



MINTRA[®]

INTERIM REPORT 2020

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Who is Mintra?

Mintra Holding AS is the Norwegian registered parent of several operating companies in Norway, UK, UAE and Singapore, which comprise the Mintra Group, a leading provider of on-demand digital learning and enterprise HCM software solutions for safety-critical industries worldwide.

Our focus is to protect and improve businesses by protecting and improving their people.

From our headquarters in Bergen and offices in Oslo, Stavanger, Aberdeen, UAE, India and Singapore we provide services to 3,600 companies. For over 30 years our products have helped our customers with HR, planning, payroll, crew rotation and e-learning across industries as diverse as Energy, Maritime, Construction, Fishing and Wind Energy.

Human Capital Management (HCM) Solutions

Mintra Group is a leading provider of on-demand digital learning and enterprise HCM software for safety-critical industries worldwide. We develop and deploy solutions that enable our customers to develop and deploy their people, readily demonstrate compliance and maximise operational efficiency.

Our customers (such as Oil and Gas companies, Shipping conglomerates, etc.) represents a complex environment for managing Human Resources (HR). The Mintra Group's HCM Suite, consisting of the OCS HR systems and Trainingportal, helps to control and automate complex HR tasks, allowing operations to run more smoothly, and enabling the HR department to serve more ships and employees.

The combined product suite offers several tools, helping the HR and Crewing departments to perform tasks that are essential for running an organisation that focuses on operational tasks. OCS HR is the main system that is used for planning and administering employees within an organisation. An employee Self Service system is available through a web interface, and an on-board solution called 'Crew on Board' is available to help the management of the individual work site take care of their administrative tasks. Training and familiarisation programmes can be automated by using Trainingportal.

The Mintra Group HR product suite supports all steps in the main value creation chain of the HR and Crewing department for companies operating rotating crews in safety critical industries.

On-demand digital learning

Trainingportal, Mintra Group's learning and competence management system, delivers our portfolio of 2,000 e-learning courses to 1.4 million workers worldwide. Every 60 seconds a course is accessed on Trainingportal.

The company already has an extensive track record, having operated for 30 years, with 600,000 personnel each year using Mintra Group products, systems and services. Mintra Group was acquired by private equity firm, The Riverside Company in December 2014.

Mintra Group Key Statistics:

- 500,000 learner courses per annum
- 2,000 Industry Standard e-Learning courses
- 1,000 hours of custom developed content
- 600,000 registered users on Trainingportal

Our software solutions are developed and managed in-house, therefore, quality and functionality are tailored to the standard required for our corporate clients. Trainingportal is in everyday use, processing approximately 500,000 learning events each year.

Continued investment in Content library

In 2019 and H1 2020, focus on the development of our expanded maritime library continued. We have completed the courses identified by the market required to deliver to have our core offer in place. Emphasis is now on development of additional courses to enhance our offer, increasing our profile and meeting specific customer demand.

We remained committed to improving our business and our offer to our clients. The company continued to invest in new and refreshed content courseware in our library, reflecting best learning methodologies and different routes to accessing e-learning, especially on mobile devices. Our content is kept up to date and relevant on a three-year cycle. Accordingly, our content is legislatively correct and meets the required industry standards. Users have the benefit of knowing that the training they receive is up to date and helps them stay safe and compliant.

In addition, we have recently added two new languages for our product IMIST (International Minimum Industry Safety Training. Brazilian Portuguese and Latin American Spanish were specifically requested by clients, such as BP, and should drive further sales for that product.

Investment in HCM

The Group's software development is primarily conducted by development teams located in Bergen, Aberdeen, Belgrade, and Warsaw. We are experiencing that businesses are all during a digital transformation journey and more businesses seeing the benefits of SaaS software and the Cloud as the gateway to modernization.

OCS HR Solutions

Focus has mainly been on complement and automate processes within Talent Management, especially related to planning of operations with a rotational workforce consisting of employees, and resources available for hire or recruitment. We have for some time seen a change in workforce within the industry, and more businesses operate with a resource pool consisting of employees and available resources for temporary hire.

In addition, we have been designing our solutions in accordance with new legislation and tax rules within different jurisdictions, as well as implementing new digitalized services offered by governments and standard bodies. We are updating the OCS product to be hosted more efficiently in the cloud and will continue with this throughout the remainder of 2020.

