Q2

TO 30 JUNE
2017

INTERIM REPORT

TTS GROUP ASA

CEO letter

TTS Group reports increased order intake despite reduction in revenues, and improved operating margins driven by cost reductions. Operating results continues to be impacted by restructuring costs.

TTS reported EBITDA of MNOK 29 for 2Q 2017 compared to MNOK 32 in 2Q 2016, despite decrease in revenues as a consequence of the soft market. Revenues increased compared to 1Q 2017. Gross margins were maintained and operating expenses were reduced as a result of the ongoing cost reduction initiatives.

The award of two large contracts for business units Shipyard Solutions (SYS) and Multipurpose/General Cargo (MPG) respectively, and some further new contracts in the cruise and navy segments of RoRo/Cruise/Navy (RCN), ensured a satisfactory order intake for the quarter, and a net increase in the backlog of MNOK 355.

The improvements in these segments are however not sufficient to offset the reduction of activities and revenues, particularly within BU's MPG and Offshore (OFF). Furthermore, the market for Container/Bulk/Tank (CBT) remains challenging with expected steady revenues in the 100% owned units, but somewhat reduced activity in the fully consolidated, 50/50 % owned Chinese companies. TTS will therefore continue with the implementation of the restructuring measures announced during 2016, which includes capacity adjustments as required in order to achieve efficient operations, and also maintain cost focus across the company. Furthermore TTS will initiate efforts to increase operational efficiency along with cost reductions programs beyond the MNOK 100 already achieved.

For BU Services (SER), we see a potential for further positive development of both spare parts sales and the general service activity through improved utilization of our global service network and large installed base, even if the market remains very competitive as a result of low charter rates.

The main short term goal for TTS is to deliver positive operating margins in all business units. We intend 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 across the BU's, and reduce the operating costs. Hence, providing the basis 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.*
- *The group aims to 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 BU OFF and BU MPG 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

Second quarter 2017/ 1st Half 2017

- 2Q 2017 revenues increased with more than 10% vs 1Q 2017 to MNOK 556, but notable lower than the same period last year.
- Continued positive underlying operations, with a 2Q 2017 EBITDA excl. restructuring of MNOK 36. Reported EBITDA was MNOK 29.
- Improved EBITDA margin despite reduced business volume confirms successful implementation of cost reduction program
- 1H EBITDA was MNOK 46 excluding restructuring costs. Reported EBITDA of MNOK 9 impacted by restructuring cost of MNOK 37, of which MNOK 30 in 1Q 2017 from restructuring cost in Multipurpose/General cargo, and MNOK 7 in 2Q 2017 related to restructuring of the corporate functions.

TTS GROUP ***)	2Q		1H		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	556	822	1063	1 588	3 087
EBITDA **	29	32	9	59	70
EBITDA margin (%)	5,2	4,0	0,8	3,7	2,3
Order intake	917	639	1318	1 168	2 398
Order backlog *	2943	3 333	2943	3 333	2 722
EPS (NOK) Total	0,04	-0,19	-0,42	-0,21	-1,40

* Order backlog includes 50% of backlog from equity consolidated investments in China
** 2017 EBITDA includes a restructuring cost of MNOK 7 (2Q/17)
** 2017 EBITDA includes a restructuring cost in BUMPG of MNOK 30 (1Q/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 2Q 2017 revenues of MNOK 556 increased with MNOK 51 from 1Q 2017, but was MNOK 266 lower than 2Q 2016 as most of the business units generated lower revenues compared to last year. BU CBT and BU SER improved performance compared to 1Q 2017.

EBITDA was MNOK 36 in 2Q 2017 (to which CBT, SYS and SER contributed with MNOK 60) excluding MNOK 5 of restructuring cost related to restructuring in TTS Group, and MNOK 2 in MPG. The EBITDA was also negatively impacted by the operations in MPG (MNOK -8), OFF (MNOK -1), and RCN (MNOK -8).

The 2Q 2017 EBIT include a MNOK 2 profit related to a related party transaction. The transaction were approved at the General Meeting in June 2017.

1H 2017 revenues of MNOK 1063 were MNOK 525 lower than in 2016, and EBITDA was MNOK 50 lower at MNOK 9. 1H 2017 revenues and EBITDA were impacted by lower activity levels in most BU's.

