Q3

TO 30 SEPTEMBER
2017

INTERIM REPORT

TTS GROUP ASA

CEO Letter

TTS Group reports strengthened operating performance, with the EBITDA margin increasing from 5.5% to 8.0% quarter on quarter, driven by cost reductions and improved operational efficiency. TTS Group delivers improved profitability (EBITDA) despite reduced revenue in a market which remains challenging.

TTS reported EBITDA of MNOK 46 for 3Q 2017 compared to MNOK 41 in 3Q 2016, despite decrease in revenues as a consequence of a continued soft market. However, revenues increased compared to 2Q 2017, gross margins improved and operating expenses continued to trend down as a result of the ongoing cost reduction initiatives.

The back log was reduced with MNOK 184 during the quarter to MNOK 2759. TTS was awarded several contracts for business units RoRo/Cruise/Navy (BURCN) and Container/Bulk/Tank (BUCBT). The Book to Bill ratio was 0.73 for 3Q, which reduced the ratio to 1.06 for the year. Although operating performance has improved for the Group throughout 2017, the performance varied for the BU's within the Group, as they experience vastly different market conditions. Business Units Multipurpose General Cargo (BUMPG) and Offshore (BUOFF) have a challenging outlook in the short term. BUCBT delivers improved EBITDA despite a slowdown in activity levels, whilst BURCN is recovering with a stronger order book. Shipyard Solutions (BUSYS) is performing well, and has a strong order book, whilst Services (BUSER) activity levels have picked up from a slow start of the year, and stay at the same level as in 2Q 2017.

A cost reduction program of more than MNOK 100 mill on a run rate basis have been realized. The program has been extended with an ambition to realize another MNOK 50 with full effect from the end of 1H 2018. TTS is planning additional restructuring initiatives for the purpose of improving efficiencies further, both from a cost reduction and operational performance point of view. Potential charges will be booked in 4Q 2017. The Group intends to move beyond hard cost reduction activities and focus more on performance improvements from improved IT systems infrastructure and working processes in 2018.

The main short term goal for TTS is to deliver positive operating margins in all business units, and improve cash flow from operations. Our ambition is to deliver improved results in the already strong segments, focus on increased revenue generation from market segments that show signs of recovery, and continue to drive down the operating costs of the Group.

In the medium to long term horizon; TTS has the ambition to maintain and grow its market positions, reduce business complexity and derive synergies by aligning business processes and IT systems across the BU's, and reduce the operating costs. Hence, providing a common platform for sustainable revenue growth and improved profitability. The main initiatives that are expected to contribute towards meeting the ambition are:

- *Grow the product portfolio and service offering.*
- *Offer complete equipment packages for ship-types to increase the order value per ship, and thereby increasing TTS' market position.*
- *Continue efforts to develop a more flexible organization that enables improved utilization of resources across segments, hence an organization that is scalable and more adaptable to shifts in the market.*
- *The first step of the process will be a consolidation of BUOFF and BUMPG into BU Energy planned to be effective as of 1Q 2018.*

TTS has, despite today's challenging market for marine and offshore equipment, a strong market position with a global presence, and a comprehensive and diversified product portfolio. A position, which combined with a committed and competent organization creates a strong platform for future growth, when the market recovers.

Toril Eidesvik, CEO

Third quarter 2017/ YTD 3Q 2017

- 3Q 2017 revenues increased with 4% vs 2Q 2017 to MNOK 578, but lower than the same period last year.
- Continued positive trend in operations with a 3Q EBITDA of MNOK 49 excluding restructuring costs of MNOK 3, hence reported EBITDA is MNOK 46.
- Improved EBITDA margin despite reduced business volume confirms successful implementation of cost reduction program
- YTD EBITDA was MNOK 95 excluding restructuring costs with an EBITDA margin of 5.8% vs 4.3% in 2016. Reported EBITDA of MNOK 55 impacted by restructuring cost of MNOK 40, of which MNOK 3 was related to 3Q restructuring of Services.
- Cash flow from operations has improved MNOK 35 from 2Q to MNOK 59.

TTS GROUP ***)	3Q		3Q YTD		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	578	741	1641	2 328	3 087
EBITDA **	46	41	55	100	70
EBITDA margin (%)	8,0	5,5	3,4	4,3	2,3
Order intake	423	784	1707	1 952	2 398
Order backlog *	2759	3 098	2759	3 098	2 722
EPS (NOK) Total	0,09	0,06	-0,34	-0,05	-1,40

* Order backlog includes 50% of backlog from equity consolidated investments in China
** 2017 EBITDA includes a restructuring cost of MNOK 3 (3Q/17)
** 2017 EBITDA includes a restructuring cost of MNOK 40 (3Q YTD/17)
** 2016 EBITDA includes a negative inventory impairment in BUMPG of MNOK 20, and a negative impairment in BUCBT of MNOK 43.
*** TTS Liftec OY, a former part of BUSYS, was sold in 1Q/2017. Profit from the transaction is calculated to MNOK 12,7 and classified as a finance transaction. Based on overall immaterial effect on the comparable figures, TTS Liftec is retained in the 2016 figures.

FINANCIAL PERFORMANCE

The 3Q 2017 revenues of MNOK 578 increased with MNOK 22 from 2Q 2017, but was MNOK 163 lower than 3Q 2016 as most of the business units generated lower revenues compared to last year.

Underlying EBITDA was MNOK 49 in 3Q excluding MNOK 3 of restructuring cost related to restructuring in BUSER. The overall EBITDA was negatively impacted by the operations in BUMPG (MNOK -2), and BUOFF (MNOK -6).

