expertise in facilitating such strategic review and transactions.
- On 24 September 2020, Realfiction announced the publication by the World Intellectual Property Organization (WIPO) of the company's ECHO patent application and WIPO's report on its patentability. The report reaffirms Realfiction's statement in its 2 July 2020 press release that no prior technique that puts the novelty of the invention into question has been found. With the publication of the first patent application, and 6 additional patent applications filed, the ECHO technology has a strong IP protection shield pending approvals.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On 7 October 2020, Realfiction held a live virtual event focused on its ECHO display technology. During a virtual presentation, Realfiction's Director of Advanced Display Technology Steen Iversen explained the core principles of the ECHO technology, as well as how and why it has several major advantages over the current lightfield technology and holds the potential for low-cost mass production. The presentation also covered the ongoing international patent process for ECHO.
- On 18 November 2020, an Extra General Meeting authorized the Board to, at one or several occasions, during the time up until the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, resolve to issue shares, share option rights and/or convertibles up to a total of 30 percent of the total number of outstanding shares in the Company on the day when the Board utilizes the authorization the first time.
- On 19 November 2020, Realfiction announced its plan for completion of the ECHO integration license package, including a potential further optimization for production which is expected to result in even lower manufacturing costs and a slimmer form factor. The completion phase is planned to last 13-16 months in collaboration with a couple of leading European research institutes and facilities. By spring 2021, Realfiction will also actively seek a co-development agreement with a commercial display manufacturer to speed up time to market.

# CEO COMMENTS

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## POSITIVE DEVELOPMENT PROGRESS COULD ENABLE EVEN CHEAPER AND SLIMMER ECHO DISPLAYS

The development of our ECHO 3D display technology continues to progress in a very satisfactory manner. We have recently identified a way to potentially optimize a part of the ECHO technology, paving the way for a more rapid integration with a shorter time to market, a slimmer form factor and cheaper manufacturing for both the LCD and the OLED versions. As we are now entering the completion phase of ECHO, with the aim to finalize an integration license package that will facilitate easy commercialization, the first step is to conduct a feasibility study to pre-validate these new findings. The feasibility study is co-funded by an Innobooster grant from Innovationsfonden in Denmark, and we expect to complete this study in January 2021. During the spring of 2021, it is our goal to invite a strategically selected Asian display manufacturer to participate in the co-development of a central sub-system: the display backplane. This is a natural next step in maturing the technology and bringing it closer to mass production.

## STRONG RESULTS FROM RETAIL MAAS CAMPAIGNS WITH EDEKA

With several months of the test launch at 25 EDEKA stores in Germany behind us, we have been able to document a generally positive effect on sales for products featured in the campaigns. This clearly shows that our concept works and delivers value to the customers. For three recently concluded campaigns, we saw significant sales uplifts for all three campaigns in the range of 290% for the

least effective and 980% for the most successful. Discussions with EDEKA regarding a potential scale-up to additional stores in 2021 is in process but is slightly delayed due to the ongoing second COVID-19 wave in Europe.

## MAAS FOR EXHIBITIONS

In Q3 2020, the trend from the previous quarter continued, with some inflow of orders despite COVID-19 restrictions. We have for example seen some events in China materialize where Realfiction customers such as Polytech have participated.

However, the total sales volumes are still much lower compared to pre-pandemic levels. There has also been a trend of some customers converting their rental orders to purchase orders, thus giving them more control and flexibility which can be a huge plus during the current circumstances.

Another general trend is that sales processes take much longer time to complete due to the increased uncertainty in the market, and we expect this to continue at least until the spring of 2021 depending on the COVID-19 situation.

## EXPERIENCE (HARDWARE)

As in Q2 2020, we are seeing much lower sales volumes compared to before the COVID-19 pandemic. There are however some hardware orders coming in, including from customers converting from rental to hardware orders as stated above. Just as for our MaaS for Exhibitions segment, we expect the lower overall sales volumes to continue at least until the spring of 2021.

“We have recently identified a way to potentially optimize a part of the ECHO technology, paving the way for a more rapid integration with a shorter time to market, a slimmer form factor and cheaper manufacturing for both the LCD and the OLED versions.”