The Earnings before interest and tax (EBIT) in 2Q 2017 was MNOK 19 (24), and MNOK -11 (35) for the 1H 2017.

Second quarter 2017/ 1st Half 2017

ORDER BACKLOG

The order intake for 2Q 2017 was MNOK 917. The largest intake was in BU's SYS and MPG, which contributed MNOK 293 and MNOK 246 respectively.

No order-cancellations were reported in 2Q 2017 in the fully consolidated companies. Cancellations in equity-consolidated investments in China was MNOK 13 in the quarter.

The order backlog* at the end of 2Q 2017 was NOK 2.9 billion (3.3 billion), of which approximately NOK 0.9 billion is expected to be turned into revenue in 2017.

*including 50% of the order backlog of MNOK 97 (194), in equity consolidated investments in China. Expected revenues from BU SER is not included in the reported order backlog

TOTAL ASSETS AND NET INTEREST-BEARING DEBT

Total assets at the end of 2Q 2017 was MNOK 2 136, a decrease of MNOK 40 compared to the end of 2016, and decrease of MNOK 40 compared to the end of 1st quarter 2017.

Net working capital at the end of the 2Q 2017 was MNOK 78, a decrease of MNOK 45 from the end of last year, and an increase of MNOK 55 compared to the end of Q1 quarter 2017. The change in net working capital in large relates to changes in the 100% owned entities.

Net interest-bearing debt at the end of the 2Q 2017 was MNOK 256, a decrease of MNOK 38 from the end of 2016, and an increase of MNOK 60 compared to the end of 1Q 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 133.

The equity at the end of 2Q 2017 was 27.7%. Including the convertible bond debt the equity was 32.2%.

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 BU has experienced a significant temporary reduction in activities due to the stop in the market for car carriers, and delay in the award of cruise contracts. As a consequence, revenues in 1Q 2017 were reduced with MNOK 103 compared to last year, mainly related to a stop in the new build market for car carriers, and insufficient increase in revenues from other markets to offset the decrease. In addition, the margins are negatively impacted by changes in the product mix, as well as temporarily reduced capacity utilization. However, the EBITDA loss has been curtailed as the cost reduction efforts have been successful, with a significant reduction in operating expenses compared to 2Q 2016.

The order backlog at the end of 2Q 2017 was MNOK 758, up MNOK 118 from 1Q 2017, and approximately at the same level as last year. The increase in backlog combined with an expected increase in capacity utilization and gradual recovery in revenues going forward, is however not sufficient to offset the short fall of revenues in 2017 compared to previous years. The longer delivery times for cruise contracts with slower recognition of revenues reinforces this effect.

The Group 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.

Revenues were notable reduced with MNOK 176 to MNOK 126 for 1H 2017, and EBITDA from MNOK 10 to MNOK -6 for 1H 2017.

RORO, CRUISE, NAVY (RCN)	2Q		1H		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	55	158	126	302	555
EBITDA	-8	-1	-6	10	15
Order backlog	758	769	758	769	652

CONTAINER/BULK/TANK

EBITDA improved with MNOK 13 to MNOK 31 in 2Q 2017 vs. last year, due to improved margins and timing related cost recognition, as revenues were lower in the 50/50 owned business related to lower activity levels caused by adverse market conditions. The 100% owned companies in the BU reported an increase in revenues and also a higher EBITDA vs. 2Q 2016.

Consolidated revenues and EBITDA from the 50% owned subsidiary THH in 2Q 2017 (2016) were MNOK 153 (217) and MNOK 17 (13) respectively.

The backlog was MNOK 1 162 compared to MNOK 1 718 in 2Q 2016. The Group experiences an increased demand, and expects a slight market recovery in the short term. The business unit will continue to focus on cost reductions and margin improvements.