YTD 2017 revenues of MNOK 1641 were MNOK 687 lower than in 2016, and EBITDA was MNOK 45 lower at MNOK 55. YTD EBITDA excluding restructuring costs was MNOK 95, which is close to the 2016 number. 3Q 2017 revenues and EBITDA were impacted by lower activity levels in most BU's.

The Earnings before interest and tax (EBIT) in 3Q was MNOK 36 vs. 30 in 2016, and MNOK 25 YTD vs. MNOK 65 in 2016

ORDER BACKLOG

The order intake for 3Q 2017 was MNOK 423. The largest intake was in BURCN.

No significant order-cancellations or delays were reported in 3Q 2017.

The order backlog* at the end of 3Q 2017 was MNOK 2759 vs MNOK 3098 in 3Q 2016, of which approximately MNOK 400 is expected to be turned into revenue in 2017.

*including 50% of the order backlog of MNOK 79 (158), in equity consolidated investments in China. Expected revenues from BUSER is not included in the reported order backlog

TOTAL ASSETS AND NET INTEREST-BEARING DEBT

Total assets at the end of 3Q 2017 was MNOK 2 102, a decrease of MNOK 73 compared to the end of 2016, and decrease of MNOK 34 compared to the end of 2Q 2017.

Net working capital at the end of the 3Q 2017 was MNOK 44, a decrease of MNOK 80 compared to the end of 2016, and a decrease of MNOK 34 compared to the end of 2Q 2017.

Net interest-bearing debt at the end of the 3Q 2017 was MNOK 212 (Ref. note 11), a decrease of MNOK 82 compared to the end of 2016, and a decrease of MNOK 43 compared to the end of 2Q 2017. The effect of the consolidation of TTS Hua Hai (THH) and TTS-SCM represents a total reduction of the reported net interest-bearing debt of MNOK 182.

The equity at the end of 3Q 2017 was 27.9%. Including the convertible bond debt the equity was 32.3%.

TTS meets the covenants for both equity ratio and EBITDA related to its debt and bonding facilities with Nordea and DNB. Financial debt, bond facilities and the subordinated debt mature in January 2019. (Ref. note 11).

Business units

RORO/CRUISE/NAVY

The activity levels in the BU has picked up in 3Q after a slow start of the year. 3Q revenues were MNOK 68, which is MNOK 58 lower than last year, mainly related to a stop in the new build market for car carriers. However, margins improved due to operational improvements in project execution and lower operating expenses from cost savings initiatives compared to 3Q 2016.

The order backlog at the end of 3Q 2017 was MNOK 838, up MNOK 80 from 2Q 2017, and up MNOK 137 compared to last year. The increase in back log and improved operating performance will contribute to improved profitability both in absolute and relative terms as activity levels rebound.

The Group still expects a gradual recovery in the market for car carriers. The outlook for the business segment is good due to high activity in the market for RoPax and Cruise, as well as the positive impact of cost reduction efforts.

YTD 2017 revenues were notably reduced with MNOK 234 to MNOK 194, and EBITDA from MNOK 15 to MNOK -3.

RORO, CRUISE, NAVY (RCN)	3Q		3Q YTD		Full year
MNOK	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	68	126	194	428	555
EBITDA	2	5	-3	15	15
Order backlog	838	701	838	701	652

CONTAINER/BULK/TANK

EBITDA improved with MNOK 8 to MNOK 26 in 3Q 2017 vs. last year. Margins improved despite lower revenues in the Joint Ventures as a consequence of adverse market conditions. The 100% owned companies in the BU reported an increase in revenues and also a higher EBITDA vs. 3Q 2016.

Consolidated revenues and EBITDA from the 50% owned subsidiary THH in 3Q 2017 were MNOK 172 and MNOK 17, vs MNOK 205 and MNOK 13 in 2016.

The backlog was MNOK 924 compared to MNOK 1 346 in 3Q 2016. The business unit experiences lower activity in the market, and expects that the order intake will remain weak in the short term. However, there are indications that activities will pick up in the first half of 2018. The business unit will continue to focus on cost reductions and margin improvements.

YTD EBITDA was MNOK 36 higher than the comparable period in 2016 at MNOK 76, despite a MNOK 166 reduction in revenues, down to MNOK 670. Higher margins, timing related cost recognition and lower operating costs more than offset the impact of lower revenues so far this year.

CONTAINER, BULK, TANK (CBT)	3Q		3Q YTD		Full year
MNOK	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	246	275	670	836	1 138
EBITDA **	26	18	76	40	21
Order backlog *	924	1 346	924	1 346	1 403

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

** One of effect from impairment of TTS Jiangnan included in 4Q/2016 by MNOK 43.

Business units

MULTIPURPOSE/GENERAL CARGO

EBITDA was MNOK -2 vs MNOK 0 in 3Q 2016. Revenues were down MNOK 53 to MNOK 25 on the back of another quarter with low activity levels. The risk of further delays or cancellations of ongoing heavy lift projects remains high and might impact performance in the short term.

YTD EBITDA was MNOK -50 vs MNOK -5 last year, including a MNOK 32 in operational restructuring costs due to the previously announced ramp down of the German manufacturing setup. The restructuring activities has continued in 3Q 2017.

The back log of MNOK 355 is approximately 10% higher than at the same time in 2016, but delays or cancellations may occur.

BUMPG is planned to be reported as a part of the new BU Energy from 1Q 2018.

