



3

TO 30 SEPTEMBER
2018

INTERIM REPORT

TTS

TTS GROUP ASA

CEO Letter

TTS Group (the "Company" or "TTS") increased profitability for the third quarter in a row with an EBITDA of MNOK 33. The year to date 2018 EBITDA margin at 4.9% is up from 3.4% in 2017. Increased contribution from higher margin businesses and lower operating costs offset the revenue decline.

Due to the Cargotec transaction, the accounts are presented in accordance with IFRS 5, hence the "Consolidated Statement of Comprehensive Income" represent the continued business (TTS Group ASA and TTS Syncrolift AS), while discontinued business (the activity transferred to Cargotec through the expected transaction), is presented on a separate line as "Profit/loss from discontinued business".

Continued Business (Includes Syncrolift AS and TTS Group ASA)

The reported EBITDA for the continued business was MNOK 10 for 3Q 2018 compared to MNOK 14 in 3Q 2017. Revenue decreased with MNOK 13 to MNOK 61, and is mainly due to timing of revenue recognition for the Syncrolift projects. The activity levels in Syncrolift remain high.

Syncrolift secured new orders during the quarter, and the order backlog is at an all-time high of MNOK 659 compared to MNOK 463 at the end of 3Q 2017.

TTS Group Total (Includes both continued and discontinued business)

TTS reported an EBITDA of MNOK 33 for 3Q 2018 up from MNOK 25 in 2Q 2018. Revenue increased with MNOK 80. The EBITDA margin improved from 5.5% to 6.0%. EBITDA was however MNOK 13 lower than 3Q 2017.

The order intake in the quarter was MNOK 825, which was an improvement of MNOK 104 from 2Q 2018.

Update on the Cargotec Transaction

TTS notified the Oslo Stock Exchange on 6 November that Cargotec received clearance of the transaction from the German competition authorities. In accordance with our previous stock exchange notification of 20 September 2018 the parties expect to receive clearance from the two remaining competition authorities during Q4 2018, and consequently the ambition is to complete the transaction, according to the agreement, as soon as possible thereafter.

Toril Eidesvik, CEO

TTS GROUP Board Report

USE OF ALTERNATIVE PERFORMANCE MEASURES (APM's) IN THE REPORT

TTS is using and referring to Alternative Performance Measures throughout the report. Appendix 3, End Notes, provides definitions of the APM's. Headlines and tables with numbers in square brackets refer to the APM definition with the corresponding number in Appendix 3.

FINANCIAL PERFORMANCE – CONTINUED BUSINESS [4]

- 3Q 2018 revenue decreased with MNOK 13 vs 3Q 2017 to MNOK 61.
- 3Q 2018 EBITDA was MNOK 10 vs MNOK 14 in 3Q 2017. The EBITDA was lower in 3Q 2018 mostly due to timing of project revenues in Syncrolift.
- 3Q 2018 earnings before interest and tax (EBIT) were MNOK 9 vs. MNOK 14 in 3Q 2017
- YTD 2018 revenues of MNOK 175 were MNOK 15 higher than in 2017, and EBITDA was MNOK 17 vs. MNOK 3 in 2017. The increase in revenues and EBITDA is related to the strong operating performance in BU SYS and lower costs in TTS Group ASA. YTD 2017 included MNOK 5 of restructuring costs in TTS Group ASA.
- YTD 2018 earnings before interest and tax (EBIT) were MNOK 16 vs. MNOK 2 in 2017

TTS GROUP - Continued Business	3Q		3QYTD		Full year
MNOK	2018	2017	2018	2017	2017
Revenue	61	74	175	160	211
EBITDA *	10	14	17	3	11
EBITDA margin	16,3 %	18,9 %	9,7 %	1,9 %	5,0 %
EBIT	9	14	16	2	9
Order intake	191	7	377	305	351
Order backlog	659	463	659	463	458
EPS (NOK)	0,05	0,05	0,10	-0,16	0,09

* YTD 2017 EBITDA includes MNOK 4,8 in restructuring cost.

FINANCIAL PERFORMANCE – TTS GROUP ^[1] (Include continued and discontinued businesses)

- 3Q 2018 revenue decreased with MNOK 31 vs 3Q 2017 to MNOK 547.
- 3Q 2018 EBITDA of MNOK 33 vs MNOK 46 in 3Q 2017. The EBITDA was lower because of lower revenue in 3Q 2018, and strong 3Q 2017 operating performance in BU CBT.
- 3Q 2018 earnings before interest and tax (EBIT) were MNOK 23 vs. MNOK 36 in 2017
- YTD 2018 revenues of MNOK 1494 were MNOK 147 lower than in 2017, and EBITDA was MNOK 73 vs. MNOK 55 in 2017.
- YTD 2018 earnings before interest and tax (EBIT) were MNOK 44 vs. MNOK 25 in 2017
- 3Q 2018 cash flow from operations was MNOK 60, at the same level as for 3Q 2017.

TTS GROUP Board Report

TTS GROUP (Total) [1]	3Q		3QYTD		Full year
MNOK	2018	2017	2018	2017	2017
Revenue	547	578	1494	1 641	2183
EBITDA *	33	46	73	55	53
EBITDA margin	6,0 %	8,0 %	4,9 %	3,4 %	2,4 %
EBIT	23	36	44	25	11
Order intake	825	423	2034	1 707	2267
Order backlog **	2850	2 759	2850	2 759	2802
EPS (NOK)	0,04	0,09	0,20	-0,34	-0,39

* 2017 EBITDA includes a restructuring cost of MNOK 50, and MNOK 13 in bad debt provision related to an old contract. YTD 2017 EBITDA includes MNOK 40 in restructuring costs.

** Order backlog includes 50% of backlog from equity consolidated investments in China.

TOTAL ASSETS AND NET INTEREST-BEARING DEBT [2]

Total assets at the end of 3Q 2018 was MNOK 2 179, a decrease of MNOK 150 compared to the end of 2017 and a decrease of MNOK 87 compared to 2Q 2018. See note 10 for additional information regarding assets and liabilities for discontinued business.

Net working capital at the end of the 3Q 2018 was MNOK 1, a decrease of MNOK 52 compared to 2Q 2018, and MNOK 33 lower than 3Q 2017.

Net interest-bearing debt at the end of the 3Q 2018 was MNOK 196 (Ref. note 9), a decrease of MNOK 43 compared to 2Q 2018, and MNOK 16 lower than 3Q 2017.

Equity at the end of 3Q 2018 was 25.2%. Including the convertible bond debt the equity was 29.3%.

TTS meets the financial covenants related to its debt and bond facilities with Nordea and DNB which mature in January 2019 (Ref. note 9). The covenants are calculated based on alternative performance measures.

ORDER INTAKE AND BACKLOG

Continued Business [4]

The order intake for 3Q 2018 was MNOK 191.

The order intake for YTD 2018 was MNOK 377.

The book to bill for 3Q 2018 was 3.2 as a result of a large contract award announced in September. The order backlog at the end of 3Q 2018 increased with MNOK 130 from 2Q 2018 to MNOK 659, which ensures high activity levels well into 2020.

TTS Group Total [5]

The order intake for the Group in 3Q 2018 was MNOK 825.

The order intake for the Group in YTD 2018 was MNOK 2 034

The order backlog* at the end of 3Q 2018 was MNOK 2 850 vs MNOK 2 759 in 3Q 2017. The increase was driven by growth in order backlog for BU SYS and BU CBT offsetting the result of a previously reported contract cancellation in BU MPG.

Approximately MNOK 450 of the order backlog will be turned into revenue in 2018. Expected revenues from BU SER is not included in the Group's reported order backlog.

*including 50% of the order backlog of MNOK 153 (305), from equity consolidated investments in China.

TTS GROUP Board Report

EFFECT FROM CHANGES IN ACCOUNTING PRINCIPLES

The implementation of IFRS 15, which was made effective as of 1 January 2018, has no material impact on continued business (no change in revenue recognition). However, IFRS 15 has material impact on the revenue recognition for the discontinued business (going from over-time to point-in-time revenue recognition). Additional information is presented in Note 11.

