SHAREHOLDER Q&A

The proposed rights issue and Realfiction's financing plan

Purpose of this Q&A

This document explains the background to the proposed rights issue, its intended use, its implications for existing shareholders and the objectives for the financing period. It should be read together with the Company's formal announcement and the transaction documentation when published.

The financing decision

1. What has Realfiction announced?

Realfiction has announced its intention to carry out a rights issue. The transaction is intended to secure the capital required for the Company to continue its operations, meet its financial obligations and advance the current development and commercialization activities relating to DPT.

The final subscription price and other complete terms will be set out in the formal transaction documentation.

2. Why is additional financing required now?

Realfiction does not currently generate sufficient commercial revenue to finance its operations and meet its financial obligations. The Company's financial flexibility is also constrained by its market capitalization, existing debt obligations and the risk of further amortization under existing financing arrangements.

The Board has therefore concluded that additional financing must be secured before the Company reaches a position in which it can no longer meet its obligations or continue executing its business plan.

3. What alternatives has the Company considered?

Over recent months, the Company has explored alternatives intended to secure additional financing. These efforts have not resulted in a solution capable of providing sufficient capital on terms that the Board considers executable in the required timeframe.

The relevant comparison is therefore not between the proposed rights issue and a fully funded continuation without dilution. It is between securing sufficient financing now and accepting a material risk that the Company would become unable to meet its obligations and continue its activities.

4. Why can Realfiction not wait for the TO2 warrants in September?

The proceeds from the TO2 warrants depend on the Company's share price during the applicable measurement period and on the proportion of warrant holders that elect to exercise. At the current share price, even full exercise does not provide sufficient liquidity to the Company, and any proceeds will be received by the Company in October. The Company does not currently have liquidity to fund its operations through September and has been unable to secure bridge financing or other sources of liquidity.

5. Why has the Board selected a rights issue?

The Board considers the proposed rights issue to be the available financing structure that can provide the required capital while giving existing shareholders preferential rights to participate. The transaction is intended to preserve the Company's ability to complete key technical work and pursue current commercial and strategic opportunities.

On that basis, the Board supports proceeding with the financing.

Use of proceeds and objectives

6. What will the proceeds be used for?

The proceeds are intended primarily to fund continued operations and provide the runway required to complete physical validation of Realfiction's patent-pending nematic SLM architecture. Subject to successful validation, the Company intends to progress towards a commercially representative DPT evaluation platform.

The financing will also reduce outstanding debt from 11MSEK to 7MSEK and support the Company's continued engagement with potential technology, display and strategic partners.

7. How long is the financing expected to fund the Company?

Based on the currently contemplated financing and cost structure, the Company expects the proceeds to provide financial runway until approximately June 2027. A high participation level in the emission and potential proceeds from the TO3 warrants in April 2027 could extend the runway further.

Actual runway will depend on, among other factors, the final proceeds, operating expenditure, development progress and the timing of any additional funding or commercial arrangements.

8. What does the Company intend to achieve during this period?

The principal objective is to establish sufficient technological and commercial progress to improve Realfiction's financing and strategic position. The focus will be on:

- physically validating the nematic SLM architecture;
- advancing, subject to successful validation, a commercially representative DPT evaluation platform;
- progressing discussions with leading international technology and display companies; and
- pursuing customer-funded development, licensing arrangements, strategic partnerships and other alternatives under the ongoing strategic review.

9. What is the current status of DPT?

Realfiction has demonstrated the core functionality of DPT through working demonstrators. The current technical priority is physical validation of the new patent-pending nematic SLM architecture.

The Company believes this architecture could improve the path towards industrialization by enabling the use of established LCD manufacturing infrastructure. Realfiction is also in dialogue with leading international technology and display companies regarding the next stage of DPT, including potential participation in the development and evaluation of a commercially representative platform.

10. Does the financing guarantee commercialization or a strategic transaction?

No. Technical validation, the development of a commercially representative platform, partner participation, customer-funded development, licensing, strategic partnerships and other strategic outcomes remain subject to execution risk and cannot be assured.

The purpose of the financing is to provide the time and resources required to pursue these objectives and evaluate whether they can be converted into commercial and shareholder value.

Implications for shareholders

11. How significant could the dilution be?

Depending on the final subscription price and the number of shares issued, the rights issue may result in a substantial increase in the number of shares in Realfiction. Shareholders who do not participate may therefore experience significant dilution of their relative ownership.

The final dilution will be known when the outcome of the rights issue has been determined and published, which is expected to happen on October 29, 2026.

12. Can existing shareholders maintain their relative ownership?

The transaction is structured with preferential rights for existing shareholders. A shareholder who subscribes in proportion to the shareholder's existing ownership will have the opportunity to maintain that relative ownership, subject to the final terms and allocation rules.

Participation is an individual investment decision. Shareholders should review the formal transaction documentation, including the risk factors and complete terms, before deciding whether to participate.

13. What happens if a shareholder does not participate?

Shareholders holding shares on the record date, expected to be October 9, 2026, will receive preferential rights to subscribe for units in proportion to the number of shares held on the record date. The detailed terms and subscription ratio is expected to be announced on October 1, 2026.

A shareholder who does not exercise the relevant unit rights will generally have a lower relative ownership percentage after completion of the Rights Issue. Any ability to sell or otherwise realize value from unit rights will be governed by the final timetable and trading arrangements described in the transaction documentation.

Each new share subscribed for in the Rights Issue is intended to include one warrant of series TO3, issued free of charge. A shareholder who does not participate will therefore also not receive the TO3 warrants attached to the new shares that could otherwise have been subscribed for through the Rights Issue.

14. How are the Board and management contributing to the financing plan?

The proposed incentive programs and remuneration changes are intended to replace a significant portion of future cash remuneration for the Chairman, CEO and senior management with equity-based remuneration.

The measures are expected to reduce the Company's cash outflows by approximately SEK 3.6 million over 24 months and align a greater proportion of future remuneration with long-term value creation.

15. What should shareholders monitor after completion of the rights issue?

The principal indicators will be technical validation, progress towards a commercially representative DPT evaluation platform, advancement of partner discussions and the establishment of customer-funded development, licensing, strategic partnerships or other strategic solutions. Material developments will be communicated in accordance with the Company's disclosure obligations.

This Q&A is explanatory and does not replace the Company's formal announcement or the complete transaction documentation. In the event of any inconsistency, the formal published documentation will prevail.

The Board of Directors and Management | Realfiction Holding AB