EBITDA was MNOK 28 higher for 1H 2017 vs 1H 2016 at MNOK 50, despite a MNOK 136 reduction in revenues down to MNOK 425. Higher margins, timing related cost recognition and lower operating costs more than offset the impact of lower revenues

CONTAINER, BULK, TANK (CBT)	2Q		1H		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	252	291	425	561	1 138
EBITDA **	31	18	50	22	21
Order backlog *	1 162	1 718	1 162	1 718	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

2Q 2017 EBITDA was MNOK -8 vs MNOK -1 in 2Q 2017. The quarter included MNOK 2 of restructuring costs. Revenues were down MNOK 80 to MNOK 21 on the back of a 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

1H 2017 EBITDA was MNOK -48 vs MNOK 5 last year. The 1H 2017 results included MNOK 32 of restructuring costs, of which MNOK 30 related to 1Q 2017 as previously announced, where a ramp down of the German manufacturing setup was initiated. The restructuring will continue into 3Q 2017.

The order intake improved in the quarter through the award of a MNOK 246 heavy lift contract in the Chinese 50/50 company TTS SCM. The back log of MNOK 369 is approximately at the same level as last year.

The positive impact of the contract award, combined with increased demand in the market, and planned cost reductions and restructuring initiatives, is expected to improve the BU results in the medium to long term.

MULTIPURPOSE, GENERAL CARGO (MPG)	2Q		1H		Full year
MNOK	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	21	101	83	172	322
EBITDA*	-8	-1	-48	-5	-24
Order backlog	369	373	369	373	205

* 2017 EBITDA includes restructuring cost of MNOK 2 (2Q/17).
* 2017 EBITDA includes restructuring cost of MNOK 30 (1Q/17).
* 2016 EBITDA includes an inventory impairment of MNOK 20 (4Q/16).

OFFSHORE

The EBITDA was MNOK -1 in 2Q 2017 from revenues of MNOK 37 compared to MNOK -2 and MNOK 59 in the same period last year. The decrease in revenues of NOK 22 is a result of the low activity in the market. 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.

1H 2017 EBITDA of MNOK -8 was MNOK 10 lower than last year. 1H 2017 revenues of MNOK 75 were MNOK 55 lower than in 1H 2016.

The offshore market remains tough, and the expected turnaround is pushed out well into 2018. The back log has consequently decreased throughout the quarter from MNOK 141 to MNOK 129. 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.

OFFSHORE (OFF)	2Q		1H		Full year
MNOK	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	37	59	75	130	226
EBITDA	-1	-2	-8	2	4
Order backlog	129	173	129	173	150

Business units

SHIPYARD SOLUTIONS

TTS Syncrolift ® delivered revenues of MNOK 41 and EBITDA of MNOK 7, which confirmed the strong operating performance over the last quarters with stable revenues and good margins. Revenues and EBITDA are below 2Q 2016 (Revenues MNOK 72, EBITDA MNOK 18). However, 2Q 2016 numbers were distorted by the sale of the company's facilities, and 2Q 2017 by customer initiated delays in the completion of two projects.

Consequently 1H 2017 revenues of MNOK 85 were MNOK 57 lower than last year, and EBITDA of MNOK 10 were MNOK 15 lower than 1H 2016.

The backlog increased significantly during the quarter to MNOK 527, through the award of two contracts. The activity in the business unit is expected to remain high going forward based on the strong order book and high utilization of resources.

SHIPYARD SOLUTIONS (SYS) *)	2Q		1H		Full year
MNOK	2017	2016	2017	2016	2016
Revenue **)	41	72	85	142	298
EBITDA ***)	7	18	10	25	36
Order backlog ****)	527	317	527	317	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 2Q/2016 by MNOK 25, in 1H/2016 by MNOK 49 and by MNOK 109 in FY 2016.
***) EBITDA from TTS Liftec OY included in 2Q/2016 by MNOK 4, in 1H/2016 by MNOK 5 and by MNOK 8 in FY 2016.
****) Order backlog from TTS Liftec OY included in 2Q/2016 by MNOK 53, and by MNOK 23 at yearend 2016.

SERVICES

Revenues of MNOK 148 recovered from 1Q 2017 and was also MNOK 10 higher than 2Q 2016. EBITDA of MNOK 11 was furthermore higher than 1Q 2017, but MNOK 3 lower than 2Q 2016 due to tough competition reflected in the low charter rates in several shipping markets.

1H 2017 revenues of MNOK 268 was MNOK 8 lower than in 2016, and the reduction was related to the relatively low activity levels in 1Q 2017. The EBITDA of MNOK 19 was impacted both by lower activity levels and lower margins, and was MNOK 8 lower than in 2016.