The implementation of IFRS 9 effective as of 1 January 2018 has no impact on neither continued nor discontinued business.

TTS Group's management reporting as of 1 January 2018 is based on IAS 11/ IAS 18 revenue recognition principles.

SHIPYARD SOLUTIONS

BU SYS delivered revenues of MNOK 61 and EBITDA of MNOK 13 in 3Q 2018 vs. revenues of MNOK 71 and EBITDA of MNOK 15 in 3Q 2017. Syncrolift continues to perform well. The decrease in revenue and EBITDA is timing and not performance related.

The order book in Syncrolift is at an all-time high, and the activity levels are expected to remain high going forward based on the strong order book, high utilization of resources, and a strong market.

SHIPYARD SOLUTIONS (BU SYS)	3Q		3QYTD		Full year
MNOK	2018	2017	2018	2017	2017
Revenue	61	71	175	153	204
EBITDA	13	15	36	25	31
EBITDA margin	21,8 %	21,1 %	20,3 %	16,3 %	15,3 %
EBIT	13	15	35	24	30
Order backlog	659	463	659	463	458

OUTLOOK

Continued Business [4]

For BU SYS, the outlook is solid with new contracts awarded in 3Q. The ongoing business is running well, the order backlog is at all-time high, and the market development is positive.

TTS Group Total [5]

Although the activity levels in the shipbuilding industry are higher than in 2017, with more than a 35% increase in the number of new ship orders awarded YTD 2018 compared to YTD 2017 (as per week 40), TTS is experiencing pressure on margins due to persistent price competition in China and Korea. The tender activity in the offshore and renewable business, has improved throughout 2018, but it still takes time to materialize this into new contract awards. The current volatility in the stock markets combined with the challenges facing global trade may result in increased uncertainty for the market outlook in the short term, but on the longer term, market expectations remain unchanged and aligned with the outlook for the global BNP growth.

The group's financing facilities expire in January 2019. TTS is working to ensure that the company has adequate financing in place in case of the unlikely event that the transaction should not be consummated.

FINANCIAL ACCOUNTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (OCI)

TTS Group ASA 3Q.2018 / 30.09.2018

Consolidated statement of comprehensive income

TTS GROUP

(NOK 1 000)		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Note	YTD 30.09.2018	YTD 30.09.2017	3Q 2018	3Q 2017	31.12.17
CONTINUED BUSINESS						
Revenue from projects	11	175 382	160 165	61 272	73 569	211 038
Total operating revenue		175 382	160 165	61 272	73 569	211 038
Raw materials and consumables used		112 901	102 086	38 879	48 196	137 196
Other operating costs		45 125	55 247	12 574	11 079	63 327
Result from JV (- is income)		-	-	-	-	-
EBITDA		17 356	2 832	9 819	14 294	10 516
Depreciation	7,8	1 373	1 266	599	459	1 680
Operating profit (EBIT)		15 982	1 566	9 220	13 835	8 835
Financial income		9 394	5 064	4 293	2 445	4 676
Financial expense		14 449	10 542	8 522	5 090	9 284
Net finance		-5 055	-5 478	-4 229	-2 645	-4 608
Profit/loss before tax		10 927	-3 911	4 990	11 189	4 228
Tax	6	313	10 103	63	6 900	-3 970
Profit/loss from continued business	4	10 614	-14 015	4 928	4 289	8 197
DISCONTINUED BUSINESS						
Profit/loss from discontinued business	10	9 319	752	2 705	8 575	-26 330
Profit/loss for the period		19 933	-13 262	7 633	12 863	-18 132
Attributable to equity holders of the company	4	21 188	-29 017	4 533	7 385	-33 541
Attributable to non-controlling interests		-1 254	15 755	3 100	5 479	15 408
NET RESULT FOR THE YEAR						
Net result for the period		19 933	-13 262	7 633	12 863	-18 132
Currency effects		-64 049	-17 358	-7 763	-19 702	20 490
Total comprehensive income		-44 115	-30 620	-130	-6 839	2 358
Attributable to equity holders of the company		-34 793	-44 643	4 977	-7 079	-16 421
Attributable to non-controlling interests		-9 322	14 023	-5 107	241	18 779
Earnings per share (NOK)	4	0,24	-0,34	0,05	0,09	-0,39
Diluted earnings per share (NOK)		0,20	-0,34	0,04	0,09	-0,39
Earnings per share - Continued Business (NOK)	4	0,12	-0,16	0,06	0,05	0,09
Diluted earnings per share - Continued Business (NOK)		0,10	-0,16	0,05	0,05	0,08

FINANCIAL ACCOUNTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TTS GROUP

(NOK 1 000)		Unaudited	Audited
		YTD 30.09.2018	31.12.2017
Intangible assets	6, 7	36 190	25 319
Tangible assets	8	8 089	7 322
Total fixed assets		44 279	32 641
Inventories		596	636
Total receivables		118 358	91 951
Bank deposits/cash	9	266 871	261 843
Assets held for sale	10	1 748 747	1 941 413
Total current assets		2 134 572	2 295 843
Total assets		2 178 851	2 328 483
Share capital	3	9 561	9 527
Other equity		358 747	446 551
Non-controlling interests		132 996	151 382
Total equity		501 304	607 460
Provisions		-	-
Long term interest bearing debt	9	-	-
Long term liabilities		-	-
Current interest bearing debt	9	300 245	339 845
Current liabilities		199 908	129 936
Liabilities held for sale	10	1 177 394	1 251 241
Total current liabilities		1 677 547	1 721 023
Total liabilities		1 677 547	1 721 023
Total equity and liabilities		2 178 851	2 328 483

FINANCIAL ACCOUNTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TTS GROUP

(NOK 1 000)	Share capital	Treasury shares	Share premium	Other equity	Shareholders equity	Non controlling interest	Total equity
Equity as of 1.1.2018	9 526	-12	149 378	297 182	456 074	151 382	607 456
Adjustment of initial application of IFRS 15 (net of tax)				-56 576	-56 576		-56 576
Adjusted equity balance 01.01.2018	9 526	-12	149 378	240 606	399 498	151 382	550 880
Comprehensive income	-	-	-	-34 793	-34 793	-9 331	-44 115
Share option cost	-	-	-	1 503	1 503		1 503
New shares issued	47	-	2 053		2 101		2 101
Dividend to non-controlling interest	-	-	-	-	-	-9 055	-9 055
Equity Closing balance 30.09.2018	9 573	-12	151 431	207 316	368 308	132 996	501 304

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

TTS GROUP

(NOK 1 000)	Unaudited YTD 30.09.2018	Unaudited YTD 30.09.2017	Unaudited 31.12.17
CONSOLIDATED STATEMENT OF CASH FLOWS			
EBITDA	81 322	55 495	53 285
EBITDA - Continued business	17 356	2 832	10 516
EBITDA - Discontinued business	63 967	52 663	42 769
Change in net current assets**	-20 911	4 151	14 110
Cash from operations (A)	60 412	59 646	67 396
Aquisition and sale of non-current assets	-19 946	-2 551	-2 551
Proceeds discontinued business	-	52 425	52 855
Other investing activities	-	-	-
Cash from investments (B)	-19 946	49 874	50 304
New loans and repayment	-39 600	4 304	-30 778
Paid-in equity	2 100	-	-
Payments to shareholders *	-9 055	-	-
Net interest paid	-23 579	-23 772	-31 108
Cash from financing (C)	-70 134	-19 468	-61 886
Change in cash (A+B+C)	-29 668	90 052	55 813
Cash position - Opening Balance	235 973	175 785	175 785
Effect of exchange rate changes on cash	7 702	-7 275	4 375
Cash position - Closing Balance	214 006	258 563	235 973

* includes payment of dividend to minority shareholders in TTS Hua Hai Co.Ltd.

** Includes effects from IFRS 15 implementation of MNOK - 56

Due to the terms in the asset sale agreement and the Group's financing through the cash pool arrangement, cash pool balances have not been eliminated between continued and discontinued Business. This reflects that each company will be responsible for settling the cash pool receivables/liabilities post transaction.