MULTIPURPOSE, GENERAL CARGO (MPG)	3Q		3Q YTD		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	25	78	107	250	322
EBITDA*	-2	0	-50	-5	-24
Order backlog	355	316	355	316	205

* 2017 EBITDA includes restructuring cost of MNOK 32 (3Q YTD/17).
* 2016 EBITDA includes an inventory impairment of MNOK 20 (4Q/16).

OFFSHORE

The EBITDA was MNOK -6 in 3Q from revenues of MNOK 34 compared to MNOK 0 and MNOK 38 in the same period last year. The BU has adjusted the capacity and reduced operating expenses significantly, which has helped offsetting the impact of the decline in revenues. This process will continue.

YTD EBITDA of MNOK -15 was MNOK 17 lower than last year. YTD revenues of MNOK 110 were MNOK 57 lower than 2016.

The offshore market remains challenging, and the expected turnaround is pushed out towards the end of 2018. The back log has consequently decreased further from MNOK 129 to MNOK 110. Management will continue to focus on costs, and is considering options for how the company's products and solutions can be applied in other areas and towards other customers, in order to improve both financial and operating performance going forward.

BUOFF is planned to be reported as a part of new BU Energy from 1Q 2018.

OFFSHORE (OFF)	3Q		3Q YTD		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	34	38	110	167	226
EBITDA	-6	0	-15	2	4
Order backlog	100	188	100	188	150

Business units

SHIPYARD SOLUTIONS

BUSYS delivered revenues of MNOK 71 and EBITDA of MNOK 15, which confirmed the strong operating performance over the last quarters with stable revenues and good margins. The 2017 reported revenues and EBITDA revenues were lower compared to 2016 due to the sale of Liftec in 1Q 2017.

Revenues were MNOK 4 higher than 3Q 2016 excluding Liftec (MNOK 23), and EBITDA was MNOK 11 higher than 3Q 2016 excluding Liftec (MNOK 4). 3Q 2016 reported revenues were MNOK 90 and reported EBITDA MNOK 8.

YTD 2017 revenues of MNOK 153 were MNOK 3 higher than last year excluding Liftec (MNOK 82), and EBITDA of MNOK 25 were at the same level excluding Liftec (MNOK 9). YTD 2016 revenues were MNOK 232 and EBITDA MNOK 34.

The activity in the business unit is expected to remain high going forward based on the strong order book, high utilization of resources, and a strong market.

SHIPYARD SOLUTIONS (SYS) *	3Q		3Q YTD		Full year
MNOK	2017	2016	2017	2016	2016
Revenue **	71	90	153	232	298
EBITDA ***	15	8	25	34	36
Order backlog ****	463	380	463	380	335

* TTS Liftec OY, a former part of BUSYS, was sold in 1Q/2017. Profit from the transaction is calculated to MNOK 12,7 and classified as a finance transaction. TTS Liftec is included in the 2016 figures.
** Revenue from TTS Liftec OY included in 3Q/2016 by MNOK 23, in 3Q YTD/2016 by MNOK 82 and by MNOK 109 in FY 2016.
*** EBITDA from TTS Liftec OY included in 3Q/2016 by MNOK 4, in 3Q YTD/2016 by MNOK 9 and by MNOK 8 in FY 2016.
**** Order backlog from TTS Liftec OY included in 3Q/2016 by MNOK 35, and by MNOK 23 at yearend 2016.

SERVICES

Revenues of MNOK 129 was MNOK 2 lower than 3Q 2016. The quarter included MNOK 3 of restructuring costs. The reported EBITDA of MNOK 7 was MNOK 4 lower than in 3Q 2016, mainly due to the restructuring costs. The margins are still impacted by tough competition reflected in the low charter rates in several shipping markets.

YTD revenues of MNOK 397 was MNOK 10 lower than in 2016, and the reduction was mainly related to the relatively low activity levels in 1Q 2017. The EBITDA of MNOK 26 was impacted both by lower activity levels, lower margins, and the restructuring costs.

The outlook for the service market remains very competitive. However, the Group see the potential to improve performance in the segment by obtaining more work from the substantial installed base and utilization of the global service network in combination with capacity adjustments and cost reductions.

SERVICES (SER)	3Q		3Q YTD		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	129	131	397	407	533
EBITDA*	7	11	26	38	42

* 2017 EBITDA includes restructuring cost of MNOK 3 (3Q/17).

Outlook

The newbuilding activity remains low, and the company is not expecting a quick recovery. Despite the challenging market, the order intake was at an acceptable level.

The offshore market remains weak, with no indications of short term improvement, and the risk for delays and cancellations is still prominent, especially for BUMPG. The indications of improved sentiments seen in the other market segments are fragile, which tampers with the confidence of a more positive outlook in the medium term. Since TTS is exposed towards several ship-segments in different stages of the market cycle, the market improvement will vary with respect to time as well as strength.

Long term, a positive development of the market is expected in line with the growth in global trade and increase in demand for seaborne transport. TTS Group has a strong ambition to, as a minimum; maintain its share of the overall market.

TTS will continue to focus on process improvements, which will enhance business performance regardless of the market development. The Group has already announced several restructuring initiatives which are under implementation, and cost reduction program has been expanded. Further actions with purpose of achieving additional improvements in operating performance are considered. These initiatives may result in restructuring charges in 4Q 2017.