The outlook for the service market has not changed during the quarter, and remains very competitive. However, the Group see the potential to improve performance in this market by obtaining more work from the substantial installed base and utilization of the global service network, both for spare parts sale and service work, as well as capacity adjustments and cost reductions.

SERVICES (SER)	2Q		1H		Full year
MNOK	2017	2016	2017	2016	2016
Revenue	148	138	268	276	533
EBITDA	11	14	19	27	42

Outlook

The low newbuilding activity in 2015 and 2016 has continued into 2Q 2017. However, the Group has experienced a high order intake which is i.a. a consequence of delays in contract awards from the previous quarters.

Apart from the offshore market, which is expected to remain weak in 2018, there are indications of improved sentiment in the other market segments, which gives reason for a more positive outlook in the medium term. Since TTS is exposed towards several ship-segments in different stages of the market cycle, an improvement in business performance will vary with respect to time line 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 actions, initiatives and process improvements, which will enhance business performance regardless of the market development. The Group has already announced several restructuring initiatives and will expand the cost reduction program.

Going forward, TTS will in addition 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 OFF and MPG expected to be effective from 1Q 2018. This will contribute to 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. TTS expects that its new BU Energy will be able 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 NOK 2.9 billion. 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 30.06.2017**	**YTD 30.06.16**	**2Q 2017**	**2Q 2016**	**31.12.2016**
Revenue from projects	2	1 063 383	1 587 229	556 546	821 647	3 086 706
Total operating revenue		**1 063 383**	**1 587 229**	**556 546**	**821 647**	**3 086 706**
Raw materials and consumables used		636 282	1 022 116	328 606	531 651	1 955 972
Other operating costs		427 100	495 195	206 458	249 794	999 732
Result from JV (- is income)		-9 260	11 274	-7 722	7 723	60 872
EBITDA		**9 262**	**58 644**	**29 205**	**32 479**	**70 130**
Depreciation		20 533	23 567	10 355	8 245	43 444
Other impairments		-	-	-	-	98 647
Operating profit		**-11 272**	**35 078**	**18 849**	**24 234**	**-71 961**
Financial income		31 155	14 017	12 675	2 939	48 415
Financial expense		33 428	37 987	15 532	26 337	73 141
Net finance		**-2 274**	**-23 970**	**-2 857**	**-23 398**	**-24 726**
Profit/loss before tax		**-13 545**	**11 108**	**15 992**	**835**	**-96 687**
Tax		14 754	16 435	10 093	6 421	30 385
Net result *		**-26 126**	**-5 327**	**8 073**	**-5 585**	**-127 072**
Attributable to equity holders of the company	4	-36 403	-10 055	3 461	-8 546	-120 854
Attributable to non-controlling interests		10 276	4 728	4 612	2 960	-6 218
NET RESULT FOR THE YEAR						
Net result for the period		-26 126	-5 327	8 073	-5 585	-127 072
Currency effects		2 344	-28 627	-8 443	-9 553	-58 680
Total comprehensive income		**-23 782**	**-33 954**	**-371**	**-15 139**	**-185 752**
Attributable to equity holders of the company		-37 564	-18 534	-5 456	-16 117	-162 044
Attributable to non-controlling interests		13 782	-15 420	5 085	979	-23 708
Earnings per share (NOK)		-0,42	-0,21	0,04	-0,19	-1,40
Diluted earnings per share (NOK)		-0,42	-0,21	0,04	-0,19	-1,40
Average number of shares used as calculation basis for diluted EPS (000)		86 493	86 493	86 493	86 493	86 493