Trainingportal

Recent development of Trainingportal has mainly been focusing on User experience and prepare for a transition to a Microservices architecture for future modules. A new user interface has been developed and implemented for all student roles and we will continue in the remainder of 2020 to develop and implement the user interface for the remaining admin role.

Integration platform

A new Integration Platform has been developed to support the increasing demand for integrations between HCM Solutions and other systems in use by our customers. By offering system integration services, we can actively take part and deliver automated processes across a system portfolio and contribute to efficient operations. The integration platform is a multi-tenant cloud solution used to expose secured standardized integrations with all MINTRA GROUP HRM solutions.

All HRM solutions have been made available as SaaS-solutions on AWS, except from our fleet solutions that will remain as on-board solutions with off-line options.

Data Security

Data security is an important part of our commercial offering to our customers. All of our software systems have been audited against General Data Protection Regime (GDPR) requirements and they provide our customers with the necessary protection and control needed for GDPR compliance. The company has Data Processing Agreements in place with customers and suppliers and maintains full compliance with GDPR requirements.

All software solutions are designed with data security as a key component.

During both 2019, and during Q2 and Q3 2020, all of our solutions have gone through penetration testing by an external party. No critical findings were identified. All recommendations and findings have been rectified and implemented in our solutions.

Highlights H1 2020

- Added 10% new and refreshed titles to our best practice library. Highlights include significant growth of our maritime offer and responding to market demand for titles on managing COVID-19;
- Achieved 85% of last year's full year of HCM new customers, with seven companies selecting Mintra as their HCM provider
- 23% increase in International sales compared to H1 2019;
- Launched virtual classroom, for on-demand, live face-to-face education and training.
- Expanded our energy marketplace to UK and Brunei;
- Launched 'Skilled Worker Portal' to support furloughed and redundant Oil and Gas workers amidst pandemic;
- Strong growth in paid SaaS subscriptions for our HCM solution, resulting in 24% year on year growth over revenues, annualised;
- Adjusting for discontinued revenue lines, 2020 half year revenue increased by over 3% compared to the first half of 2019;
- Gross margin increased from 83% in H1 2019 to 91% in H1 2020;
- EBITDA increased to NOK42.5m in H1 2020 from NOK26.1m in H1 2019;
- Cash from operations in H1 2020 amounts to NOK46.6m, up from NOK14.4m in H1 2019. That represents a 110% EBITDA to cash conversion.

Future Outlook: Our marketplaces

The continued investment made in newer titles in our e-learning library (both generic and industry-specific) and continued investment in flagship products, including Trainingportal and OCS HR have started to gain momentum. We continue to see the benefits from the productivity and quality within the technology and operational areas, which have resulted in lower cost base and greater capacity to take on more work within our reduced headcount, demonstrating potential of operational leverage in our business model.

We continue to implement a strategy of introducing our products and services into adjacent safety critical industries within the energy sector and further into maritime, construction, green transformation, seafood, medical and transportation sectors. This strategy includes penetration within existing geographic markets and expansion into new territories. In line with this, our products are being enhanced to improve their compatibility with these adjacent markets whilst ensuring we continue to service our existing customers. This includes, developing our course portfolio with new titles, multi-device technologies, internationally recognized accreditations and subject matter expert review and endorsement.

Mintra remains well positioned to serve its clients with the best content in the market, which can be consumed on any platform, across the globe and in new industry verticals. Accordingly, we remain confident that we can continue to grow our earnings, as demonstrated in the year on year results presented here and then our revenues even in today's tough markets.

Future challenges

The continually evolving Coronavirus pandemic and measures taken by governments to control the virus is creating significant uncertainty and is very likely to have a material impact on the global economy. Whilst it is hard to forecast the direct impact on our business at this point there is clearly potential for adverse impacts on both supply and demand. However, we continue to take actions to monitor and secure our supply chain and have limited sales exposure to some of the most affected countries to date (China, Italy, Spain, Brasil and the US).

As at the date of this report, Quarter three trading, which is historically the slowest quarter, due to vacations and the impact this has on both time and material revenue and e-learning usage revenue lines has, as expected, showed a slowdown in content usage over H1 2020 trading. However, HCM SaaS revenues continue to show growth on the H1 2020 performance and the level of general sales continues to be on par with expectations based on H1 trading. We continue to focus on cash generation and on Operational Excellence to underpin the expansion in our adjusted operating profit margin. We also have a number of new product launches planned in the coming months. Medium term we continue to see favourable regulatory drivers as increasingly supportive in terms of delivering training to transient workforces, efficiently and cost effectively as cost pressures in the supply chain will inevitably continue through the rest of 2020 in response to the impact of Coronavirus on the global economy.