Going forward, TTS will increase the efforts to derive synergies across the business segments through improved processes and reduced complexity. The number of business units is planned to be reduced with a consolidation of the business units BUOFF and BUMPG, expected to be effective from 1Q 2018. This will further reduce complexity, and at the same time provide a stronger platform for future growth by combining and utilizing the know-how and experience of the two BU's. BU Energy intends to offer new products and solutions to a broader range of the offshore energy market.

The order backlog at the end of the quarter was MNOK 2759. Expected revenues from the business unit Services is not included in the Group's reported order backlog.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TTS GROUP

(NOK 1 000)		Unaudited	Unaudited	Unaudited	Unaudited	Audited
PROFIT AND LOSS ACCOUNT	**Note**	**YTD 30.09.2017**	**YTD 30.09.16**	**3Q 2017**	**3Q 2016**	**31.12.2016**
Revenue from projects	2	1 641 082	2 327 678	577 698	740 449	3 086 706
Total operating revenue		**1 641 082**	**2 327 678**	**577 698**	**740 449**	**3 086 706**
Raw materials and consumables used		982 409	1 484 290	346 127	462 174	1 955 972
Other operating costs		614 207	728 360	187 107	233 165	999 732
Result from JV (- is income)	9	-11 029	15 409	-1 769	4 135	60 872
EBITDA		**55 495**	**99 619**	**46 234**	**40 975**	**70 130**
Depreciation	7,8	30 750	34 285	10 217	10 718	43 444
Other impairments		-	-	-	-	98 647
Operating profit		**24 745**	**65 334**	**36 017**	**30 257**	**-71 961**
Financial income		41 802	33 061	8 474	19 044	48 415
Financial expense		56 684	62 934	23 256	24 947	73 141
Net finance		**-14 882**	**-29 873**	**-14 781**	**-5 904**	**-24 726**
Profit/loss before tax		**9 863**	**35 461**	**21 235**	**24 353**	**-96 687**
Tax		23 126	33 691	8 372	17 256	30 385
Net result *		**-13 262**	**1 770**	**12 863**	**7 097**	**-127 072**
Attributable to equity holders of the company	4	-29 017	-4 477	7 385	5 579	-120 854
Attributable to non-controlling interests		15 755	6 247	5 479	1 519	-6 218
NET RESULT FOR THE YEAR						
Net result for the period		-13 262	1 770	12 863	7 097	-127 072
Currency effects		-17 358	-92 643	-19 702	-64 016	-58 680
Total comprehensive income		**-30 620**	**-90 872**	**-6 839**	**-56 919**	**-185 752**
Attributable to equity holders of the company		-44 643	-66 230	-7 079	-47 696	-162 044
Attributable to non-controlling interests		14 023	-24 642	241	-9 222	-23 708
Earnings per share (NOK)	4	-0,34	-0,05	0,09	0,06	-1,40
Diluted earnings per share (NOK)		-0,34	-0,05	0,09	0,06	-1,40
Average number of shares used as calculation basis for diluted EPS (000)		86 493	86 493	86 493	86 493	86 493

** 3Q/2017: Net result affected by MNOK - 3 from restructuring in BUSER*
** 2Q/2017: Net result affected by MNOK - 2 from restructuring in BUMPG, and MNOK - 5 from restructuring in TTS Group ASA*
** 1Q/2017: Net result affected by MNOK - 30 from restructuring in BUMPG, and MNOK +13 from the sale of TTS Liftec OY*
** 2016: Net result affected by MNOK - 118 from impairment of assets BUMPG, and by MNOK - 43 from impairment of assets in BUCBT*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TTS GROUP

(NOK 1 000)		Unaudited	Unaudited	Audited
	Note	30.09.2017	30.09.2016	31.12.2016
Intangible assets	6, 7	679 067	799 363	709 762
Tangible assets	8	85 126	112 274	94 338
Financial assets	9	39 134	72 938	29 160
Assets available for sale		0	0	0
Total fixed assets		803 327	984 575	833 260
Inventories	10	188 928	243 471	229 034
Total receivables	5	851 309	1 059 877	937 148
Bank deposits/cash	11	258 562	233 361	175 784
Total current assets		1 298 799	1 536 709	1 341 966
Total assets		**2 102 127**	**2 521 284**	**2 175 226**
Share capital	3	9 527	9 527	9 527
Other equity		417 764	559 328	462 409
Non-controlling interests		158 512	151 796	144 489
Total equity		585 803	720 652	616 425
Provisions	6	48 567	53 127	46 350
Long term interest bearing debt	11	339 845	-	271 750
Long term liabilities		388 412	53 127	318 100
Current interest bearing debt	11	131 190	487 932	198 307
Current liabilities	5	996 722	1 259 574	1 042 393
Total current liabilities		1 127 912	1 747 506	1 240 700
Total liabilities		1 516 324	1 800 632	1 558 800
Total equity and liabilities		**2 102 127**	**2 521 284**	**2 175 225**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity

(NOK 1 000)	Share capital	Treasury shares	Share premium	Other equity	Shareholders equity	Non controlling interest	Total equity
Equity as of 1.1.2017	9 527	-12	149 378	313 042	471 935	144 489	616 424
Comprehensive income	-	-	-	-44 643	-44 643	14 023	-30 620
Share option cost	-	-	-	-	-		-
Equity transactions with non controlling interests	-	-	-	-	-	-	-
Equity Closing balance	9 527	-12	149 378	268 399	427 292	158 512	585 804

CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK 1 000)	Unaudited	Unaudited	Audited
CONSOLIDATED STATEMENT OF CASH FLOWS	**30.09.2017**	**30.09.2016**	**31.12.2016**
EBITDA	55 495	99 619	70 130
Change in net current assets	4 151	-168 530	-164 216
Cash from operations (A)	59 646	-68 911	-94 086
Aquisition and sale of non-current assets	-2 551	4 332	-376
Proceeds discontinued business	52 425	0	-
Other investing activities	-	0	-
Cash from investments (B)	49 874	4 332	-376
New loans and repayment	4 304	-29 969	-42 919
Payments to shareholders *	-	-43 621	-51 863
Net interest paid	-23 772	-25 108	-31 609
Cash from financing (C)	-19 468	-98 698	-126 391
Change in cash (A+B+C)	90 052	-163 276	-220 853
Cash position OB	175 785	413 210	413 210
Effect of exchange rate changes on cash	-7 275	-16 572	-16 572
Cash position CB	258 563	233 362	175 785

Notes

NOTE 1. GENERAL INFORMATION

Reporting entity

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

The consolidated financial statements cover TTS Group ASA including its subsidiaries. In January 2017, TTS Group sold the subsidiary TTS Liftec OY, which from this time is not included in the consolidated financial statements of the group.

Jointly controlled and associated companies are accounted for using the equity method.

The Board of Directors approved the consolidated financial statements for the year ended 31 December 2016 on the 26 April 2017.

The annual report 2016 including the consolidated financial statements for the TTS Group, the separate financial statements for TTS Group ASA and the auditors' opinion from KPMG, are available at our website www.ttsgroup.com

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 2017 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 2016.

The accounting principles applied are the same as those described in the consolidated financial statements of 2016.

This condensed consolidated 3Q interim report for 2017 was approved by the Board on 7 November 2017.

Judgments, 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.

In preparing these consolidated interim financial statements, the key assessments made by the management in applying the Group's accounting principles and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the financial year that ended 31 December 2016.

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

IFRS 9 Financial instruments

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

TTS have assessed potential impact of IFRS 9, giving basis for minor changes to the internal hedge documentation process. The assessment have not identified any effects that will cause any material change to, or impact on the consolidated financial statements.

As per 30 September 2017 the market value of FX-derivatives qualifying as fair value hedges is negative by MNOK 2.5, compared to a negative value of MNOK 43 as per 31 December 2016.

IFRS 15 Revenue from contracts with customers

Summary of the requirements:
IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The standard is effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 will supersede all current revenue recognition requirements under IFRS. The effective date of the standard is annual periods beginning on or after 1 January 2018. Early adoption is permitted. The standard can be adopted applying a full retrospective method, or a modified retrospective method. The Group plans to adopt IFRS 15 on the required effective date.

Possible impact on consolidated financial statements:

The Group has performed an assessment of the consequences of IFRS 15 based on its existing contracts and assessed that the amount of revenue recognized over time would not be impacted by IFRS 15, however timing of revenue recognition will be changed.

Current contract term structure do not fulfill the requirement of retaining POC-based methods described in IFRS 15. The consequence will be a shift of revenue recognition method from "over time" recognition to "point of time" recognition.

IFRS 15 will require a substantial change to the timing of revenue recognition. Any project in TTS Group will be recognized at a "point in time" rather than "over time".

TTS currently apply two general principle for determining timing of revenue recognition:

- Revenue from “configure to order" deliveries (BUCBT/ BUSER) are currently recognized at point of time (delivery date). IFRS 15 will not give basis for any change in the currently applied method. "Configure to order" projects represent 1071 MNOK of the revenue, and 98 MNOK of the EBITDA as of YTD 3Q 2017.

- Revenue from “engineer to order" projects (BURCN/ BUOFF/ BUMPG/ BUSYS) are currently recognized based "on over time" (POC) structure. "Engineer to order" projects represent 570 MNOK of the revenue, and -43 MNOK of the EBITDA as of YTD 3Q 2017.

The majority of the contracts entered into as of 31 December 2016 will be fulfilled before the adoption of IFRS 15 and future contracts may be entered into at different terms.

Implementation method to IFRS 15

TTS Group will adopt to IFRS 15 by implementing the modified retrospective implementation method. The Group will also consider clarifications issued by the IASB in April 2016 and monitor any further developments including industry specific developments in the implementation phase to IFRS 15.

Disclosure requirements

Regardless of any effect on the P&L and balance sheet, TTS Group will be subject to more comprehensive disclosure requirements under IFRS 15.

IFRS 16

IFRS 16 principally require lessees to recognize assets and liabilities for all leases.

IFRS 16 is effective from the annual reporting beginning after 1 January 2018.

TTS is currently assessing the impact from IFRS 16. As set out in note 6 to the annual report 2016, committed nominal lease payments at the end of 2016 were MNOK 194.

Based on the current structure of lease contracts, a 10% discount rate and 3.5% annual increase in nominal leases, lease assets and lease liabilities as per 31 December 2017 is estimated at MNOK 140.