** 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

	Note	Unaudited	Unaudited	Audited
(NOK 1 000)		**30.06.2017**	**30.06.2016**	**31.12.2016**
Intangible assets	6, 7	694 517	850 711	709 762
Tangible assets	8	89 828	116 022	94 338
Financial assets	9	35 891	81 907	29 160
Total fixed assets		820 236	1 048 640	833 260
Inventories	10	203 022	334 496	229 034
Total receivables	5	890 608	1 207 452	937 148
Bank deposits/cash	11	222 738	251 632	175 784
Total current assets		1 316 367	1 793 580	1 341 966
Total assets		**2 136 603**	**2 842 219**	**2 175 226**
Share capital	3	9 527	9 527	9 527
Other equity		424 844	606 979	462 409
Non-controlling interests		158 271	161 017	144 489
Total equity		592 642	777 524	616 425
Provisions	6	49 715	55 184	46 350
Long term interest bearing debt	11	339 845	0	271 750
Long term liabilities		389 560	55 184	318 100
Current interest bearing debt	11	138 554	497 111	198 307
Current liabilities	5	1 015 848	1 512 399	1 042 393
Total current liabilities		1 154 402	2 009 510	1 240 700
Total liabilities		1 543 961	2 064 695	1 558 800
Total equity and liabilities		**2 136 603**	**2 842 219**	**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	-	-	-	-37 564	-37 564	13 782	-23 782
Share option cost	-	-	-	-	-		-
Equity transactions with non controlling interests	-	-	-	-	-	-	-
Equity Closing balance	9 527	-12	149 378	275 478	434 371	158 271	592 642

CONSOLIDATED STATEMENT OF CASH FLOWS

Condenced consolidated statement of cash flows

(NOK 1 000)	Unaudited	Unaudited	Audited
AMOUNTS IN NOK 1 000	**30.06.2017**	**30.06.2016**	**31.12.2016**
EBITDA	9 262	58 644	70 130
Change in net current assets	15 048	-126 818	-164 216
Cash from operations (A)	24 310	-68 173	-94 086
Aquisition and sale of non-current assets	-1 103	8 192	-376
Proceeds discontinued business	52 526	-	-
Other investing activities	-	-	-
Cash from investments (B)	51 423	8 192	-376
New loans and repayment	-48 044	-42 208	-42 919
Payments to shareholders *	-	-	-51 863
Net interest paid	-16 375	-20 269	-31 609
Cash from financing (C)	-64 419	-62 477	-126 391
Change in cash (A+B+C)	11 314	-122 459	-220 853
Cash position OB	175 785	413 210	413 210
Effect of exchange rate changes on cash	3 850	-39 119	-16 572
Cash position CB	190 949	251 632	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 2Q 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 is the same as those described in the consolidated financial statements of 2016.

This condensed consolidated 2Q interim report for 2017 was approved by the Board on 28 August 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 June 2017 the market value of FX-derivatives qualifying as fair value hedges is negative by MNOK 8, 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 (BU CBT/ BU SER) 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 710 MNOK of the revenue, and 55 MNOK of the EBITDA in 1st half of 2017.

- Revenue from “engineer to order" projects (BU RCN/ BU OFF/ BU MPG/ BU SYS) are currently recognized based "on over time" (POC) structure. "Engineer to order" projects represent 353 MNOK of the revenue, and -46 MNOK of the EBITDA in 1st half of 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**					55	-8	71	2	126	-6
	2016	127	0	126	5	158	-1	143	11	555	15
Container, Bulk, Tank	**2017**					252	31	173	19	425	50
	2016	302	-19	275	18	291	18	270	4	1138	22
Offshore	**2017**					37	-1	38	-7	75	-8
	2016	59	2	38	0	59	-3	70	5	226	4
Multipurpose, General Cargo	**2017**					21	-8	61	-40	82	-48
	2016	72	-19	78	0	101	-1	71	-5	322	-24
Shipyard Solutions	**2017**					41	7	41	3	82	10
	2016	66	2	90	8	72	18	69	7	298	36
Services	**2017**					148	11	120	8	268	19
	2016	126	4	131	11	138	14	138	13	533	42
Corporate / Other	**2017**					2	-3	2	-5	4	-8
	2016	6	0	2	-2	2	-14	4	-8	14	-24
Total	**2017**					**556**	**29**	**506**	**-20**	**1062**	**9**
	2016	**758**	**-30**	**741**	**41**	**822**	**32**	**766**	**26**	**3087**	**70**
	2015	**842**	**29**	**805**	**0**	**811**	**138**	**593**	**1**	**3051**	**167**

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 is 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 June 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 2Q 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 30.06.2017	YTD 30.06.2016	2Q 2017	2Q 2016	31.12.2016
Net income available to shareholders	-36 403	-18 534	3 461	-16 117	-120 854
Effect of dilution	-	-	-	-	-
Diluted net income available to shareholders	-36 403	-18 534	3 461	-16 117	-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)	-0,42	-0,21	0,04	-0,19	-1,40
Diluted earnings per share (NOK)	-0,42	-0,21	0,04	-0,19	-1,40