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## SIGNIFICANTLY LOWERED COSTS REDUCES RISK LEVELS

Even though we are seeing obvious negative COVID-19 effects in some of our segments, we have been able to respond forcefully by significantly reducing Realfiction's net operating costs by 50% compared to Q3, 2019, and by 40% compared to Q1-Q3, 2019. This is mainly due to significant staff reductions in our MaaS and Experience (Hardware) segments, but we are also pausing all major investments in our international MaaS expansion. The upside of this is that our burn rate is much lower compared to 2019, despite the lower sales levels. Realfiction has a strong financial position and expects to have the liquidity necessary to sustain all its business operations, including the development of ECHO, well into 2021 due to the combined positive impact of cost savings initiatives from the simplified go-to-market model and the granting of installment

deferrals in 2021 on the loan with Vækstfonden, thus saving liquidity for the continued development of ECHO. We expect to complete the process of securing the additional funding required for the ECHO completion phase before the end of 2020.

Considering our strong continued progress in the development of ECHO, I am certain that we are moving in the right direction when it comes to building a valuable company for our shareholders, while also delivering on our promise to bring experiences previously just seen in science fiction into reality.



**Clas Dyrholm**

CEO, Realfiction Holding AB



# REALFICTION'S BUSINESS AND CONCEPT

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## 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. 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.

## ECHO – A GROUNDBREAKING HOLOGRAPHIC 3D TECHNOLOGY

Realfiction is developing ECHO, a groundbreaking patent pending technology that enables a new generation of 3D experiences through free-floating holograms that do not require glasses or any other type of lenses between the eye and the effect.

## FOCUS AREAS IN 2020

**ECHO:** Having already delivered a basic laboratory proof-of-concept, we are now focused on proving and specifying the scalability and manufacturability necessary for a future mass production, which is the inherent strength of our technology and where previous attempts in the history of 3D have failed. We have identified a one-digit number of sub-projects/modules that need to be in place to be able to finalize a complete integration license package that we can offer to LCD and OLED display manufacturers. Certain use-cases may however be prioritized and offered sooner. To complete these sub-projects/modules, we are pursuing collaboration with potential research partners, including a leading international research institute in Organic Electronics. In 2020, we have added 4 updated patent applications to our ECHO IP portfolio of now 6 pending patents with more to come. Where the

2019 patent applications are a "plug in the bath tub", comprising a large set of potential variations described in broader terms, preventing competitors from coming first and locking the field while we are maturing the technology, the 2020 applications comprise the work we have put into preferred embodiments to document the detailed inventive steps we believe we are the first to have overcome to enable future mass production.

**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 has been implemented in a test launch in 25 EDEKA (Germany's largest department store company with over 11,000 stores) stores in Germany. Realfiction is confident that it is at the brink of realising the true potential of the Magic-as-a-Service concept, even with the COVID-19 outbreak. After the temporary pause of the test launch in the first half of 2020, we have restarted the test launch in July 2020 and we look forward to receiving more feedback from stakeholders during the remainder of 2020.

**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.

# DISPLAY PORTFOLIO

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## 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.