Notes

NOTE 1. GENERAL INFORMATION

Reporting entity

TTS Group ASA is registered and domiciled in Norway, and the head office is located in Bergen.

Due to the Cargotec transaction, the accounts are presented in accordance with IFRS 5, non-current assets held for sale and discontinued operations. Hence the "Consolidated Statement of Comprehensive Income" represents the "continued business" (TTS Group ASA and TTS Syncrolift AS), whilst "discontinued business" (the activity transferred to Cargotec through the expected transaction), is presented on a separate line as "Profit/loss from discontinued business". Comparable information as of 3Q 2017, 1H 2017 and 31 December 2017 have been restated for presentation purposes. For the "Consolidated statement of Financial Position", assets, and liabilities relating to the activity expected to be transferred to Cargotec, are presented on a separate line as "Assets held for sale" and "Liabilities held for sale". Comparable information as of 3Q 2017 and 1H 2017 have not been restated, while the audited financial statement as of 31 December 2017 is restated to represent the expected transaction with Cargotec as "Assets held for sale" and "Liabilities held for sale". In the notes to the 3Q Report, the focus is on Continued Business. For further information, please see note 12 and 13 to the report.

Jointly controlled and associated companies are accounted for using the equity method. 50/50 owned companies, controlled via agreement are fully consolidated.

The annual report 2017 is available at the company website www.ttsgroup.com.

The Board of Directors approved the consolidated financial statements for the year 2017 on the 27 April 2018.

Basis of preparation

TTS Group's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The unaudited consolidated financial statements for 3Q 2018 have been prepared in accordance with IAS 34 Interim Financial Statements. The interim accounts do not include all the information required for a full financial statement and should therefore be read in connection with the consolidated financial statements of 2017.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1. January 2018 (Ref. note 11). The changes in accounting policies are expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31. December 2018.

Except for the changes outlined above, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31. December 2017.

This condensed consolidated 3Q interim report for 2018 was approved by the Board of Directors on 7. November 2018.

Judgements estimates and assumptions

The preparation of the interim report requires the use of judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets and liabilities, income and expenses. Actual future outcome may differ from these estimates.

The consolidated interim financial statements are prepared on the same basis as the consolidated financial statements for the financial year that ended 31. December 2017 with respect to the key assessments made by management regarding the application of the Group's accounting principles, and the key sources of estimation uncertainty.

Notes

IFRS 5 Non-current assets held for sale and discontinued business

On 8 February 2018 TTS Group ASA announced that it entered into an asset sale agreement with Cargotec Oyj, and the company therefore decided to present the accounts in accordance with IFRS 5. The criteria for classifying relevant assets and businesses as “held for sale and discontinued business” were met during 4Q 2017. The purpose of IFRS 5 is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued business.

A discontinued business is a component of the Group's business, operations and cash flows which can be clearly distinguished from the rest of the Group and which;

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to re-sale

The classification of a discontinued business occurs at the time of disposal or when the business meets the criteria to be classified as held-for-sale, if this instance occurs earlier.

Post-closing of the Cargotec transaction, TTS Group ASA will continue in a new strategic direction, focusing the business around BU SYS. Hence all assets and liabilities which are not a part of or related to BU SYS are classified as held for sale. The financial position and results are presented separately. Since the other BUs' were not previously classified as held-for-sale or as a discontinued business, the comparative consolidated statement of profit or loss and “Other Comprehensive Income” (OCI) have been changed in order to show the discontinued business separately from continued business.

When assets meets the criteria for the assets held for sale classification, the asset value shall be measured at the lower of the carrying amount and fair value less costs to sell. In addition ceases depreciation of such assets.

Fair value is a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the assets and transfer the liabilities which would take place between market participants at the measurement date under current market conditions

Please see further information in note 7 and 8 for the reclassification of assets and liabilities held for sale, and the presentation of revenue and costs for discontinued business.

New standards, amendments and interpretations adopted by TTS:

In addition to IFRS 9 and IFRS 15, a number of other new standards and interpretations, are effective from 1. January 2018, but they do not have a material effect on the Group's financial statements.

IFRS 9 Financial instruments

IFRS 9 replaces the existing guidance in IAS39 and is effective from the annual reporting beginning on or after 1. January 2018. The fair value hedge structure applied by TTS Group for 3Q 2018 is set within the framework of IFRS 9.

TTS has implemented IFRS 9, giving basis for minor changes to the internal hedge documentation process. The implementation has not resulted in, or caused any material change to, or impacted the consolidated financial statements.

IFRS 15 Revenue from contracts with customers

Summary of the requirements:

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from 1. January 2018.

The effect of applying IFRS 15 is different for continued business vs. discontinued business. For continued business, the implementation of IFRS 15 is not considered to have a material impact compared to the accounting principles applied under IAS 11. For discontinued business, the effect is mainly later recognition of revenue from construction contracts in which TTS has insufficient title to reimbursement if the customer terminates the contract.

Notes

The IFRS 15 standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated- i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Additional information available in note 11.

New standards, amendments and interpretations not yet adopted by TTS:

IFRS 16 Leases

Summary of the requirements: IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. Going forward, lessees will therefore no longer be required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. For all leases, the lessee will recognize a lease liability in its statement of financial position for the obligation to make future lease payments. At the same time, the lessee will capitalize a right of use to the underlying asset which is generally equivalent to the present value of the future lease payments plus directly attributable expenditure. Similar to the guidance on finance leases in IAS 17, the lease liability will be adjusted over the lease term for any re-measurement, while the right-of-use asset will be depreciated, which normally leads to higher expenses at the inception date of a lease. For the lessor, on the other hand, the guidance in the new standard are similar to the existing guidance in IAS 17. IFRS 16 also includes updated guidance on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.

IFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

TTS Group is assessing the potential impact on its consolidated financial statements of applying IFRS 16. Committed nominal lease payments in continued businesses [4] at the end of 2017 were MNOK 11. Based on current structure of lease contracts, a 10% discount rate, and 3.5% annual increase in nominal lease, lease assets and lease liabilities as per 31.12.2017 is estimated at MNOK 10.

NOTE 2. SEGMENT INFORMATION

TTS Group will, until closing of the Cargotec transaction, report on the following segments:

Continued business:

- Shipyard Solutions (BU SYS)
- TTS Group ASA (ASA)

BU SYS includes ship lift and transfer systems, as well as complete production lines to the yard industry. Product range includes ship lift system, ship transfer systems and service activity.

Discontinued business:

- RoRo/Cruise/Navy (BU RCN)
- Container/Bulk/Tank (BU CBT)
- Offshore (BU OFF)
- Multipurpose/General cargo (BU MPG)
- Services (BU SER)

BU RCN delivers complete cargo handling solutions to RoRo, PCTC, cruise and navy vessels, including terminal loading and passenger systems. Product range includes external and internal ramps, covers and doors, liftable decks, passenger gangways and link span systems.

BU CBT delivers complete cargo handling solutions to the container, tanker and bulk vessels. Product range includes 10-40 t winches, 15-50 t cranes and specialized hatch covers designs.

Notes

BU OFF delivers support solutions to the offshore based oil industry and the supporting service industry. Product range includes 15-50 t offshore cranes, 40-400 t active heave compensated cranes, mooring winches, internal and external covers and doors.

BU MPG delivers supporting solutions to the vessels which are designed to operate in the multipurpose or general cargo market, requiring specialized operating capabilities. Product range includes 40-2500 t heavy lift cranes and Leg Encircling Cranes (LEC cranes).

BU SER includes service and after sales for all segments within TTS. This enables TTS to offer service and after sale worldwide for the full range of its products.