Closing price at Oslo Stock Exchange

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	**30.06.2017**	**30.06.2016**	**31.12.2016**
Current receivables	12 050	55 156	42 834
Current liabilities	-11 890	-8 850	-11 871
Net receivables (+) / liabilities (-) with equity consolidated investments	159	46 306	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)	**30.06.2017**	**30.06.2016**	**31.12.2016**
Gross deferred tax asset[1]	29 859	45 949	29 680
Gross deferred tax liability[1]	-48 627	-52 329	-46 350
Net deferred tax asset (+) / liability (-)	-18 769	-6 380	-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 2Q 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 June 2017 was NOK 3.55 per share, indicating a nominal trade value of TTS of MNOK 307.

Book value of equity at 30 June 2017 was MNOK 434 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 heavylift 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. The positive impact of the heavvllift contract awarded in the 2nd quarter, combined with additional bid-offers in the market, planned cost reductions and restructuring initiatives support the value in use evaluation. The turnaround of these market segments will take longer time than previously expected, and the risk of further delays or cancellations on ongoing heavy lift projects remains high. As a continuation of the restructuring of TTS NMF, TTS will evaluate the organization of both the new-build business in MPG and Offshore 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 137, of which MNOK 118 is allocated as goodwill.

Book value of intangible assets in CGU Offshore is approximately MNOK 10 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)	**30.06.2017**	**30.06.2016**	**31.12.2016**	**30.06.2017**	**30.06.2016**	**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	-	-	-	-12 051	-11 470	-18 609
Impairment	-	-	-82 269	-	-	-
Foreign currency differences	18 652	-33 537	-43 740	541	6 141	-20 963
Net book value, end of period	572 643	668 270	575 798	92 016	136 492	104 283

Notes

NOTE 8. NON-CURRENT ASSETS

(NOK 1000)	30.06.2017	30.06.2016	31.12.2016
Net book value, beginning of period	94 338	134 521	134 521
Acquisition	-	-	-
Divestment	-2 127	-	-3 773
Additions	1 103	3 928	10 463
Depreciations/Amortizations	-8 436	-12 097	-38 866
Impairment	-	-	-20 098
Foreign currency differences	4 950	-10 330	-8 006
Net book value, end of period	89 828	116 022	94 338

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

NOTE 9. EQUITY ACCOUNTED INVESTMENTS

(NOK 1 000)	30.06.2017	30.06.2016	31.12.2016
Net book value, beginning of period	29 160	84 975	84 975
Acquisition	-	-	-
Divestment	-	-	-
Reclassification	-	-	-
Share of profit (+) / loss (-)	9 260	-11 274	-17 970
Share of dividend received (net of witholding tax)	-	-	-2 002
Impairment of values			-43 049
Foreign currency differences	-2 529	8 205	10 410
Net book value, end of period	35 891	81 906	29 160

As per 30 June 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 yearend 2016.

The operation in JNTTS 1H 2017 shows a loss of MNOK 13, of MNOK 9 in the 2Q 2017, 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)	30.06.2017	30.06.2016	31.12.2016
Inventories, incl non current	233 101	359 854	259 114
Obsolescence	-30 079	-25 358	-30 079
Total inventories	203 022	334 496	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 MNOK 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 1 073 MNOK, 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 2Q 2017, TTS Group has drawn MNOK 159 of the total MNOK 173 loan facility with DNB. TTS Group has drawn MNOK 198 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 June 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 2Q 2017 TTS Group meets the set covenants.