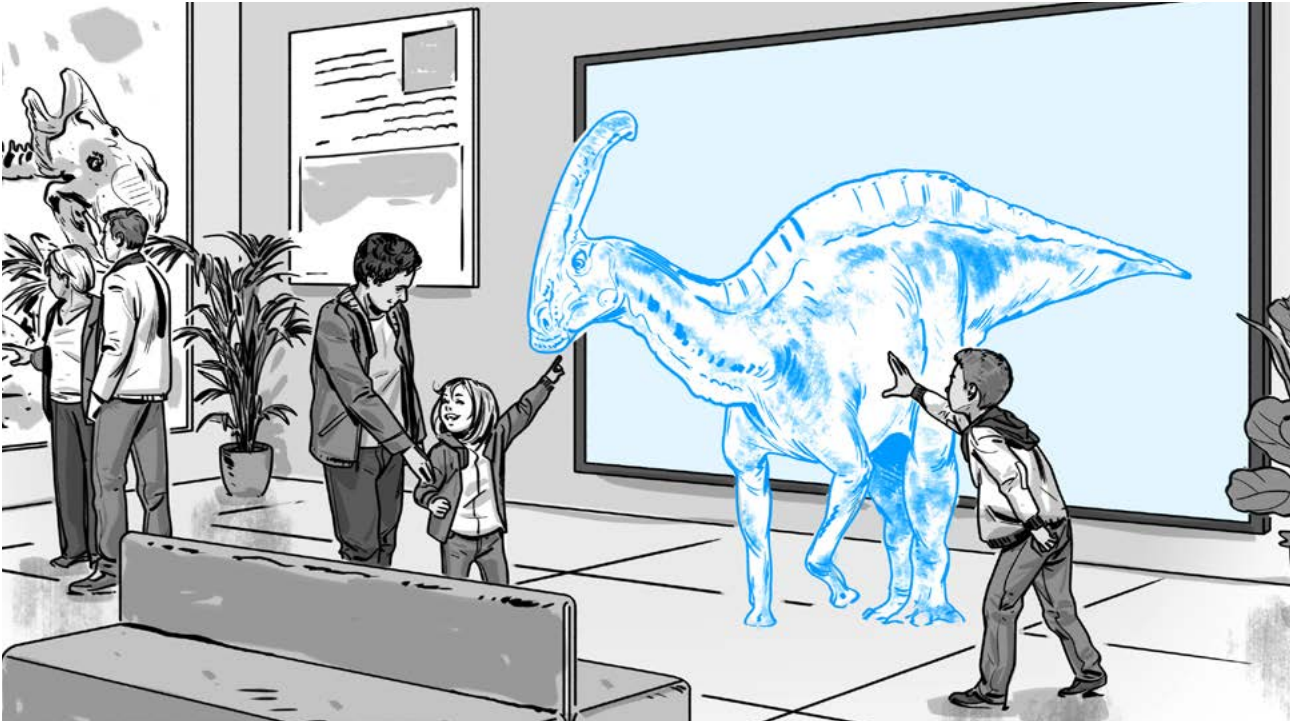
## DEEPFRAME – THE WORLD'S LARGEST MIXED REALITY DISPLAY

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.

# INNOVATION

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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 Mixed Reality field, Realfiction is on the verge of taking the next step beyond the current approach of head-mounted wearables, that we believe is just the first, primitive stage.

## 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.

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Picture above: Illustration of ECHO in a museum



# FINANCIAL REVIEW

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## DEVELOPMENT IN Q3 AND Q1-Q3, 2020

### Income Statement

COVID-19 continues to cause significant decline in sales during Q3. 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 amounts to TSEK 2,038 for Q3, 2020, representing a decline of 53% from Q3, 2019 (TSEK 4,296), while TSEK 7,431 for Q1-Q3, 2020 (TSEK 17,145) represent a decline of 57% compared to Q1-Q3, 2019. The major part of net revenue in Q3 and Q1-Q3, 2020 consists of product sales from the Dreamoc and DeepFrame category, while sales from our Magic-as-a-Service concept account for TSEK 549 (TSEK 524) and TSEK 1,453 (TSEK 2,842) respectively. Adjusted for currency conversion effects, the Company's revenue in the third quarter of 2020 declined by 61% to TDKK 1,466 compared to the average quarterly revenue of 2019 (TDKK 3,776).

Cost of goods sold amounts to TSEK 906 and 3,326 for Q3, 2020 and Q1-Q3, 2020 respectively, compared to TSEK 2,327 for Q3, 2019 and 8,045 for Q1-Q3, 2019. Thus, our gross profit in Q3, 2020 decreased to TSEK 1,132 from 1,969 in Q3, 2019 and resulted in an increased gross profit margin in Q3, 2020 of 55.5% (45.8%) and in Q1-Q3, 2020 of 55.2% (53.1%). The increase in the gross profit margin in Q3, 2020 is attributable to the decrease in sales combined with a few more profitable orders.

In Q3, 2020 the Company has capitalized development expenditure relating to ECHO that fulfils the requirements of the capitalization accounting principle. As such, the Q3, 2020 operating result is positively impacted by TSEK 693 (TSEK 980) from the capitalization of salaries

and internal expenses relating to ECHO, while the Q1-Q3, 2020 result is positively impacted by TSEK 2,579 (TSEK 2,242).

Other external costs decreased to TSEK 1,154 in Q3, 2020 from 2,723 in Q3, 2019, and to TSEK 4,289 in Q1-Q3, 2020 from 7,592 in Q1-Q3, 2019. The decrease is primarily due to the simplified and low cost go-to-market model for our MaaS concept, and due to lower development costs as the focus of our innovation department is to succeed with the ECHO technology.

The simplified go-to-market model for our MaaS concept entails that we have reduced the workforce from December, 2019 to the end of June 2020. Thus resulting in significantly lower personnel costs of TSEK 2,624 in Q3, 2020 (TSEK 4,703) and TSEK 9,479 (TSEK 13,478) in Q1-Q3, 2020.

All in all, we reduced our net operating cost by TSEK 3,362 in Q3, 2020 to TSEK 3,330 from TSEK 6,692 in Q3, 2019 and by TSEK 7,679 in Q1-Q3, 2020 to TSEK 11,687 from TSEK 19,366 in Q1-Q3, 2019.