Notes

NOTE 2. SEGMENT INFORMATION

TTS Group reports on the following segments:

- RoRo/Cruise/Navy (BURCN)
- Container/Bulk/Tank (BUCBT)
- Offshore (BUOFF)
- Multipurpose/General cargo (BUMPG)
- Shipyard Solutions (BUSYS)
- Services (BUSER)

		4Q		3Q		2Q		1Q		Full year / YTD	
		Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
RoRo, Cruise, Navy	**2017**			68	2	55	-8	71	2	194	-3
	2016	127	0	126	5	158	-1	143	11	555	15
Container, Bulk, Tank	**2017**			246	26	252	31	173	20	670	76
	2016	302	-19	275	18	291	18	270	4	1138	22
Offshore	**2017**			34	-6	37	-1	38	-7	110	-15
	2016	59	2	38	0	59	-3	70	5	226	4
Multipurpose, General Cargo	**2017**			25	-2	21	-8	61	-40	107	-50
	2016	72	-19	78	0	101	-1	71	-5	322	-24
Shipyard Solutions	**2017**			71	15	41	7	41	3	153	25
	2016	66	2	90	8	72	18	69	7	298	36
Services	**2017**			129	7	148	11	120	8	397	26
	2016	126	4	131	11	138	14	138	13	533	42
Corporate / Other	**2017**			3	5	2	-3	2	-5	8	-4
	2016	6	0	2	-2	2	-14	4	-8	14	-24
Total	**2017**			**578**	**46**	**556**	**29**	**506**	**-20**	**1641**	**55**
	2016	**758**	**-30**	**741**	**41**	**822**	**32**	**766**	**26**	**3087**	**70**
	2015	**842**	**29**	**805**	**90**	**811**	**138**	**593**	**1**	**3051**	**257**
	2014	**734**	**142**	**549**	**2**	**617**	**-10**	**554**	**-28**	**2453**	**105**

BURCN 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 linkspan systems.

BUCBT 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.

BUOFF 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.

BUMPG 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 40-2200 t heavy lift cranes, side loading systems, hatch covers and mooring winches.

BUSYS includes shiplift and transfer systems, as well as complete production lines to the yard industry. Product range includes ship lift system, ship transfer systems.

BUSER 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.

Notes

NOTE 3. SHARE CAPITAL AND EQUITY

As per 30 September 2017 TTS Group ASA has issued 86 605 660 shares, each with a face value of NOK 0.11 giving a share capital of total NOK 9 526 623.

TTS Group ASA holds 112 882 own shares.

During 3Q 2017 senior employees were awarded 1 270 000 share options with a strike price of NOK 3.43. 475 000 share options awarded in 2015 expired during the quarter. Senior employees currently holds 1 270 000 share options.

At period closing there are 18 781 690 conversion rights related to the subordinated convertible bond with a conversion value of 4.97.

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 has been included in dilution effects.

	YTD 30.09.2017	YTD 30.09.2016	3Q 2017	3Q 2016	YTD 31.12.2016
Net income available to shareholders	-29 017	-4 477	7 386	5 579	-120 854
Effect of dilution	-	-	-	-	-
Diluted net income available to shareholders	-29 017	-4 477	7 386	5 579	-120 854
Weighted average number of shares outstanding	86 493	86 493	86 493	86 493	86 493
Effect of dilution	-	-	-	-	-
Diluted numbers of shares	86 493	86 493	86 493	86 493	86 493
Earnings per share (NOK)	-0,34	-0,05	0,09	0,06	-1,40
Diluted earnings per share (NOK)	-0,34	-0,05	0,09	0,06	-1,40

Closing price at Oslo Stock Exchange

30 September 2017	NOK 3.99
30 June 2017	NOK 3.55
31 March 2017	NOK 3.67
31 December 2016	NOK 3.78
30 September 2016	NOK 3.09
30 June 2016	NOK 5.22

Notes

NOTE 5. RELATED PARTIES

Note 21 and accounting principles section 2.2 in the consolidated financial statements of 2016 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 prices.

Balance sheet items to/from equity consolidated investments	30.09.2017	30.09.2016	31.12.2016
Current receivables	11 061	58 845	42 834
Current liabilities	-7 724	-9 569	-11 871
Net receivables (+) / liabilities (-) with equity consolidated	3 337	49 276	30 963

NOTE 6. TAX

TTS Group is taxable in more than one jurisdiction based on its operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the Group may pay tax within some jurisdictions even though it might have an overall loss or have tax losses exceeding taxable profit at the consolidated level.

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 consists of the following:

(NOK 1000)	30.09.2017	30.09.2016	31.12.2016
Gross deferred tax asset[1]	27 332	37 229	29 680
Gross deferred tax liability[1]	-47 284	-51 200	-46 350
Net deferred tax asset (+) / liability (-)	-19 952	-13 970	-16 670

1) Gross deferred tax asset is recognized as intangible assets and gross deferred tax liability is recognized as provisions

Recognized deferred tax asset primarily relates to tax losses in the Norwegian and German companies, as well as short term tax differences from the Chinese companies. The criteria that have been utilized to estimate that future taxable profit can be utilized have been unchanged during the 3Q 2017.

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 any indication that the assets may be impaired.

TTS shares are freely traded at Oslo Stock Exchange. Closing price of last trading date in September 2017 was NOK 3.99 per share, indicating a nominal trade value of TTS of MNOK 345.

Book value of equity at 30 September 2017 was MNOK 427 excluding minority interest.

At the end of the current reporting period, TTS Group has not identified any changes in the overall financial market that give basis for a significant change in the average cost of capital.

The CGU "NMF", which was acquired in the 3rd quarter of 2012, encompass the activities within the legal entities TTS NMF GmbH - Germany, and TTS SCM - China. The CGU "Offshore" in TTS has experienced substantial losses for the past few years, combined with a low order intake.

The market for equipment to the offshore oil and gas market and heavy lift market is expected to remain challenging throughout 2017 and 2018. TTS sees potential in the market for offshore wind installation as well as for the heavy lift market. As a continuation of the restructuring of TTS NMF, TTS will evaluate the organization of both the new-build business in BUMPG and BUOFF as well as the services business to utilize potential synergies between the units within sales/marketing, technology and project execution.