The table below summarize the operations of TTS Group Total [5] without the presentation effects from IFRS 5:

TTS Group Total [5]	3Q 2018			3Q 2017		
	Continued	Discontinued	Total	Continued	Discontinued	Total
Revenue	61 272	340 641	401 913	73 569	504 129	577 698
Income from JV and associated companies 1)	-	-1 327	-1 327	-	-1 769	-1 769
Earnings before depreciation, finance and tax (EBITDA)	9 819	26 165	35 984	14 294	31 940	46 234
Depreciation/amortisation	599	9 113	9 713	459	9 757	10 217
Operating profit/loss (EBIT)	9 220	17 052	26 271	13 835	22 182	36 017
Net finance	-4 229	-6 389	-10 619	-2 645	-12 136	-14 781
Profit/loss before tax	4 990	10 662	15 653	11 189	10 047	21 235

TTS Group Total [5]	YTD 30.09.18			YTD 30.09.17		
	Continued	Discontinued	Total	Continued	Discontinued	Total
Revenue	175 382	1 122 022	1 297 404	160 165	1 480 916	1 641 082
Income from JV and associated companies 1)	-	-1 741	-1 741	-	-11 029	-11 029
Earnings before depreciation, finance and tax (EBITDA)	17 356	63 967	81 322	2 832	52 663	55 495
Depreciation/amortisation	1 373	27 596	28 969	1 266	29 484	30 750
Operating profit/loss (EBIT)	15 982	36 372	52 354	1 566	23 179	24 745
Net finance	-5 055	-18 635	-23 690	-5 478	-9 404	-14 882
Profit/loss before tax	10 927	17 736	28 663	-3 911	13 775	9 863

1) A negative number represents gain. Positive number is losses.

The table below provide segment information on continued business [4]:

TTS Group - Continued Business [4]	3Q 2018			3Q 2017		
	BU SYS	ASA	Continued	BU SYS	ASA	Continued
Revenue	61 272	-	61 272	71 233	2 336	73 569
Earnings before depreciation, finance and tax (EBITDA)	13 333	-3 514	9 819	15 008	-714	14 294
Depreciation/amortisation	221	378	599	243	216	459
Operating profit/loss (EBIT)	13 112	-3 892	9 220	14 765	-931	13 835
Net finance	-68	-4 161	-4 229	1 002	-3 647	-2 645
Profit/loss before tax	13 044	-8 053	4 990	15 767	-4 578	11 189

TTS Group - Continued Business [4]	YTD 30.09.18			YTD 30.09.17		
	BU SYS	ASA	Continued	BU SYS	ASA	Continued
Revenue	175 382	-	175 382	153 307	6 858	160 165
Earnings before depreciation, finance and tax (EBITDA)	35 701	-18 345	17 356	24 956	-22 124	2 832
Depreciation/amortisation	655	718	1 373	715	551	1 266
Impairments	-	-	-	-	-	-
Operating profit/loss (EBIT)	35 046	-19 064	15 982	24 241	-22 674	1 566
Net finance	455	-5 510	-5 055	1 002	-6 480	-5 478
Profit/loss before tax	35 501	-24 574	10 927	25 243	-29 154	-3 911

Notes

The table below provide segment information on discontinued business [6]:

Discontinued Business [6]	3Q 2018						Discontinued
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	
Revenue	1 546	179 141	0	29 467	127 395	3 092	340 641
Income from JV and associated companies 1)	-	-1 327	-	-	-	-	-1 327
Earnings before depreciation, finance and tax (EBITDA)	-6 978	3 622	-7 008	7 312	23 018	6 199	26 165
Depreciation/amortisation	167	4 797	1 355	1 354	1 308	132	9 113
Operating profit/loss (EBIT)	-7 145	-1 175	-8 363	5 958	21 710	6 066	17 052
Net finance	-590	-2 315	-1 943	-1 254	-287	-	-6 389
Profit/loss before tax	-7 735	-3 491	-10 305	4 703	21 423	6 066	10 662

Discontinued Business [6]	3Q 2017						Discontinued
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	
Revenue	68 361	245 408	24 822	34 450	129 694	1 395	504 129
Income from JV and associated companies 1)	-	-1 769	-	-	-	-	-1 769
Earnings before depreciation, finance and tax (EBITDA)	2 399	25 608	-1 949	-6 159	6 623	5 417	31 940
Depreciation/amortisation	385	5 016	1 531	1 395	1 183	248	9 757
Operating profit/loss (EBIT)	2 014	20 592	-3 480	-7 553	5 440	5 169	22 182
Net Finance	-41	-7 371	2 445	-365	-6 802	-	-12 136
Profit/loss before tax	1 972	13 221	-1 036	-7 918	-1 362	5 169	10 047

Discontinued Business [6]	YTD 30.09.18						Discontinued
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	
Revenue	48 458	442 624	-	194 550	414 676	21 714	1 122 022
Income from JV and associated companies 1)	-	-1 741	-	-	-	-	-1 741
Earnings before depreciation, finance and tax (EBITDA)	-20 250	3 105	-24 620	28 060	61 387	16 284	63 967
Depreciation/amortisation	495	14 668	4 094	4 073	3 857	408	27 596
Operating profit/loss (EBIT)	-20 744	-11 563	-28 713	23 987	57 530	15 876	36 372
Net finance	894	-4 563	-8 184	-5 775	-1 009	-	-18 635
Profit/loss before tax	-19 850	-16 126	-36 897	18 213	56 521	15 876	17 737

Discontinued Business [6]	YTD 30.09.17						Discontinued
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	
Revenue	194 038	669 428	107 415	109 873	397 524	2 638	1 480 916
Income from JV and associated companies 1)	-	-11 028	-	-	-	-	-11 028
Earnings before depreciation, finance and tax (EBITDA)	-3 178	75 775	-49 955	-14 559	25 989	18 591	52 663
Depreciation/amortisation	1 139	15 067	4 575	4 494	3 411	798	29 484
Operating profit/loss (EBIT)	-4 316	60 708	-54 530	-19 053	22 578	17 793	23 179
Net finance	4 103	-839	-6 268	-3 959	-2 441	-	-9 404
Profit/loss before tax	-213	59 869	-60 798	-23 012	20 137	17 793	13 775

1) A negative number represents gain. Positive number is losses.

NOTE 3. SHARE CAPITAL

As per 30 September 2018 TTS Group ASA has issued 87 028 193 shares, each with a face value of NOK 0.11 giving a share capital of total NOK 9 573 101. TTS has issued 422 533 new shares in 2018 through conversion of bonds, with an increase in the share capital of NOK 46.000, and increase in share premium capital of NOK 2.054.000.

TTS Group ASA holds 112 882 own shares.

At the end of 3Q 2018 senior and retired employees' hold 930 000 share options with a strike price of NOK 3.43. The options were awarded in 3Q 2017.

At 30.09.18 there are 18 359 155 conversion rights related to the subordinated convertible bond with a conversion value of 4.97.

Notes

NOTE 4. EARNINGS PER SHARE

Earnings per share (EPS) is based upon the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments. Instruments that have a positive intrinsic value have been included in dilution effects.

Earnings per share	YTD 30.09.2018	YTD 30.09.2017	3Q 2018	3Q 2017	31.12.2017
Net income available to shareholders - Continued Business	10 614	-14 015	4 928	4 289	8 197
Effect of dilution	-	-	-	-	-
Diluted net income available to shareholders	10 614	-14 015	4 928	4 289	8 197
Net income available to shareholders	21 188	-29 017	4 533	7 385	-33 541
Effect of dilution	-	-	-	-	-
Diluted net income available to shareholders	21 188	-29 017	4 533	7 385	-33 541
Weighted average number of shares outstanding	87 028	86 493	87 028	86 493	86 493
Effect of dilution	19 278	-	19 399	-	19 099
Diluted numbers of shares**	106 306	86 493	106 306	86 493	105 592
Earnings per share (NOK) continued business	0,12	-0,16	0,06	0,05	0,09
Diluted earnings per share (NOK) continued business*	0,10	-0,16	0,05	0,05	0,08
Earnings per share (NOK)	0,24	-0,34	0,05	0,09	-0,39
Diluted earnings per share (NOK)	0,20	-0,34	0,04	0,09	-0,39

Sales cost related to the expected MacGregor transaction is per 30.09.2018 capitalized at MNOK 17.6.

Closing share price at Oslo Stock Exchange

30 September 2018	NOK 6,54
30 June 2018	NOK 6.30
31 March 2018	NOK 6.34
31 December 2017	NOK 4.20
31 December 2016	NOK 3.78

NOTE 5. RELATED PARTIES

Note 21 and the accounting principles presented in the 2017 Annual Report, Consolidated Financial Statements Section 2.2, describe the principles related to elimination of transactions between group subsidiaries. Eliminated transactions have no significance for the financial position and profit for the period.