Group net financial costs consist of interest on the loan with Vækstfonden, while the Q1-Q3, 2019 financial costs include interest on a bridge loan.

The net result for the Group in Q3, 2020 amounts to TSEK -1,892 (TSEK -4,350) and TSEK -6,481 (TSEK -9,660) in Q1-Q3, 2020.

### Supplementary Income Statement

On page 17 we present our supplementary income statement with our two main activities; Innovation & Development and Sales.

In Q3, 2020, we continued investing in Innovation & Development Activities, with the primary focus on

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ECHO. The ECHO technology 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 amounted to TSEK 1,099 in Q3, 2020 compared to TSEK 1,922 in Q3, 2019 and TSEK 3,785 in Q1-Q3, 2020 compared to TSEK 4,800 in Q1-Q3, 2019. The Q3, 2020 operating result from our Sales Activities improved to a loss of TSEK 1,792 compared to a loss of TSEK 3,798 in Q3, 2019, while the Q1-Q3, 2020 result improved to a loss of TSEK 6,384 from a loss of TSEK 7,753 in Q1-Q3, 2019. The improvements in Q3 and Q1-Q3, 2020 were primarily due to cost savings from the simplified go-to-market model.

### Balance Sheet

Realfiction's total assets at 30 September 2020 amount to TSEK 32,079 compared to TSEK 37,834 of 31 December 2019. Inventory at 30 September 2020 amounts to TSEK 7,098 compared to TSEK 7,242 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 5,474 at 30 September 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.

### Investments

In Q3, 2020 and Q1-Q3, 2020, the Company has capitalized additional development expenditure of TSEK 1,418 (TSEK 1,503) and TSEK 4,808 (TSEK 3,179) respectively, relating to the patent-pending ECHO technology. 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.

### Cash Flow and Liquidity

Realfiction's liquidity at 30 September 2020 amounts to TSEK 9,738 compared to TSEK 17,240 at 31 December 2019. Cash flow from operating activities for Q3, 2020 improved to TSEK -2,873 compared to TSEK -3,942 for Q3, 2019 and improved to TSEK -2,793 in Q1-Q3, 2020 from TSEK -8,661 in Q1-Q3, 2019. The improvements in Q3 and Q1-Q3, 2020 are primarily caused by the investments in the ECHO technology, cost savings due to the simplified go-to-market model and governmental COVID-19 support packages.

Realfiction has a strong financial position and expects to have the liquidity necessary to sustain all its business operations, including the development of ECHO, well into 2021.

### 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 September 2020, the number of shares in Realfiction Holding AB amounts to 15,610,613. The Company has one share class. All shares have equal dividend rights.

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### Group structure

Realfiction Holding AB has two fully owned subsidiaries, Realfiction ApS and Realfiction Lab ApS. All business activities are carried out in the subsidiaries. In early January 2020, Realfiction Lab ApS purchased the ECHO technology from Realfiction ApS. Realfiction Holding AB does not own shares in other companies.

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 2019 Annual Report.

### Operational risks & uncertainties

The risks and uncertainties that Realfiction's operations are exposed to are concentrated in the

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## OWNERSHIP STRUCTURE

The table below shows key shareholders in Realfiction Holding AB at 30 September 2020.

Name	Number of shares	Ownership (in %)
Ceranco Equity S.C.S	3,194,447	20.46
Clape Holding ApS <sup>1</sup>	2,725,000	17.46
AmTRAN Technology Co. Ltd. <sup>2</sup>	1,983,768	12.71
Försäkringsaktiebolaget, Avanza Pension	841,669	5.39
Other shareholders (more than 4,200)	6,865,729	43.98
<b>Total</b>	<b>15,610,613</b>	<b>100.00</b>

1. 50 % owned by CEO and board member Clas Dyrholm and 50 % owned by board member Peter Simonsen. In addition, CLAPE HOLDING ApS owns 280,000 warrants.

2. AmTRAN is a large OEM producer of LCD TV's and other consumer electronics.

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### **Audit/review**

The Q3 Interim Report has not been audited or reviewed by the Company's independent auditors. The Annual Report 2019 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:**

Year-end Report 2020: 25 March 2021  
Annual Report 2020: 20 May 2021  
Annual General Meeting 2021: 15 June 2021

The above reports will be available for download from the Company's website ([www.realfiction.com](http://www.realfiction.com)). A printed copy can be ordered via [investor@realfiction.com](mailto:investor@realfiction.com).