Book value of intangible assets in CGU NMF is approximately MNOK 136, of which MNOK 118 is allocated as goodwill.

Book value of intangible assets in CGU Offshore is approximately MNOK 6 with a planned straight-line depreciation of close to MNOK 4 per year.

TTS sold the subsidiary Liftec OY in the beginning of February 2017. The sale of Liftec generated a profit of MNOK 13, reported as a financial gain. This includes the expected gain from the possible earn out of maximum MEUR 1.8

TTS Group considers that there are no major events, changes in assumptions or other new information indicating a change in the valuation of goodwill or other intangible assets from year-end 2016 in the other business segments. Estimates related to future market expectations could have material impact on the impairment test.

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

	Goodwill			Other intangible assets		
(NOK 1000)	**30.09.2017**	**30.09.2016**	**31.12.2016**	**30.09.2017**	**30.09.2016**	**31.12.2016**
Net book value, beginning of period	575 798	701 807	701 807	104 283	141 821	141 821
Acquisition	-	-	-	-	-	-
Divestment	-21 807	-	-	-757	-	-
Additions				-	-	2 033
Depreciations/Amortizations	-	-	-	-17 974	-22 470	-18 609
Impairment	-	-	-82 269	-	-	-
Foreign currency differences	13 689	-49 703	-43 740	-1 497	-9 321	-20 963
Net book value, end of period	567 680	652 104	575 798	84 055	110 030	104 283

Notes

NOTE 8. NON-CURRENT ASSETS

(NOK 1000)	30.09.2017	30.09.2016	31.12.2016
Net book value, beginning of period	94 338	134 521	134 521
Acquisition	-	-	-
Divestment	-2 127	-	-3 773
Additions	2 551	7 788	10 463
Depreciations/Amortizations	-12 706	-11 815	-38 866
Impairment	-	-	-20 098
Foreign currency differences	3 070	-18 219	-8 006
Net book value, end of period	85 126	112 275	94 338

TTS sold the subsidiary Liftec OY in the beginning of February 2017.

NOTE 9. EQUITY ACCOUNTED INVESTMENTS

(NOK 1 000)	30.09.2017	30.09.2016	31.12.2016
Net book value, beginning of period	29 160	84 975	84 975
Acquisition	-	-	-
Divestment	-	-	-
Reclassification	-	-	-
Share of profit (+) / loss (-)	11 029	-15 409	-17 970
Share of dividend received (net of witholding tax)	-	-	-2 002
Impairment of values			-43 049
Foreign currency differences	-1 055	3 372	10 410
Net book value, end of period	39 134	72 938	29 160

As per 30 September 2017, equity accounted investments include TTS Bo Hai Machinery Co Ltd. (TBH) in which TTS Group ASA holds 50% of the shares, and Jiangnan TTS Ships Equipment Manufacturing Co Ltd (JNTTS) in which TTS Hua Hai Ltd. holds a 40% share portion.

Both units are reported as part of the Container/Bulk/Tank segment.

Operations in JNTTS during 2016 contributed with a negative impact on the EBITDA of MNOK 23. As per 31 December 2016, the value of JNTTS was impaired by MNOK 43 to MNOK 0.The impairment was allocated to EBITDA in the TTS Group accounts at year end 2016.

YTD 2017, the operation in JNTTS shows a loss of MNOK 19. MNOK 6 in 3Q, MNOK 9 in 2Q, and MNOK 4 in 1Q. As the value of the JNTTS investment was impaired to 0 in 2016, the loss in JNTTS is not reflected in the TTS Group accounts. There is no legal or operational obligation in TTS to increase its position in JNTTS.

NOTE 10. INVENTORIES

(NOK 1 000)	30.09.2017	30.09.2016	31.12.2016
Inventories, incl non current	219 007	260 271	259 114
Obsolescence	-30 079	-16 800	-30 079
Total inventories	188 928	243 471	229 034

Notes

NOTE 11. 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 2016.

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.

The amendments mainly involves a 21 month extension of the maturity date from 18 April 2017 to 18 January 2019, and a change of fixed coupon rate from 12% to 10%p.a. Changes also include minor amendments to conversion and redemption provisions, and a repayment of MNOK 2 to a bondholder. Terms and conditions in the renewed agreement have been evaluated according to IAS 39. Based on the evaluation the renewed agreement is considered a prolonging of the prior bond debt agreement.

There has been no execution related to the convertible subordinated bond facility during 2017. The conversion price of the convertible bond loan is unchanged from 4th quarter 2015 at 4.97/share. After the partial repayment to a bondholder at 28 March 2017, the nominal value of the bond debt is MNOK 93,345 giving right to 18.781.690 shares upon full conversion.

The subordinated convertible bond debt is classified as long term debt as per 31 March 2017.

On 19 December 2016, TTS Group ASA entered into an agreement with Nordea and DNB on new financing agreements for credit and guarantee facilities, which represents an extension of the agreements the company had at the beginning of the prior fiscal year. The extended agreements expire on 1 January 2019.

The credit facility in the agreement is MNOK 1073, consisting of:

- MNOK 173, term loan facility (DNB)
- MNOK 100, term loan facility (Nordea)
- MNOK 200, multi-currency overdraft facility (Nordea)
- MNOK 600, guarantee facility (Nordea MNOK 465, DNB MNOK 135)

Divestment of TTS Liftec has the reduced value on pledges. TTS Group has made a repayment of MNOK 13 to Nordea and MNOK 13 to DNB during 1st quarter 2017. The overall facility remain unchanged.

