

OSLO, 28 SEPTEMBER, 2018

LAVO

INTERIM REPORT FIRST HALF 2018

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HIGHLIGHTS

- ✓ Listing on the Merkur Market in June
- ✓ Share issues in first half 2018 contributed total paid in capital of NOK 5.6 million
- ✓ Secured a convertible note facility up to NOK 30 million from the European High Growth Opportunities Securitization Fund in March whereof NOK 6.24 million was drawn in first half 2018
- ✓ Developing a new state of the art version of the mobile application with new design and an integrated advertising solution
- ✓ Ongoing discussions with sports right holders in numerous sports and countries to provide high-end content on the app
- ✓ Net profit of NOK -9.5 million.

ABOUT

Lavo aggregates and distributes premium sports content via a mobile application. The concept is based on research of how the target groups consummate video. In 2020 more than 80 percent of all internet traffic is expected by market players to be video. Young users view more video than ever, yet linear TV-consumption is a rapidly diminishing part of their daily habits.

TV-companies, knowing they have content that could be of interest to younger viewers, are struggling to reach this highly important customer group. Lavo has, through cooperation with The Nordic Entertainment Group (NENT Group which previously was called Modern Time Group or MTG), shown that it is both possible to engage these viewers in old program formats, create new program formats and even make sports available in a way that might restore their interest. Lavo's ambition is both to re-establish the connection between TV companies and production companies and young viewers, and to be a creator of digital content with a large potential for advertising.

Lavo plans to launch the mobile application first in the Nordic markets and thereafter in other European markets. The launch in these markets will be dependent on agreements with sport and entertainment rights holders. Lavo is planning to generate revenue through the sale of standard custom advertising.

In September 2017 the company entered into a three-year agreement with NENT in Norway which gave access to selected sport and entertainment content. Consequently, Lavo developed a beta version of the application, where sports are an integral part, in the second half of 2017 and first half 2018. The new version of the Lavo app provides close to real-time push video alerts for selected sports.

In addition to NENT, Lavo is working with similar agreements with other sports rights holders.

Lavo's new mobile application is free to end users and will be available on smartphones and tablet devices operating on iOS and Android operating systems.

The sports part of the application platform is key for Lavo's growth. Lavo differentiates its mobile sport application from those of its competitors through a combination of: (i) agreements with sport rights holders which gives access to premium live content (ii) proprietary software that it uses to aggregate, parse and serve multiple sports data content feeds; (iii) a user-friendly interface design; and (iv) a unique, independent approach to the development and curation of sports content.

Lavo distributes its application through mobile and online application storefronts operated by the applicable operating system manufacturers or selected third parties.

INCOME STATEMENT

Operating income and operating expenses NOK	1H 2018	FY 2017
Revenue	120 000	100 000
Other operating income	112 711	696 044
Operating Income	232 711	796 044
Raw materials and consumables used	0	23 396
Payroll expenses	3 391 409	5 310 521
Depreciation and amortisation expense	693 417	589 310
Other operating expenses	5 063 308	3 627 060
Operating expenses	9 148 134	9 550 287
Operating profit	-8 915 423	-8 754 243
Financial income and expenses		
Other interest income	0	88
Other financial income	810	1 554
Other Interest expenses	120 748	58 245
Other financial expenses	416 747	7 294
Net financial income and expenses	-536 685	-63 897
Operating result before tax	-9 452 108	-8 818 139
Operating result after tax	-9 452 108	-8 818 139
Annual net profit	-9 452 108	-8 818 139
Brought forward		
Loss brought forward	9 452 108	8 818 139
Net brought forward	-9 452 108	-8 818 139