### **Certified Adviser**

Mangold Fondkommission AB is the Company's Certified Adviser and can be contacted via [ca@mangold.se](mailto: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](mailto:investor@realfiction.com)

*The Board of Directors and the CEO declare that to the best of their knowledge, the Q3 Interim Report 2020 presents a fair view of the financial position of the Company at 30 September 2020 as well as of the results of the Group operations and cash flows for the period 1 January – 30 September 2020.*

**Helsingborg, 19 November 2020**  
**Realfiction Holding AB**  
**Board of Directors and CEO**

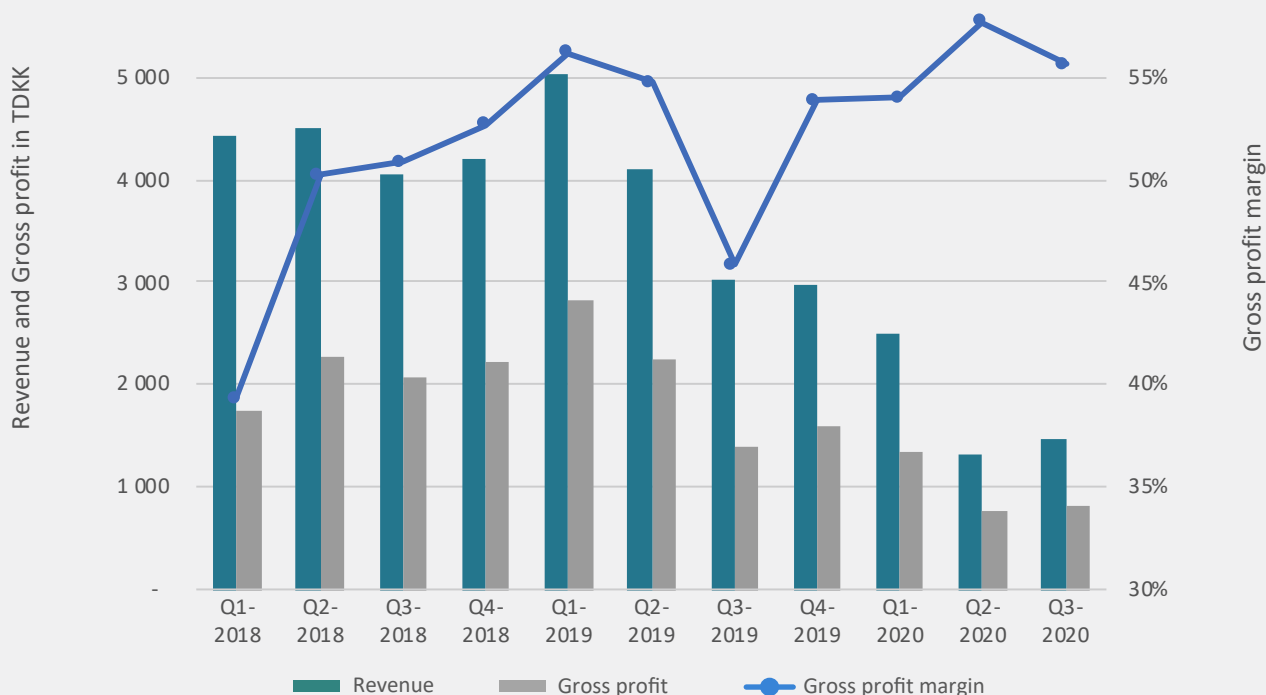
This information is information that Realfiction Holding AB is obliged to make public pursuant to the Swedish Securities Market Act (Lagen (2007:528) om värdepappersmarknaden). The information was submitted for publication, through the agency of the contact person set out above, on 19 November 2020.