Please note that due to fluctuating market conditions and extraordinary circumstances caused by Covid-19, it is in general more challenging to provide accurate guidance.

The information contained in this statement has not been audited and may be subject to change.

For further information, please contact:

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Profit and loss

Interim consolidated statement of profit and loss

Figures presented in NOK'000

	<i>H1 2020</i>	<i>H1 2019</i>	<i>FY 2019</i>
Revenue	112,295	119,630	232,004
Cost of sales	(10,492)	(20,682)	(37,049)
Gross margin	101,803	98,948	194,955
	91%	83%	84%
Operating expenses	(59,278)	(72,854)	(157,108)
EBITDA*	42,525	26,094	37,847
Depreciation of tangible assets	364	821	890
Depreciation of intangible assets	7,450	6,935	13,887
Amortisation of goodwill	44,034	44,034	95,247
Total depreciation and amortisation	51,848	51,790	110,024
Earnings before interest & taxation	(9,323)	(25,696)	(72,177)
Net financial items	(27,850)	(14,910)	(44,345)
Profit before tax	(37,173)	(40,606)	(116,522)
Taxation	369	485	(825)
	(36,804)	(40,121)	(117,347)

*EBITDA: Earnings before interest, depreciation and amortisation

Interim consolidated balance sheet statement

Figures presented in NOK'000

Fixed assets	H1 2020	H1 2019	FY 2019
Intangible assets			
Research and development	95,215	96,416	111,086
Deferred tax asset		7,021	
Goodwill	259,872	333,886	289,852
Total intangible assets	355,087	437,323	400,938
Tangible assets			
Land, buildings and other real property	3,345	3,291	3,286
Fixtures, fittings, tools, office machinery etc.	1,670	977	1,162
Total tangible assets	5,015	4,268	4,448
Financial assets			
Other receivables	105	105	105
Total financial assets	105	105	105
Total fixed assets	360,207	441,696	405,491
Current assets			
<i>Receivables</i>			
Trade receivables	29,544	40,107	39,182
Other receivables	22,650	30,955	21,064
Total accounts receivable	52,194	71,062	60,246
Cash and cash equivalents	24,069	18,988	19,009
Total current assets	76,263	90,050	79,255
Total assets	436,470	531,746	484,746

Equity			
<i>Paid-in capital</i>			
Share capital	4,132	4,032	4,032
Share premium reserve	356,374	356,474	356,474
Total paid-in capital	360,506	360,506	360,506
<i>Retained earnings</i>			
Other equity	(398,339)	(285,654)	(361,535)
Total retained earnings	(398,339)	(285,654)	(361,535)
Total equity	(37,833)	74,852	(1,029)
Liabilities			
<i>Provisions</i>			
Deferred tax liability	14,972	2,946	14,972
Total provisions	14,972	2,946	14,972
<i>Other long-term liabilities</i>			
Liabilities to financial institutions	115,217	111,911	113,901
Other long-term liabilities	0	0	0
Total other long-term liabilities	115,217	111,911	113,901
<i>Current liabilities</i>			
Liabilities to financial institutions	226,691	216,445	244,990
Trade creditors	6,457	14,305	14,346
Tax payable	(116)	(9)	199
Public duties payable	10,316	15,400	22,378
Other short-term liabilities	100,766	95,896	74,989
Total current liabilities	344,114	342,037	356,902
Total liabilities	474,303	456,894	485,775
Total equity and liabilities	436,470	531,746	484,746

Interim consolidated cash flow statement

Figures presented in NOK'000

	H1 2020	H1 2019	FY 2019
EBITDA	42,525	26,094	37,847
Less non-recurring items paid in cash	(8,719)	(4,195)	(3,335)
Realised FX gain/ (loss)	69	(956)	(969)
	33,875	20,943	33,543
Reduction in short term receivables	63,141	24,346	(59,201)
Increase / (decrease) in short term payables	(50,399)	(30,840)	40,728
Cash generated from operations	46,617	14,449	15,070
Fixed assets and development expense capitalised	(6,860)	(6,617)	(14,301)
Tax paid	(74)	(506)	215
Net cash from operations	39,683	7,326	984
Less interest paid	(3,987)	(3,155)	(6,830)
Arrangement fee paid	(3,238)		-
Nordea loans settled	(114,954)	(19,286)	(19,286)
Nordea loans advanced	115,400		-
Shareholder loan advanced	-	20,999	20,999
Issue of share capital (deferred a shares)	-	-	100
Increase / (decrease) in cash in period	32,904	5,884	(4,033)