BALANCE SHEET

Assets NOK	Unaudited 30.06.2018	Audited 31.12.2017
Fixed assets		
Intangible fixed assets		
Research and development	6 824 741	5 071 984
Total intangible assets	6 824 741	5 071 984
Tangible fixed assets		
Equipment and other movables	38 634	51 512
Total tangible fixed assets	38 634	51 512
Other receivables	2 593	0
Total financial fixed assets	2 593	0
Total fixed assets	6 865 968	5 123 496
Current assets		
Debtors		
Accounts receivables	350 000	200 000
Other receivables	2 955 822	1 838 714
Total debtors	3 305 822	2 038 714
Investments		
Cash and bank deposits	482 251	893 742
Total current assets	3 788 073	2 932 456
Total assets	10 654 041	8 055 952

BALANCE SHEET

Equity and liabilities NOK	Unaudited 30.06.2018	Audited 31.12.2017
Equity		
Restricted equity		
Share capital	250 962	214 035
Share premium reserve	13 291 782	7 732 739
Paid in, not registered capital increase	2 800 000	2 800 000
Total restricted equity	16 342 744	10 746 774
Retained earnings		
Loss brought forward	-20 081 624	-10 629 516
Total retained earnings	-20 081 624	-10 629 516
Total equity	-3 738 880	117 258
Current liabilities		
Convertible loans	6 240 000	0
Liabilities to financial institutions	1 913 389	1 759 152
Trade creditors	3 759 646	2 462 410
Public duties payable	975 474	1 278 455
Other short term liabilities	1 504 412	2 438 676
Total short term liabilities	14 392 921	7 938 694
Total liabilities	14 392 921	7 938 694
Total equity and liabilities	10 654 041	8 055 952

BALANCE SHEET

NUMBER OF SHARES AS PER 30 JUNE 2018

Number of issued shares per 31.12.2017	22 803 500
Share issuances February 2018 1)	550 000
Exercise of warrants March 2018	1 500 000
Share issuances March 2018 1)	727 500
Share issuances May 2018 1)	339 249
Share issuances May 2018 1)	575 925
Number of issued shares per 30.06.2018	26 496 174
Warrants Ovalen AS	2 200 000
Warrants NSA AS	2 000 000
Warrants Eikeland og Ravnaas AS 2)	500 000
Conversion of convertible notes 3)	2 600 000
Warrants attached to convertible notes 4)	3 000 000
Number of shares – fully diluted	36 796 174

- 1 The share issues in first half 2018 contributed total paid in capital of NOK 5.6 million
- 2 Eikeland og Ravnaas AS exercised their warrants in July 2018
- 3 European High Growth Opportunities Securitization Fund has convertible notes amounting to NOK 6.24 million, which has to be converted to shares within twelve months after their issuance. The conversion price will be 85% of the lowest closing bid price (the highest priced buy order available at the close of market) of the shares during the 20 consecutive trading days immediately prior to the trading day on which the Company receives a conversion notice.

Number of shares is calculated based on the last closing share price before 30 June 2018. The actual conversion price is not possible to calculate before conversion.

- 4 European High Growth Opportunities Securitization Fund has warrants attached to the convertible notes. 50% of the warrants expire three years from their issuance while the remainder expire 14 March 2023. The exercise price for the warrants is 110% of the lowest daily VWAPs of the twenty 20 trading days immediately preceding Lavo requesting a tranche.

BALANCE SHEET

STATUS REGARDING THE FINANCING FROM THE EUROPEAN HIGH GROWTH OPPORTUNITIES SECURITIZATION FUND AS OF 28 SEPTEMBER 2018

So far the following convertible notes and warrants have been issued:

Tranche 1 (March 2018)

NOK 4 240 00 in convertible notes

2 000 000 warrants each giving the right to subscribe to one share each at a subscription price of NOK 2.00 per share.

Tranche 2 (May 2018)

NOK 2 000 00 in convertible notes

1 000 000 warrants each giving the right to subscribe to one share each at a subscription price of NOK 2.00 per share.

Tranche 3 (August 2018)

NOK 2 120 00 in convertible notes

2 857 142 warrants each giving the right to subscribe to one share each at a subscription price of NOK 0.70 per share.