# FINANCIAL HIGHLIGHTS AND KEY RATIOS

## Selected Financial Highlights and Key Ratios – Group

SEK '000	Q3-2020 01-07-2020 -30-09-2020 3 months	Q3-2019 01-07-2019 -30-09-2019 3 months	Q1-Q3-2020 01-01-2020 -30-09-2020 9 months	Q1-Q3-2019 01-01-2019 -30-09-2019 9 months	2019 01-01-2019 -31-12-2019 12 months
Net revenue	2,038	4,296	7,431	17,145	21,357
Gross profit	1,132	1,969	4,105	9,100	11,367
Result after financial items	-2,293	-4,817	-7,800	-10,901	-14,792
Total Assets	32,079	27,473	32,079	27,473	37,834
Cash flow from operating activities	-2,873	-3,942	-2,793	-8,661	-11,013
Cash at bank and in hand	9,738	7,912	9,738	7,912	17,240
Solvency ratio (%)	68.1	62.9	68.1	62.9	74.7
Average number of employees	11	19	14	17	17
Gross profit margin (%)	55.5	45.8	55.2	53.1	53.2
Earnings per share (SEK)	-0.12	-0.31	-0.42	-0.77	-1.00
Average number of shares	15,610,613	14,057,908	15,554,700	12,567,976	12,943,521
Number of shares at the end of the period	15,610,613	14,057,908	15,610,613	14,057,908	14,057,908

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	Q3-2020	Q3-2019	Q1-Q3-2020	Q1-Q3-2019	2019
	01-07-2020 -30-09-2020 3 months	01-07-2019 -30-09-2019 3 months	01-01-2020 -30-09-2020 9 months	01-01-2019 -30-09-2019 9 months	01-01-2019 -31-12-2019 12 months
Net revenue	2,038	4,296	7,431	17,145	21,357
Cost of goods sold	-906	-2,327	-3,326	-8,045	-9,990
<b>Gross profit</b>	<b>1,132</b>	<b>1,969</b>	<b>4,105</b>	<b>9,100</b>	<b>11,367</b>
Capitalized own work performed	693	980	2,579	2,242	3,427
Other external costs	-1,154	-2,723	-4,289	-7,592	-9,899
Personnel costs	-2,624	-4,703	-9,479	-13,478	-18,149
Depreciation of tangible fixed assets	-246	-372	-1,063	-891	-1,334
Other income and expenses	1	126	565	353	489
<b>Operating result</b>	<b>-2,198</b>	<b>-4,723</b>	<b>-7,582</b>	<b>-10,266</b>	<b>-14,099</b>
Other financial income	7	27	50	76	91
Other financial costs	-102	-121	-268	-711	-784
<b>Result after financial items</b>	<b>-2,293</b>	<b>-4,817</b>	<b>-7,800</b>	<b>-10,901</b>	<b>-14,792</b>
Tax on the profit of the period	401	467	1,319	1,241	1,845
<b>Net result for the period</b>	<b>-1,892</b>	<b>-4,350</b>	<b>-6,481</b>	<b>-9,660</b>	<b>-12,947</b>

## Balance Sheet (condensed) - Group

SEK '000	30-09-2020	30-09-2019	31-12-2019
<b>Assets</b>			
<b>Non-current assets</b>			
Development projects under construction	10,334	3,168	5,451
<b>Total intangible assets</b>	<b>10,334</b>	<b>3,168</b>	<b>5,451</b>
Other property, plant and equipment	1,089	1,870	2,225
<b>Total tangible assets</b>	<b>1,089</b>	<b>1,870</b>	<b>2,225</b>
Other long-term receivables	1,594	1,580	323
<b>Total financial assets</b>	<b>1,594</b>	<b>1,580</b>	<b>323</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>13,017</b>	<b>6,618</b>	<b>7,999</b>
<b>Current assets</b>			
Inventories	7,098	8,027	7,242
<b>Total inventories</b>	<b>7,098</b>	<b>8,027</b>	<b>7,242</b>
Trade receivables	1,298	2,453	2,275
Other short-term receivables	508	869	930
Prepaid expenses	420	617	327
Tax receivable	0	977	1,821
<b>Total short-term receivables</b>	<b>2,226</b>	<b>4,916</b>	<b>5,353</b>
<b>Cash at bank and in hand</b>	<b>9,738</b>	<b>7,912</b>	<b>17,240</b>
<b>TOTAL CURRENT ASSETS</b>	<b>19,062</b>	<b>20,855</b>	<b>29,835</b>
<b>TOTAL ASSETS</b>	<b>32,079</b>	<b>27,473</b>	<b>37,834</b>
<b>Liabilities and Equity</b>			
<b>Equity</b>			
Share capital	1,561	1,406	1,406
Other reserves incl. retained earnings	20,299	15,886	26,866
<b>TOTAL EQUITY</b>	<b>21,860</b>	<b>17,292</b>	<b>28,272</b>
Credit institutions	4,039	3,119	3,043
Prepaid income	706	0	0
<b>Non-current liabilities</b>	<b>4,745</b>	<b>3,119</b>	<b>3,043</b>
Short-term part of non-current liabilities	0	941	918
Trade payables	1,089	2,349	1,648
Prepaid income	975	616	504
Other payables	3,410	3,156	3,449
<b>Total current liabilities</b>	<b>5,474</b>	<b>7,062</b>	<b>6,519</b>
<b>TOTAL LIABILITIES</b>	<b>10,219</b>	<b>10,181</b>	<b>9,562</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>32,079</b>	<b>27,473</b>	<b>37,834</b>