The Group has carried out various transactions with subsidiaries and joint ventures. All the transactions have been carried out as part of the ordinary operations and at arm's length principles. The material part of related party transactions is in the Discontinued Business.

Please see note 10 for further information on classification, elimination and presentation of Continued vs. Discontinued business.

NOTE 6. TAX

TTS Group can be liable for tax in more than one jurisdiction due to the global nature of its business. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the Group may pay tax in one or more jurisdictions, even though it might have an overall loss or have tax losses exceeding taxable profit at the consolidated level.

Notes

Deferred tax

Deferred income tax reflects the impact of temporary differences between the amount of assets and liabilities recognized for financial purposes, and such amounts recognized for tax purposes. The net recognized deferred tax consist of the following components:

(NOK 1000)	30.09.2018	31.12.2017
Gross deferred tax asset	30 011	18 845
Gross deferred tax liability		
Net deferred tax asset (+) / liability (-)	30 011	18 845

Recognized deferred tax asset relates to tax losses in the Norwegian companies. The criteria applied to estimates for the utilization of tax losses against future taxable profit are unchanged in 3Q 2018.

Tax cost recognized in continued business [4] as per 30.09.2018 relates to withholding taxes paid on sales fees received from a joint venture company in China.

Tax cost recognized in continued business [4] as per 30.09.2017 relates to a re-estimate of tax assets and expected future taxable profits for TTS Group ASA.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

TTS Group tests the value of goodwill and other intangible assets annually or at the end of each reporting period if there is any indication that the assets may be impaired.

TTS shares are freely traded at Oslo Stock Exchange. Closing price of last trading date in June 2018 was NOK 6,54 per share, indicating a nominal trade value of TTS of MNOK 569.

Book value of equity at 30 September 2018 was MNOK 368 excluding minority interest.

As a result of the process that ended with the signing of the asset sale agreement with Cargotec, TTS Group reclassified the divested activities, assets and liabilities to discontinued operations and assets/liabilities held for sale during 4Q 2017. Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset shall be measured in accordance with IAS 36 Impairment of Assets. The standard states that an asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use.

TTS Group have chosen a fair value approach due to the expected sales transaction and a sales price being available. The fair value approach is based on the expected transaction price less cost of sale of the disposal group sold to Cargotec. The company has reviewed both assets related to continued operations as well as the assets related to discontinued operations. Based on the assessment, TTS Group has concluded that the recoverable amount based on a fair value less cost of disposal is higher than the carrying amount, resulting in no impairment on assets prior to reclassification to assets held-for-sale.

Overview of goodwill and other intangible assets (excl. deferred tax asset) are as follows:

Notes

	Goodwill		Other intangible assets	
(NOK 1000)	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Net book value - Continued Business - Opening Balance	-	575 798	6 473	104 283
Net book value - Discontinued Business - Opening Balance	583 974	-	73 098	-
Divestment	-	-21 807	-	-757
Depreciations/Amortizations	-	-	-1 373	-23 502
Impairment	-	-120	-	-
Foreign currency differences	-32 893	30 103	-17 940	-453
Net book value - Discontinued Business - Closing Balance	551 081	-583 974	-54 079	-73 098
Net book value - Continued Business - Closing Balance	-	-	6 179	6 473

NOTE 8. NON-CURRENT ASSETS

(NOK 1000)	30.09.2018	31.12.2017
Net book value - Continued Business - Opening Balance	7 322	94 338
Net book value - Discontinued Business - Opening Balance	73 591	-
Divestment	-	-2 127
Additions (TTS Group)	19 946	2 551
Depreciations/Amortizations	-1 373	-16 796
Impairment	-	-1 113
Foreign currency differences	-2 902	4 060
Net book value - Discontinued Business - Closing Balance	-88 495	-73 591
Net book value - Continued Business - Closing Balance	8 089	7 322

NOTE 9. FINANCIAL RISK MANAGEMENT

The Group's objectives and principles of financial risk management are consistent with what is stated in the consolidated financial statements for the fiscal year 2017. In accordance with the company's financing agreements, the covenant calculations in 2018 are based on IFRS accounting principles as per 31.12.2017.

On 22 March 2017, the bondholders agreed to an extension of the subordinated debt until 18 January 2019. The TTS General Assembly approved the extension on 30 March 2017.

At the end of 1H 2018 bondholders have converted bonds of MNOK 1.5 into 301 810 new shares based on the conversion price of 4.97 per share. During 3Q 2018 bondholders have converted bonds of MNOK 0.6 into 120 723 new shares based on the conversion price of 4.97 per share. As per 30.09.2018 the conversion price of the convertible bond loan is unchanged from 4th quarter 2015 at 4.97/share. The remaining nominal value of the bond debt is MNOK 91.245 giving rights to 18 359 155 new shares if all rights are converted.

On 19 December 2016, TTS entered into financing agreements with Nordea and DNB covering new credit and guarantee facilities. The agreements expire on 1 January 2019. Completion of the asset sales agreement between TTS and Cargotec Oyj requires settlement of the debt at the time of closing of the transaction. The lenders have approved the transaction subject to repayment. The parties will subsequently ensure that liens and securities are released post-closing.

The credit facility in the agreement totals MNOK 1 073, consisting of:

- MNOK 173, term loan facility (DNB) (Installment of MNOK 6.25 per quarter in 2018)
- MNOK 100, term loan facility (Nordea) (Installment of MNOK 6.25 per quarter in 2018)
- MNOK 200, multi-currency overdraft facility (Nordea)
- MNOK 600, guarantee facility (Nordea MNOK 465, DNB MNOK 135)

At the end of 3Q 2018, TTS Group has drawn MNOK 140 of the total MNOK 173 loan facility with DNB. TTS has drawn MNOK 150 of the total MNOK 300 debt facility with Nordea.

Notes

At the end of 3Q 2018 TTS Group meets the set covenants.

Debt covenants are:

Bank loan covenants	1Q 2018 - 4Q 2018
NIBD* / EBITDA** maximum	3,00
Equity*** minimum	25 %
Minimum liquidity reserve	MNOK 50

* NIBD = Net interest bearing debt, excluding subordinated convertible bond loan, and including 50% of cash from 50% owned companies

** EBITDA from 100% owned companies + 50% of EBITDA from 50% owned companies, adjusted for one-time effects, including impairment, restructuring, gains from sale of businesses and changes of accounting regulations

*** Equity, including subordinated convertible bond loan

Calculation of NIBD/ EBITDA covenant

30.09.2018

Calculation of NIBD for covenant measures (MNOK)

Calculated NIBD from TTS Group (Included discontinued business)	-196
+ Add back nominal value of Subordinated Convertible Bond agreement	91
- Deduction of reported NIBD from 50/50 owned companies	-143
+ Add back 50% of NIBD from 50/50 owned and equity consolidated companies	111
Adjusted NIBD for covenant calculation	-137

Calculation of EBITDA for covenant measures (MNOK)

Rolling 12 month reported EBITDA in TTS Group (APM)	71
- Deduction of reported EBITDA-effects from 50/50 owned companies	-5
+ Add back 50% of EBITDA in 50/50 owned and equity consolidated companies	2
+/- Adjustment of one time effects on reported EBITDA - rolling 12 months	11
Adjusted EBITDA for covenant calculation	79

NIBD/ EBITDA calculation

1,73

An overall description of debt facilities, and additional information regarding financial risk management is available as part of the notes to the 2017 Annual Report.

Information on debt in discontinued business.

TTS Korea has drawn MNOK 29 of MNOK 32 related to its credit facility with Kookmin Bank in Korea. The debt is included in liabilities held for sale.

Covenant calculation is based on TTS Group Total [please refer to appendix 3 item 1 and 5].

The group's financing facilities expire in January 2019. TTS is working to ensure that the company has adequate financing in place in case of the unlikely event that the transaction should not be consummated.