Lavo can choose to pay a commitment fee to the European High Growth Opportunities Securitization Fund consisting of either 4% of the convertible loan in cash or 6% in an increase of the convertible loan. In tranche 1 and 3, the company paid by an increase of the convertible loan while tranche 2 was paid in cash.

In total NOK 8 360 000 in convertible notes have been issued. During second half 2018 NOK 1 420 000 has so far been converted (NOK 1 180 000 is awaiting registration in the Norwegian Register of Business Enterprises) giving NOK 6 940 00 in convertible notes at 28 September 2018.

In total 5 857 142 warrants have been issued at 28 September 2018.

The number of shares issued relating to conversion of loans in second half 2018 is 3 605 603 shares (3 060 149 shares is awaiting registration in the Norwegian Register of Business Enterprises).

OPERATIONAL REVIEW

Lavo has in the first half of 2018 had its focus on developing a new version of the mobile application for both iOS and Android. The new version will have a new design more suitable for sports content.

The operational focus this quarter has been on the technology team which has worked on the new version of the mobile application with great focus and determination. In addition, the focus has been on getting in place an advertising solution in order for the company to generate revenue from advertising.

Discussion with sports rights holders are progressing well and we expect to conclude contracts in the near future. When contracts are concluded Lavo will launch in the relevant markets and for the sports concerned. Focus in the second half of 2018 will be on launching the mobile application, strengthen the sales and marketing team and closing new agreements with sport rights holders.

FINANCIAL RESULTS

Revenues in the first half 2018 are limited as the full launch of the mobile application was not initiated. Revenue in first half 2018 amounts to NOK 0.2 million. Lavo expects to receive around NOK 1.5 million from Skattefunn in second half 2018 related to R&D costs in 2017.

Operating costs in first half 2018 was NOK 9.1 million. Some of these costs are regarded as one-time costs related to the agreement with the European High Growth Opportunities Securitization Fund and listing of the company at Merkur Market.

Net profit in first half 2018 is NOK -9.5 million, compared to NOK -8.8 million in full year 2017. The booked equity amounts to NOK -3.8 million by the end of first half 2018, compared to NOK 0.1 million in full year 2017.

The convertible notes amounting to NOK 6.24 million due to European High Growth Opportunities Securitization Fund by end of first half 2018 is booked as short-term debt since they have to be converted into shares within one year from their issuance. The convertible loan debt of NOK 6.24 million is not interests bearing. The company's interest-bearing debt by end of first half 2018 amounts to NOK 1.9 million related to NOK 1.7 million in a short-term loan from the bank and NOK 0.2 million related to an overdraft facility.

CASH SITUATION AND FUNDING

On 12 March 2018 Lavo announced a convertible note facility up to NOK 30 million which is drawable during a 2-year period in tranches, the first being NOK 4.0 million and the other 13 tranches of NOK 2.0 million. The convertible note facility was approved in an Extraordinary Shareholder Meeting on 14 March 2018. The convertible note facility secures Lavo's long-term cash needs, given the current cost level. During first half 2018 Lavo drew down the two first tranches of NOK 6.24 million after commitment fees. Lavo has of today drawn down three tranches amounting to a total of NOK 8.36 million, whereof NOK 1.42 million was converted to shares during second half 2018.

This facility does not limit Lavo to seek other ordinary equity financing from new or existing shareholders at any time during this period. The Board is satisfied having secured Lavo's long-term cash needs while still maintaining the flexibility as to whether to use the convertible note facility or ordinary share placements according to what seems most beneficial to Lavo's shareholders at any given time.

At 30 June 2018 the Equity is NOK -3.8 mill. The Company does however have the convertible note facility in order to finance the company in the future. The Board of Directors has however taken measures in order for the Company to secure future revenues and profitability which will strengthen the Equity situation. Equity financing through share issues will also be considered if this is deemed beneficial to Lavo's shareholders.

Oslo, 28.September.2018

(sign.)

HARALD SÆTVEDT

Chairman

(sign.)

DAG SKANSEN

Board Member

(sign.)

BJARNE EGGESBØ

Board Member