## Cash Flow Statement (condensed) – Group

SEK '000	Q3-2020 01-07-2020 -30-09-2020 3 months	Q3-2019 01-07-2019 -30-09-2019 3 months	Q1-Q3-2020 01-01-2020 -30-09-2020 9 months	Q1-Q3-2019 01-01-2019 -30-09-2019 9 months	2019 01-01-2019 -31-12-2019 12 months
<b>Operating result</b>	<b>-2,198</b>	<b>-4,723</b>	<b>-7,582</b>	<b>-10,266</b>	<b>-14,099</b>
Depreciation	246	372	1,063	891	1,334
Paid financial costs	-95	-94	-219	-606	-695
Tax payments	1,819	0	1,819	0	979
<b>Cash flow from operating activities before changes in operating capital</b>	<b>-228</b>	<b>-4,445</b>	<b>-4,919</b>	<b>-9,981</b>	<b>-12,481</b>
<b>Operating activities</b>					
Change in inventories	239	-389	255	1,237	1,842
Change in current receivables	-596	383	1,389	-18	303
Change in current liabilities	-2,288	509	482	101	-677
<b>Cash flow from operating activities</b>	<b>-2,873</b>	<b>-3,942</b>	<b>-2,793</b>	<b>-8,661</b>	<b>-11,013</b>
Purchase of tangible assets	0	-132	-30	-986	-1,845
Sale of tangible assets	96	0	136	0	0
Proceeds from financial assets	-8	0	51	0	0
Purchase of intangible assets	-1,418	-1,503	-4,808	-3,179	-5,603
<b>Cash flow from investing activities</b>	<b>-1,330</b>	<b>-1,635</b>	<b>-4,651</b>	<b>-4,165</b>	<b>-7,448</b>
<b>Financing activities</b>					
Bridge loan	0	0	0	-6,405	-6,405
Capital increase, net of costs	0	-110	-66	21,975	36,691
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-110</b>	<b>-66</b>	<b>15,570</b>	<b>30,286</b>
<b>Cash flow for the period</b>	<b>-4,203</b>	<b>-5,687</b>	<b>-7,510</b>	<b>2,744</b>	<b>11,825</b>
<b>Cash and cash equivalents at period start</b>	<b>13,950</b>	<b>13,581</b>	<b>17,240</b>	<b>5,140</b>	<b>5,140</b>
Exchange rate recalculation difference – cash and cash equivalents	-9	18	8	28	275
<b>Cash and cash equivalents at period end</b>	<b>9,738</b>	<b>7,912</b>	<b>9,738</b>	<b>7,912</b>	<b>17,240</b>



## Statement of Changes in Equity (condensed) - Group

SEK '000	Q3-2020	Q3-2019	Q1-Q3-2020	Q1-Q3-2019	2019
	01-07-2020 -30-09-2020 3 months	01-07-2019 -30-09-2019 3 months	01-01-2020 -30-09-2020 9 months	01-01-2019 -30-09-2019 9 months	01-01-2019 -31-12-2019 12 months
<b>Equity at period start</b>	<b>23,662</b>	<b>21,643</b>	<b>28,272</b>	<b>4,680</b>	<b>4,680</b>
Exchange adjustments	90	109	135	297	-152
Capital increase, net of costs	0	-110	-66	21,975	36,691
Net result for the period	-1,892	-4,350	-6,481	-9,660	-12,947
<b>Equity at period end</b>	<b>21,860</b>	<b>17,292</b>	<b>21,860</b>	<b>17,292</b>	<b>28,272</b>

## Supplementary Income Statement (condensed) - Group

Key figures from the income statement for the Group are presented below on the basis of the underlying activities. Realfiction has two main activities; 1) Innovation & Development activities, including all directly related expenses incurred in connection with the Innovation & Development activities in the Group and 2) Sales activities, including all other activities in the Group.