NOTE 10 DISCONTINUED BUSINESS [6] - DISPOSAL GROUP HELD FOR SALE

Reference is made to note 1 and 12 in the 2017 Annual Report with regard to the basis for reclassification of held-for-sale and discontinued business.

During Q4 2017 TTS Group reclassified major parts of the business, the disposal group, as discontinued business. The basis for this reclassification was the Cargotec agreement announced 8 February 2018. TTS Group will continue under the new name Nekkar ASA in a new strategic direction, initially concentrating the business around BU SYS. The transaction is an asset sale. Accordingly, the majority of the group's assets and liabilities is presented as a disposal group held for sale. The transaction is expected to be completed during 2H 2018.

Notes

The disposal group is classified as held-for-sale or as discontinued business. The comparative consolidated statement of profit or loss and OCI have been amended to show the discontinued business separately from continued business.

Prior to reclassification to assets and liabilities held for sale, an impairment assessment was performed. For further information, see note 7.

The principles for the reclassification to discontinued business has been as follows;

- All revenue and expenses from legal entities included in the Disposal Group have been reclassified.
- Revenue and cost directly attributable to activities in the disposal group but performed within the legal entities that forms the basis for continued business, are allocated to discontinued business.
- Revenue and cost directly attributable to activities in the continued business, but performed within the legal entities that forms the basis for the discontinued business, are allocated to continued business.
- Since transactions between continued business and discontinued business are expected to cease when the transaction with Cargotec is completed, intercompany transactions are eliminated.
- Intercompany interest related to cash pool arrangement is not eliminated based on the accounting of the cash pool arrangement.
- Interest from bank loans and bond loan have been allocated to the disposal group due to the fact that these loans have funded these businesses, and that the loans will be repaid as part of the transaction.
- All assets and liabilities from the legal entities included in the disposal group have been reclassified.
- Since transactions between continued and discontinued businesses are expected to cease when the transaction with Cargotec is completed, all intercompany balances are eliminated.
- Due to the terms in the asset sale agreement, the group's financing through the Cash Pool arrangement, Cash pool balances have not been eliminated between continued and discontinued business because each company will be responsible for settling the cash pool receivables/liabilities post transaction.

TTS GROUP - Discontinued Business

(NOK 1 000)	Unaudited YTD 30.09.2018	Unaudited 3Q 2018	Audited 31.12.17
Results of discontinued business			
Revenue	1 122 022	340 641	1 971 564
Expenses	1 104 286	329 979	2 002 047
Results from operating activities	17 736	10 662	-30 483
Income tax	8 417	7 957	14 253
Results from operating activities, net on tax	9 319	2 705	-44 736
Gain on sale of discontinued business			18 406
Income tax on gain on sale of discontinued business			
Profit (loss) from discontinued business, net of tax	9 319	2 705	-26 330
Basic earnings (loss) per share	0,11	0,03	-0,30
Diluted earnings (loss) per share	0,11	0,03	-0,30

Notes

TTS GROUP

Assets and liabilities of disposal group held for sale

At 30 September 2018, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:

(NOK 1 000)	Unaudited 3Q 2018	31.12.2017
Intangible assets	624 656	679 704
Tangible assets	88 495	82 229
Financial assets	35 666	37 198
Inventories	151 005	165 917
Trade and other receivables	629 215	741 343
Bank deposits/cash	219 709	235 022
Assets held for sale	1 748 747	1 941 413
Provisions	49 411	47 300
Long term interest bearing debt	0	343
Current interest bearing debt	382 994	364 390
Current liabilities	744 989	839 209
Liabilities held for sale	1 177 394	1 251 241

NOTE 11 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 15 Revenue from contracts with customers

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The effect of applying IFRS 15 to the continued business is different from the discontinued business. For continued business, the implementation of IFRS 15 is considered not to have a material impact compared to the accounting principles applied under IAS 11. For discontinued business, the effect is mainly deferred recognition of revenue from construction contracts in which TTS has insufficient title to reimbursement if the customer terminates the contract.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1. January 2018). Accordingly, the information presented for 2017 has not been restated- i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

Contracts with customers

TTS Group Total [5] is a complex group with subsidiaries or branch offices in 13 countries with several different revenue streams. For each of the different business units a 5-step analysis of the contract structure has been performed in accordance with IFRS 15, to ensure correct revenue recognition. The 5-step analysis includes the following assessment;

Step 1: Identify the contract with the customer

Notes

All revenue streams within TTS Group Total [5] are based on written and approved agreements between the parties involved in the contract. The contract includes each party's rights relating to the contract, transaction price, payment terms etc.

Step 2: Identify the performance obligations in the contract

A typical TTS Group Total [5] contract consist of one or few performance obligations that is clearly defined in the customer contract. For some contracts in BU CBT there are series production that consist of several performance obligations.

Step 3: Determine the transaction price

The written agreement includes the terms of the contract and transaction price. The transaction price is normally a fixed price with few variable consolidations.

Step 4: Allocate the transaction price to the performance obligations in the contract

Since the contracts specifies the transaction price, and normally has one or few performance obligations, the allocation of price to performance obligations is normally specified in the contracts. For those performance obligations where price is not specified in the contract, an estimate is made based on costs plus a reasonable margin.

Step 5: Recognize revenue when (or as) each performance obligation is satisfied

Revenue recognition varies between the different business units and contracts. In the table below is a summary of the different BU's and method for revenue recognition. This is based on an analysis performed in connection with the implementation of IFRS 15. The analysis shows that implementation of IFRS 15 has different implication on the different revenue streams for TTS Group Total [5]. The business units are divided in continued [4] and discontinued business [6].

TTS GROUP			
Business Unit	Type of contract	Revenue recognition	Effect on revenue recognition compared to previous GAAP
Continued Business			
BU SYS	Engineer-to-order Services	"Over time" "Point in time"	Unchanged revenue recognition Unchanged revenue recognition
Discontinued Business			
BU CBT	Configure-to-order	"Point in time"	Unchanged revenue recognition
BU RCN	Engineer-to-order	"Point in time"	Changed – delayed revenue recognition
BU MPG	Engineer-to-order	"Point in time"	Changed – delayed revenue recognition
BU OFF	Engineer-to-order	"Point in time"	Changed – delayed revenue recognition
BU SER	Service activity	"Point in time"	Unchanged revenue recognition

In the following there is an overview of the different contract types within TTS Group (Total), including identification of business units and differences between the contract types that leads to different revenue recognition.

Construction contracts – over time revenue recognition

BU SYS has long term construction contracts with a typical duration of 18-48 months from contracts are signed, to the projects are closed. These projects are engineer-to-order projects, which delivers highly customized turnkey systems for shipyards around the world. The projects are highly specialized systems for each individual project, with no alternative use for the company.

After a thorough 5-step analysis of all open contracts within BU SYS, the main issue relating to timing of revenue recognition was TTS' enforceable right to payment for the performance completed to date in a situation with termination. TTS has assessed the right to payment to date both from an accounting perspective and from a legal point of view, and the conclusion is that the relevant contract either includes a termination by convenience clause that is in favor of TTS Group, or that general legal basis in the relevant jurisdiction is in favor of TTS Group with respect to profit coverage in a situation of a termination. Based on this it is the company's assessment, that

Notes

revenue recognition over time is correct for these contracts. Revenue is recognized based on a percentage of completion method, using cost-over-cost as measure of progress for the various performance obligation. IFRS 15 did not have a significant impact on the Group's accounting policies for this category of construction contracts.

Construction contracts – point in time revenue recognition

Other business units defined as discontinued business, and typical holds customer contracts with duration of 6-30 months with customized equipment for different industries. The 5-step analysis of open contracts for the business units under discontinued business is performed. These contracts do not ensure an enforceable right to payment for the performance completed to date upon termination, hence revenue recognition follows the principle rule for recognition point in time for these revenue streams. For these contracts, the control of the asset is transferred to the customer upon delivery, and revenue is recognized at this point. This resulted in a change in timing of revenue recognition for BU RCN, BU MPG and BU OFF.