At the end of 3Q 2017, TTS Group has drawn MNOK 159 of the total MNOK 173 loan facility with DNB. TTS Group has drawn MNOK 189 of the total MNOK 300 loan facility with Nordea.

The term loan facilities are classified as long-term debt and the overdraft facilities are classified as short-term debt as per 30 September 2017.

TTS Korea have drawn MNOK 28 of MNOK 30 related to its credit facility with Kookmin Bank in Korea. The facility is allocated as short-term debt.

At the end of 3Q 2017 TTS Group meets the set covenants.

Debt covenants from 3Q 2017 are:

Bank loan covenants	1Q 2017 - 3Q 2017	4Q 2017	1Q 2018 - 4Q 2018
NIBD* / EBITDA** maximum	4.25	4.00	3.00
Equity*** minimum	24 %	24 %	25 %
Minimum liquidity reserve	MNOK 50	MNOK 50	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

Consolidation of TTS Hua Hai and TTS SCM has significant effects on the cash flow and presented cash in the balance. Cash within the 50/50 companies is not available to other companies within TTS Group.

(NOK 1 000)	**30.09.2017**	**30.09.2016**	**31.12.2016**
Bank deposits in fully owned companies	76 631	59 179	76 679
Bank deposits in 50/50 owned companies	181 932	174 183	99 105
Bank deposits	258 562	233 361	175 784

Notes

Calculation of NIBD/ EBITDA covenant	
	30.09.2017
Calculation of NIBD for covenant measures (MNOK)	
Reported NIBD from TTS Group	-212
+ Add back nominal value of Subordinated Convertible Bond agreement	93
- Deduction of reported NIBD from group consolidated 50/50 owned companies	-182
+ Add back 50% of NIBD from 50/50 owned companies	143
Adjusted NIBD for covenant calculation	**-159**
Calculation of EBITDA for covenant measures (MNOK)	
Rolling 12 month reported EBITDA in TTS Group	28
- Deduction of reported EBITDA-effects from 50/50 owned companies which are consolidated	-89
+ Add back 50% of EBITDA in 50/50 owned companies	53
+/- Adjustment of one time effects on reported EBITDA - rolling 12 months	103
Adjusted EBITDA for covenant calculation	**96**
NIBD/ EBITDA calculation	**1,66**
NIBD/ EBITDA Covenant according to the finance agreement as per Q3-2017	4,25

An overall description of debt facilities, and additional information regarding financial risk management is available as part of the notes to the annual report 2016.

NOTE 12. SUBSEQUENT EVENTS

Major events reported to Oslo Stock Exchange after 30 September 2017

TTS Group ASA has entered into new contracts for MNOK 210 during the month of October 2017

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

Shareholders per 30.09.2017		Shares	Share portion
SKEIE TECHNOLOGY AS	*)	22 655 763	26,2 %
RASMUSSENGRUPPEN AS		11 512 506	13,3 %
BARRUS CAPITAL AS		5 770 785	6,7 %
SKEIE CAPITAL INVEST	*)	4 203 361	4,9 %
VINTERSTUA AS		2 890 000	3,3 %
PIMA AS		2 238 130	2,6 %
DANSKE BANK AS MEGLERKONTO INNLAND	MEG	1 507 283	1,7 %
ITLUTION AS		1 475 261	1,7 %
TRAPESA AS		1 383 996	1,6 %
GMC KAPITAL AS		1 150 000	1,3 %
FIRST PARTNERS HOLDING		1 147 609	1,3 %
AVANZA BANK AB	NOM	1 052 640	1,2 %
TIGERSTADEN AS		1 018 550	1,2 %
SKANDINAVISKA ENSKIL A/C FINNISH RESIDENT	NOM	1 010 312	1,2 %
AVANT AS		1 000 000	1,2 %
SALT VALUE AS		929 447	1,1 %
ESPEDAL & CO AS		743 557	0,9 %
TANJA A/S		720 000	0,8 %
GLASTAD INVEST AS		668 000	0,8 %
PHAROS INVEST I AS PHAROS FORVALTNING		666 993	0,8 %
TRYM SKEIE	*)	323 140	0,4 %
SKEIE CONSULTANTS AS	*)	300 000	0,3 %
SKEIE ALPHA INVEST AS	*)	250 000	0,3 %
OTHER		21 988 327	25,4 %
Total		86 605 660	100,0 %

*) Shares owned or controlled by members of the Skeie family, 27.732.264 shares representing 32,02 % of total shares.

Bondholders as per 30.09.2017		Conversion rights	Share portion if fully diluted
MP PENSJON PK		6 036 217	5,7 %
SKEIE TECHNOLOGY AS	*)	3 912 474	3,7 %
PONDERUS SECURITIES AB	NOM	1 951 710	1,9 %
SKEIE CONSULTANTS AS	*)	1 207 243	1,1 %
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	985 915	0,9 %
AKERSHUS FYLKESKOMM. PENSJONSKASSE		804 828	0,8 %
TAMAFE HOLDING AS	*)	804 828	0,8 %
MERTOUN CAPITAL AS		804 828	0,8 %
SKEIE CAPITAL INVESTMENT AS	*)	704 225	0,7 %
PIMA AS		326 961	0,3 %
OTHER		1 242 447	1,2 %
		18 781 676	17,8 %

*) Shares owned or controlled by members of the Skeie family.