### Innovation & Development Activities

SEK '000	Q3-2020	Q3-2019	Q1-Q3-2020	Q1-Q3-2019	2019
	01-07-2020 -30-09-2020 3 months	01-07-2019 -30-09-2019 3 months	01-01-2020 -30-09-2020 9 months	01-01-2019 -30-09-2019 9 months	01-01-2019 -31-12-2019 12 months
Capitalized own work performed	693	980	2,579	2,242	3,427
Other external costs	-163	-733	-668	-1,301	-1,138
Personnel costs	-930	-1,183	-3,099	-3,481	-4,775
Depreciation of tangible fixed assets	-6	-6	-18	-18	-24
Other income and expenses	0	17	8	45	62
<b>Operating result</b>	<b>-406</b>	<b>-925</b>	<b>-1,198</b>	<b>-2,513</b>	<b>-2,448</b>

### Sales Activities

SEK '000	Q3-2020	Q3-2019	Q1-Q3-2020	Q1-Q3-2019	2019
	01-07-2020 -30-09-2020 3 months	01-07-2019 -30-09-2019 3 months	01-01-2020 -30-09-2020 9 months	01-01-2019 -30-09-2019 9 months	01-01-2019 -31-12-2019 12 months
<b>Gross profit</b>	<b>1,132</b>	<b>1,969</b>	<b>4,105</b>	<b>9,100</b>	<b>11,367</b>
Other external costs	-991	-1,990	-3,621	-6,291	-8,761
Personnel costs	-1,694	-3,520	-6,380	-9,997	-13,374
Depreciation of tangible fixed assets	-240	-366	-1,045	-873	-1,310
Other income and expenses	1	109	557	308	427
<b>Operating result</b>	<b>-1,792</b>	<b>-3,798</b>	<b>-6,384</b>	<b>-7,753</b>	<b>-11,651</b>

## Income Statement (condensed) – Parent company

SEK '000	Q3-2020 01-07-2020 -30-09-2020 3 months	Q3-2019 01-07-2019 -30-09-2019 3 months	Q1-Q3-2020 01-01-2020 -30-09-2020 9 months	Q1-Q3-2019 01-01-2019 -30-09-2019 9 months	2019 01-01-2019 -31-12-2019 12 months
<b>Operating income</b>					
Net revenue (group internal)	150	150	450	450	600
<b>Operating costs</b>					
External costs	-378	-237	-865	-602	-767
Personnel costs	-68	-194	-214	-477	-649
<b>Operating result</b>	<b>-296</b>	<b>-281</b>	<b>-629</b>	<b>-629</b>	<b>-816</b>
Other financial costs	0	-17	0	-410	-410
<b>Net result for the period</b>	<b>-296</b>	<b>-298</b>	<b>-629</b>	<b>-1,039</b>	<b>-1,226</b>

## Balance Sheet (condensed) – Parent company

SEK '000	30-09-2020	30-09-2019	31-12-2019
<b>Non-current assets</b>			
<b>Financial assets</b>			
Shares in subsidiary	44,842	26,911	44,842
<b>Total financial assets</b>	<b>44,842</b>	<b>26,911</b>	<b>44,842</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>44,842</b>	<b>26,911</b>	<b>44,842</b>
<b>Current assets</b>			
Intercompany receivables	4,932	11,406	0
Other receivables	65	65	63
Prepaid expenses	118	116	82
<b>Total short-term receivables</b>	<b>5,115</b>	<b>11,587</b>	<b>145</b>
<b>Cash at bank and in hand</b>	<b>8,966</b>	<b>6,926</b>	<b>14,975</b>
<b>TOTAL CURRENT ASSETS</b>	<b>14,081</b>	<b>18,513</b>	<b>15,120</b>
<b>TOTAL ASSETS</b>	<b>58,923</b>	<b>45,424</b>	<b>59,962</b>
<b>Liabilities and Equity</b>			
<b>Equity</b>			
Share capital	1,561	1,406	1,406
Other reserves	57,538	44,269	58,985
Net result of the period	-629	-1,039	-1,226
<b>TOTAL EQUITY</b>	<b>58,470</b>	<b>44,636</b>	<b>59,165</b>
Trade payables	163	0	0
Other payables	290	788	797
<b>Total short-term liabilities</b>	<b>453</b>	<b>788</b>	<b>797</b>
<b>TOTAL LIABILITIES</b>	<b>453</b>	<b>788</b>	<b>797</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,923</b>	<b>45,424</b>	<b>59,962</b>

## DEFINITIONS

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**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.

**Net operating cost:** Items between Gross profit and Operating result in the income statement.

**"Realfiction" or the "Company"** refers to 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 Lab 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.



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Picture above: Dreamoc XL3 used by Polytech at China Wind Power 2020 in Beijing, China



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