Under IAS 11, revenue was recognized over time using the percentage of completion method, provided that the revenue and costs could be measured reliably, and the recovery of the consideration was probable. For these products revenues is recognized significantly later under IFRS 15 than under IAS 11 because it is recognized at delivery.

Contracts for delivery of predesigned products (configure-to-order) – point in time revenue recognition

These contracts are relevant for BU CBT that is a part of discontinued business. The contracts deliver complete cargo handling solutions to container, tanker and bulk vessels. Products delivered from the BU are considered to be on a configure-to-order basis, and consist of production of series of defined products, which satisfies IFRS 15.22 criteria for series of distinct goods that are substantially the same and have the same pattern of transfer to the customer. Lead time from order until completed delivery may vary from 9-18 months, however lead time from production start-up until product available for customer delivery is normally less than 6 months. Products delivered from BU CBT are typically standard products with an alternative use for the company. Revenue from the BU is recognized at point-in-time basis according to IFRS 15.

IFRS 15 did not have a significant impact on the Group's accounting policies for contracts for delivery of predesigned products (configure-to-order)

Service contracts and after-sales – point in time revenue recognition

TTS has defined service as a separate business unit, BU SER, which includes service and after sales for all discontinued segments and business units within TTS. BU SER is a part of discontinued business. Deliveries from the service-based business are configure-to-order projects, where work is done on the customers equipment, and are considered over time deliveries. Lead time from order to completed customer delivery is normally less than three months. For after sales (sale of spare parts), revenue is recognized upon delivery.

IFRS 15 did not have a significant impact on the Group's accounting policies service contracts and after-sales.

The following table summarises the impact, net of tax, of transition to IFRS 15 on other equity at 1 January 2018.

TTS GROUP	
(NOK 000)	Impact of adopting IFRS 15 at 1. January 2018
Construction contracts recognised at point-in-time	-64 515
Calculated tax effects	7 939
Impact on equity at 1 January 2018	-56 576

NOK 0 of the impact on other equity at 1 January 2018 relates to continued business, whereas MNOK 56,576 relates to discontinued.

Notes

Impact on the condensed interim consolidated statement of profit or loss and OCI from IFRS 15

(NOK 000)

Continued business YTD 30.09.2018

	Note	YTD 3Q18 Based on IFRS 15	- IFRS15 adjustments 3Q/18	- IFRS15 adjustments 2Q/18	- IFRS15 adjustments 1Q/18	YTD 3Q18 based on APM
External revenue		175 382	-	-	-	175 382
Revenue		175 382	-	-	-	175 382
Raw materials and consumables used		112 901	-	-	-	112 901
Other operating cost		45 125	-	-	-	45 125
Income from JV and associated companies		-	-	-	-	-
Earnings before depreciation, finance and tax (EBITDA)		17 356	-	-	-	17 356
Depreciation/amortisation		1 373	-	-	-	1 373
Impairments		-	-	-	-	-
Operating profit/loss		15 983	-	-	-	15 983
Financial income		9 394	-	-	-	9 394
Financial cost		14 449	-	-	-	14 449
Net finance		-5 055	-	-	-	-5 055
Profit/loss before tax		10 927	-	-	-	10 927
Income tax expense		313	-	-	-	313
Profit from continued business		10 614	-	-	-	10 614
Profit from discontinued business	10	9 318	2 873	1 658	5 249	-462
Profit for the period		19 932	2 873	1 658	5 249	10 152
Total comprehensive income for the period		-44 115	2 873	1 658	5 249	-53 895

Discontinued business YTD 30.09.2018

	YTD 3Q18 Based on IFRS 15	- IFRS15 adjustments 3Q/18	- IFRS15 adjustments 2Q/18	- IFRS15 adjustments 1Q/18	YTD 3Q18 based on APM
Revenue	1 122 022	-144 590	33 390	-85 210	1 318 432
Raw materials and consumables used	612 166	-147 463	31 732	-88 868	816 765
Other operating cost	447 630	-	-	-	447 630
Income from JV and associated companies	-1 741	-	-	-	-1 741
Earnings before depreciation, finance and tax (EBITDA)	63 967	2 873	1 658	3 658	55 777
Depreciation/amortisation	27 596	-	-	-	27 596
Operating profit/loss	36 371	2 873	1 658	3 658	28 182
Net finance	-18 636	-	-	-	-18 636
Profit/loss before tax	17 735	2 873	1 658	3 658	9 546
Income tax expense	8 417	-	-	-1 592	10 009
Profit for the period from discontinued business	9 318	2 873	1 658	5 250	-463

Notes

Segment information - Discontinued business YTD 30.09.18		YTD 3Q18 Based on IFRS 15	- IFRS15 adjustments 3Q/18	- IFRS15 adjustments 2Q/18	- IFRS15 adjustments 1Q/18	YTD 3Q18 based on APM
BU RCN						
Revenue		48 458	-103 418	-25 382	-78 975	256 233
EBITDA		-20 250	-4 981	-5 017	-7 237	-3 015
BU CBT						
Revenue		442 624	-	-	-	442 624
EBITDA		3 105	-	-	-	3 105
BU MPG						
Revenue		-	-41 884	-25 467	-18 993	86 344
EBITDA		-24 620	-7 333	-2 257	-4 099	-10 931
BU OFF						
Revenue		194 550	712	84 239	12 758	96 841
EBITDA		28 060	15 187	8 932	14 994	-11 053
BU SER						
Revenue		414 676	-	-	-	414 676
EBITDA		61 387	-	-	-	61 387
OTHER						
Revenue		21 714	-	-	-	21 714
EBITDA		16 284	-	-	-	16 284

NOTE 12. SUBSEQUENT EVENTS

Major events reported to Oslo Stock Exchange after 30 September 2018

- TTS reported on 3 October 2018 that BU CBT had entered into two new contracts with a value of approximately MNOK 86.
- TTS reported on 5 October 2018 that Mr. Leiv Kallestad, CFO of TTS Group, exercised 106 250 share options in TTS Group ASA. In order to settle its obligation TTS Group ASA sold 106 250 treasury shares. Following the transaction Mr. Kallestad holds 106 250 shares and 63 750 share options in the company. TTS Group ASA holds 6 632 treasury shares. Total outstanding share options is 823 750.
- TTS reported on 6. November 2018 that MacGregor has received transaction clearance from the competition authorities in Germany related to the asset sale agreement with MacGregor.

Additional information on subsequent events is available at www.newsweb.no – ticker TTS.

Appendix

APPENDIX 1. FINANCIAL INFORMATION [1]

The table below summarize the total operation of TTS Group Total [5] without the presentation effects from IFRS 5:

TTS Group Total [5]	3Q 2018			3Q 2017		
	Continued	Discontinued	Total	Continued	Discontinued	Total
Revenue	61 272	485 231	546 503	73 569	504 129	577 698
Income from JV and associated companies 1)	-	-1 327	-1 327	-	-1 769	-1 769
Earnings before depreciation, finance and tax (EBITDA)	9 819	23 292	33 111	14 294	31 940	46 234
Depreciation/amortisation	599	9 113	9 713	459	9 757	10 217
Operating profit/loss (EBIT)	9 220	14 179	23 398	13 835	22 182	36 017
Net finance	-4 229	-6 389	-10 619	-2 645	-12 136	-14 781
Profit/loss before tax	4 990	7 789	12 780	11 189	10 047	21 235

TTS Group Total [5]	YTD 30.09.18			YTD 30.09.17		
	Continued	Discontinued	Total	Continued	Discontinued	Total
Revenue	175 382	1 318 432	1 493 814	160 165	1 480 916	1 641 082
Income from JV and associated companies 1)	-	-1 741	-1 741	-	-11 029	-11 029
Earnings before depreciation, finance and tax (EBITDA)	17 356	55 778	73 133	2 832	52 663	55 495
Depreciation/amortisation	1 373	27 596	28 969	1 266	29 484	30 750
Operating profit/loss (EBIT)	15 982	28 183	44 165	1 566	23 179	24 745
Net finance	-5 055	-18 635	-23 690	-5 478	-9 404	-14 882
Profit/loss before tax	10 927	9 547	20 474	-3 911	13 775	9 863

1) A negative number represents gain. Positive number is losses.