Segmental information

Geographic distribution

Figures presented in NOKm

	H1 2020	H1 2019	FY 2019
Norway	54.3	69.2	125.5
United Kingdom	35.6	32.2	63.3
Rest of Europe	6.5	6.3	15.2
United States	3.0	2.7	7.0
Rest of the world	12.8	9.2	21.0
Total	112.2	119.6	232.0

Revenue stream

Figures presented in NOKm

	H1 2020	H1 2019	FY 2019
E-learning	46.6	48.2	92.8
Software	43.5	33.4	68.4
Consultancy	19.8	24.8	48.6
Other	2.3	13.2	22.2
Total	112.2	119.6	232.0

Shareholders

Shareholder	SHARES	%
Rcaf E-Learning S.à.r.l	346,416,114	85.9%
Viktil Invest AS	15,725,772	3.9%
Bakken Berg Invest AS	7,031,046	1.7%
Eirik Meland Invest AS	5,823,406	1.4%
Anders Stefan Barstad	3,361,574	0.8%
Anett Meiner	3,292,660	0.8%
Scott Kerr	3,286,231	0.8%
Trude Bergum Stanger	2,383,746	0.6%
Ellen Margrete Berg	2,215,507	0.5%
Peter Conner	1,864,907	0.5%
David Reilly	1,580,461	0.4%
Jamne AS	1,445,368	0.4%
Bradley W Crain	1,320,000	0.3%
Jeroen Lenssen	1,320,000	0.3%
Weika AS	1,126,887	0.3%
Ranja Tendal	657,034	0.2%
Wim De Deken	492,000	0.1%
Anne Schiettecatte	480,000	0.1%
Kyrre Øygarden	474,479	0.1%
Others (All Employees)	2,784,620	0.7%
Total	403,081,812	100%

Accounting Policies

Note - 1 Accounting principles

Mintra Holding AS AS is a Norwegian company and the parent company in the Mintra Group. The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The interim financial statements are presented in NOK.

Note 2 – Basis of preparation

The consolidated condensed interim financial statements comprise the financial statements of the parent company and its subsidiaries as of 30 June 2020, authorized for issue by the board of directors on August 19, 2020. The condensed interim financial statements are unaudited. This half-year report does not include the complete set of accounting principles and disclosures and should hence be read in conjunction with the Annual Financial Statements for 2019. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2019. Selected accounting principles are detailed below:

Sales revenue

Sales revenues are recognized at the time of delivery. Revenue from services are recognized at execution. The share of sales revenue associated with future services are recorded in the balance sheet as deferred sales revenue and are recognized at the time of execution.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long-term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non-incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

Foreign currency translation

Transactions in foreign currencies are translated using the rate on the transaction date. Exchange differences are booked to financial income/expense in the current period. The functional currency as well as presentation currency is Norwegian krone.

The results and financial position for Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for the balance sheet are translated at the closing rate at the date of that balance sheet. Income and expenses for each statement of profit or loss are translated at average exchange rates. Share capital and share premium, for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Resulting exchange differences are recognized directly in equity.

Property, plant and equipment

Property, plant and equipment is capitalized and depreciated over the estimated useful economic life. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are assigned to the acquisition cost and depreciated along with the asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

Intangibles

Research and development costs are capitalized providing that a future economic benefit associated with development of the intangible asset can be identified. Otherwise, the costs are expensed as incurred. Capitalized research and development are amortized linearly over the economic lifetime.

Goodwill is a result of the acquisitions subsidiaries.

Pensions

The Group has a defined contribution plan. With a defined contribution plan the Group pays contributions to an insurance company. After the contribution has been made, the Group has no further commitment to pay. The contribution is recognized as employee expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 22 percent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balance out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

To what extent group contribution is not registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts in the profit and loss statement, the measurement of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet date. Actual results can differ from these estimates.

Contingent losses that are probable and quantifiable is expensed as occurred.

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