Debt covenants from 1Q 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

(NOK 1 000)	**30.06.2017**	**30.06.2016**	**31.12.2016**
Bank deposits in fully owned companies	89 990	53 184	76 679
Bank deposits in 50/50 owned companies	132 748	198 448	99 105
Bank deposits	222 738	251 632	175 784

Notes

Calculation of NIBD/ EBITDA covenant	
	30.06.2017
Calculation of NIBD for covenant measures (MNOK)	
Reported NIBD from TTS Group	-256
+ Add back nominal value of Subordinated Convertible Bond agreement	93
- Deduction of reported NIBD from group consolidated 50/50 owned companies	-133
+ Add back 50% of NIBD from 50/50 owned companies	123
Adjusted NIBD for covenant calculation	**-172**
Calculation of EBITDA for covenant measures (MNOK)	
Rolling 12 month reported EBITDA in TTS Group	20
- Deduction of reported EBITDA-effects from 50/50 owned companies which are consolidated	-82
+ Add back 50% of EBITDA in 50/50 owned companies	54
+/- Adjustment of one time effects on reported EBITDA - rolling 12 months	100
Adjusted EBITDA for covenant calculation	**91**
NIBD/ EBITDA calculation	**1,89**
NIBD/ EBITDA Covenant according to the finance agreement as per 2Q-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 June 2017

At 3 July 2017, TTS Group announced new contracts related to cargo access equipment which are to be delivered to one Ropax and two RoRo vessels. Order value is approx. MNOK 62.

On 24 August 2017, TTS Group announced a new contract related to three cruise vessels. Order value is approx. MNOK 85.

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

Statement on compliance

Today, the Board of Directors and the CEO have reviewed and approved the condensed interim financial statements related to TTS Group ASA as of 30 June 2017.

To the best of our knowledge we confirm that;

- the condensed interim financial statements for the first half of 2017 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union, IFRSs as issued by IASB, and additional Norwegian disclosure requirements in the Norwegian Accounting Act
- the information presented in the condensed interim financial statements gives a true and fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety
- the information presented in the condensed interim financial statement gives a true and fair view of the development, performance, financial position, principle risk and uncertainties of the group
- the information presented in the condensed interim financial statement gives a true and fair view of major related- party transactions

Bergen, 28. August 2017

THE BOARD AND MANAGEMENT OF TTS GROUP ASA

Trym Skeie
CHAIRMAN OF THE BOARD

Leif Haukom
DIRECTOR

Britt Mjellem
DIRECTOR

Marianne Sandal
DIRECTOR

Gisle Rike
DIRECTOR

Anita Kråkenes
DIRECTOR

Morten Aarvik
DIRECTOR

Toril Eidesvik
CEO

Shareholders per 30.06.2017		Shares	Share portion
SKEIE TECHNOLOGY AS	*)	22 655 763	26,2 %
RASMUSSENGRUPPEN AS		11 512 506	13,3 %
SKEIE CAPITAL INVESTMENT AS	*)	4 203 361	4,9 %
BARRUS CAPITAL AS		3 750 000	4,3 %
HOLBERG NORGE		3 292 500	3,8 %
PIMA AS		2 417 171	2,8 %
SKAGEN VEKST		2 411 069	2,8 %
MERTOUN CAPITAL AS		1 769 598	2,0 %
JPMORGAN CHASE BANK, N.A., LONDON	NOM	1 560 000	1,8 %
DANSKE BANK AS	MEG	1 480 846	1,7 %
ITLUTION AS		1 475 261	1,7 %
GMC KAPITAL AS		1 050 000	1,2 %
FIRST PARTNERS HOLDING 16 AS		1 042 799	1,2 %
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	1 010 812	1,2 %
AVANT AS		1 000 000	1,2 %
AVANZA BANK AB	NOM	991 103	1,1 %
RBC INVESTOR SERVICES BANK S.A.	NOM	800 000	0,9 %
TRAPESA AS		902 692	1,0 %
GLASTAD INVEST AS		668 000	0,8 %
PHAROS INVEST I AS		682 393	0,8 %
TRYM SKEIE	*)	323 140	0,4 %
SKEIE CONSULTANTS AS	*)	300 000	0,3 %
SKEIE ALPHA INVEST AS	*)	250 000	0,3 %
Other		21 056 646	24,3 %
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 30.06.2017		Conversion rights	Share portion if fully diluted
MP PENSJON PK		6 036 217	5,7 %
SKEIE TECHNOLOGY AS	*)	3 912 474	3,7 %
SKANDINAVISKE ENSKILDA BANKEN AB	NOM	1 685 110	1,6 %
PONDERUS SECURITIES AB	NOM	1 252 515	1,2 %
SKEIE CONSULTANTS AS	*)	1 207 243	1,1 %
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.