The table below provide segment information on continued business [4]:

TTS Group - Continued Business [4]	3Q 2018			3Q 2017		
	BU SYS	ASA	Continued	BU SYS	ASA	Continued
Group revenue	61 272	-	61 272	71 233	2 336	73 569
Earnings before depreciation, finance and tax (EBITDA)	13 333	-3 514	9 819	15 008	-714	14 294
Depreciation/amortisation	221	378	599	243	216	459
Operating profit/loss (EBIT)	13 112	-3 892	9 220	14 765	-931	13 835
Net finance	-68	-4 161	-4 229	1 002	-3 647	-2 645
Profit/loss before tax	13 044	-8 053	4 990	15 767	-4 578	11 189

TTS Group - Continued Business [4]	YTD 30.09.18			YTD 30.09.17		
	BU SYS	ASA	Continued	BU SYS	ASA	Continued
Revenue	175 382	-	175 382	153 307	6 858	160 165
Earnings before depreciation, finance and tax (EBITDA)	35 701	-18 345	17 356	24 956	-22 124	2 832
Depreciation/amortisation	655	718	1 373	715	551	1 266
Operating profit/loss (EBIT)	35 046	-19 064	15 982	24 241	-22 674	1 566
Net finance	455	-5 510	-5 055	1 002	-6 480	-5 478
Profit/loss before tax	35 501	-24 574	10 927	25 243	-29 154	-3 911

Appendix

The table below provide segment information on discontinued business [6]:

Discontinued Business [6]	3Q 2018						
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	Discontinued
Revenue	104 964	179 141	41 884	28 755	127 395	3 092	485 231
Income from JV and associated companies 1)	-	-1 327	-	-	-	-	-1 327
Earnings before depreciation, finance and tax (EBITDA)	-1 997	3 622	325	-7 875	23 018	6 199	23 292
Depreciation/amortisation	167	4 797	1 355	1 354	1 308	132	9 113
Operating profit/loss (EBIT)	-2 164	-1 175	-1 030	-9 229	21 710	6 066	14 179
Net finance	-590	-2 315	-1 943	-1 254	-287	-	-6 389
Profit/loss before tax	-2 754	-3 491	-2 972	-10 484	21 423	6 066	7 789

Discontinued Business [6]	3Q 2017						
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	Discontinued
Revenue	68 361	245 408	24 822	34 450	129 694	1 395	504 129
Income from JV and associated companies 1)	-	-1 769	-	-	-	-	-1 769
Earnings before depreciation, finance and tax (EBITDA)	2 399	25 608	-1 949	-6 159	6 623	5 417	31 940
Depreciation/amortisation	385	5 016	1 531	1 395	1 183	248	9 757
Operating profit/loss (EBIT)	2 014	20 592	-3 480	-7 553	5 440	5 169	22 182
Net Finance	-41	-7 371	2 445	-365	-6 802	-	-12 136
Profit/loss before tax	1 972	13 221	-1 036	-7 918	-1 362	5 169	10 047

Discontinued Business [6]	YTD 30.09.18						
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	Discontinued
Revenue	256 233	442 624	86 344	96 841	414 676	21 714	1 318 432
Income from JV and associated companies 1)	-	-1 741	-	-	-	-	-1 741
Earnings before depreciation, finance and tax (EBITDA)	-3 015	3 105	-10 931	-11 053	61 387	16 284	55 778
Depreciation/amortisation	495	14 668	4 094	4 073	3 857	408	27 596
Operating profit/loss (EBIT)	-3 509	-11 563	-15 024	-15 126	57 530	15 876	28 183
Net finance	894	-4 563	-8 184	-5 775	-1 009	-	-18 635
Profit/loss before tax	-2 615	-16 126	-23 208	-20 900	56 521	15 876	9 547

Discontinued Business [6]	YTD 30.09.17						
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	Discontinued
Revenue	194 038	669 428	107 415	109 873	397 524	2 638	1 480 916
Income from JV and associated companies 1)	-	-11 028	-	-	-	-	-11 028
Earnings before depreciation, finance and tax (EBITDA)	-3 178	75 775	-49 955	-14 559	25 989	18 591	52 663
Depreciation/amortisation	1 139	15 067	4 575	4 494	3 411	798	29 484
Operating profit/loss (EBIT)	-4 316	60 708	-54 530	-19 053	22 578	17 793	23 179
Net finance	4 103	-839	-6 268	-3 959	-2 441	-	-9 404
Profit/loss before tax	-213	59 869	-60 798	-23 012	20 137	17 793	13 775

1) A negative number represents gain. Positive number is losses.

Appendix

APPENDIX 2. SHARE AND BOND HOLDERS

Shareholders per 30.09.2018		Shares	Share portion
SKEIE TECHNOLOGY AS	*)	22 655 763	26,0 %
RASMUSSENGRUPPEN AS		11 512 506	13,2 %
BARRUS CAPITAL AS		5 803 500	6,7 %
VINTERSTUA AS		5 010 000	5,8 %
SKEIE CAPITAL INVESTMENT AS	*)	4 203 361	4,8 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE		3 362 378	3,9 %
TIGERSTADEN AS		2 062 000	2,4 %
GMC JUNIOR INVEST AS		1 800 000	2,1 %
PIMA AS		1 662 645	1,9 %
FIRST PARTNERS HOLDING 16 AS		1 531 262	1,8 %
ITLUTION AS		1 475 261	1,7 %
TRAPESA AS		1 385 999	1,6 %
AVANZA BANK AB	NOM	1 267 295	1,5 %
SALT VALUE AS		1 070 722	1,2 %
AVANT AS		1 000 000	1,1 %
ESPEDAL & CO AS		743 557	0,9 %
PHAROS INVEST I AS		675 000	0,8 %
GLASTAD CAPITAL AS		668 000	0,8 %
SJAP AS		600 000	0,7 %
SKÅLA BÆR AS		525 000	0,6 %
TRYM SKEIE	*)	323 140	0,4 %
SKEIE CONSULTANTS AS	*)	300 000	0,3 %
SKEIE ALPHA INVEST AS	*)	250 000	0,3 %
OTHER		17 140 804	19,7 %
Total		87 028 193	100,0 %

*) Shares owned or controlled by members of the Skeie family, 27.732.264 shares representing 31,90 % of total shares.

Bondholders as per. 30.09.2018		Conversion rights	Share portion if fully diluted
MP PENSJON PK		6 639 839	6,3 %
SKEIE TECHNOLOGY AS	*)	3 912 475	3,7 %
RBC Investor services bank S.A.	NOM	1 750 503	1,7 %
SKEIE CONSULTANTS AS	*)	1 207 243	1,1 %
Skandinaviska Enskilda Banken AB	NOM	985 915	0,9 %
TAMAFE HOLDING AS	*)	804 829	0,8 %
SKEIE CAPITAL INVESTMENT AS	*)	704 225	0,7 %
PIMA AS		528 169	0,5 %
NORDA ASA		503 018	0,5 %
TEAM ATLANTIC AS		382 294	0,4 %
Other		940 644	0,9 %
		18 359 155	17,4 %

*) Bonds owned or controlled by members of the Skeie family

Appendix

APPENDIX 3. END NOTES

- [1] These are non-GAAP figures. Revenue recognition in BU RCN, BU MPG and BU OFF based on IAS 11 principles, as stated in SPA with Cargotec Oyj. Information on IFRS 15 adjusted numbers included in note 11.

- [2] Net-Interest Bearing Debt (NIBD) = Bank deposits less interest-bearing debt to financial institutions and bond-holders.

- [3] Net working capital = Short term assets, less bank deposits, less short-term debt, plus short-term debt to financial institutions and bond-holders.

- [4] Continued business consists of BU SYS and TTS Group ASA (corporate functions), ref note 2 for more information on segments.

- [5] TTS Group Total represents both continued and discontinued businesses as described in note 2.

- [6] Discontinued business consists of RoRo/Cruise/Navy (BU RCN), Container/Bulk/Tank (BU CBT) Offshore (BU OFF) Multipurpose/General cargo (BU MPG) Services (BU SER), ref note 2 for more information on segments.