Annual Report

TTS GROUP ASA | 2017

Key figures

	2017						
	Total	Continued	Discontinued	2016	2015 [4]	2014	2013
PROFIT AND LOSS ACCOUNT (MNOK)							
Revenue	2 183	211	1 972	3 087	3 051	2 453	2 693
Operating profit/loss (EBIT)	11	9	2	-72	32	61	-164
Pre-tax profit/loss [2]	-8	4	-12	-97	-15	63	-178
Net profit/loss [2]	-18	8	-26	-127	-40	18	-204
BALANCE SHEET (MNOK)							
Total assets	2 328	387	1 941	2 175	3 026	2 411	2 225
Total equity	607			616	855	610	567
- Shareholders part of Equity	456			472	635	610	567
Working capital	31	-37	68	124	-91	-30	-195
Equity ratio (total equity/ total assets)	26,1%			28,3%	28,3%	25,3%	25,5%
ALTERNATIVE PERFORMANCE MEASURES							
Operating profit/loss before depreciation/ amortisation (EBITDA)	53	11	43	70	155	105	-130
Orders received (MNOK) 4,5)	2 267	351	1 916	2 398	2 733	2 446	2 912
Order backlog (MNOK) 5)	2 802	458	2 344	2 722	4 015	3 627	2 971
KEY PERFORMANCE RATIOS							
EBITDA margin	2,4%	5,2%	2,2%	3,7%	5,1%	4,3%	-4,8%
EBIT margin	0,5%	4,3%	0,1%	-0,9%	1,0%	2,6%	-6,1%
Profit margin (pre-tax) [2]	-0,4%	1,9%	-0,6%	-1,7%	-0,5%	2,6%	-6,6%
Profit margin (after-tax) [2]	-0,8%	3,8%	-1,3%	-2,8%	-1,3%	0,7%	-7,6%
Return on equity [2]	-1,3%			-15,7%	-2,4%	2,9%	-36,1%
Return on total capital	-0,8%			-5,8%	-1,3%	0,7%	-7,2%
KEY FIGURES SHARES							
Earnings per share (NOK)	-0,39	-0,08	-0,31	-1,40	-0,55	0,21	-2,63
Dividend/ capital distribution per share (NOK)	0,00	0,00	0,00	0,00	0,00	0,00	1,00
Number of shares, end of year (MILL)	87		87	87	87	87	87
Average number of shares (MILL)	87		87	87	87	87	87
OTHER KEY FIGURES							
Orders received (MNOK) [4,5]	2 267	351	1 916	2 398	2 733	2 446	2 912
Order backlog (MNOK) [5]	2 802	458	2 344	2 722	4 015	3 627	2 971
Employees (31.12.)	804	38	766	1 013	1 093	1 053	1 100
Sick leave	3,5%			3,3%	2,6%	2,6%	3,0%

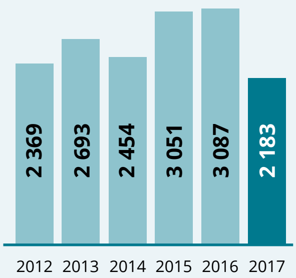
[1] Figures include discontinued business
[2] Figures includes profit from discontinued business
[3] Figures restated to IAS19 (Revised), ref Accounting principles 2.1.a)
[4] TTS Hua Hai consolidated as of 2Q/2015.
[5] Including 50% of order reserve in JV-companies

Definitions	
Earnings per share:	Profit after taxes divided by total number of shares at the end of the fiscal year
Return on equity	Profit before tax as a percentage of average equity
Return on total capital:	Operating profit as a percentage of average total capital
LTIFR	Number of lost time incidents x 1,000,000/Total hours worked
Working capital	Short term assets less bank deposits, cash in hand, less current liabilities adjusted for short term financial debt.

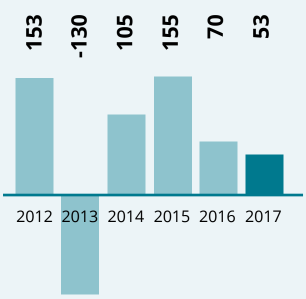
Content

MNOK	2017	2016	2015
RORO/CRUISE/NAVY			
Revenue	298	555	641
EBITDA operational	5	15	62
Order backlog per 31.12	910	652	941
CONTAINER/BULK/TANK			
Revenue	894	1 138	973
EBITDA operational	77	64	141
Order backlog per 31.12	929	1 403	2 090
OFFSHORE			
Revenue	142	226	359
EBITDA operational	-16	4	-102
Order backlog per 31.12	94	150	219
MULTIPURPOSE/GENERAL CARGO			
Revenue	127	322	259
EBITDA operational	-62	-24	-13
Order backlog per 31.12	412	205	573
SHIPYARD SOLUTIONS			
Revenue	204	298	216
EBITDA operational	31	28	15
Order backlog per 31.12	458	315	204
SERVICES			
Revenue	507	533	591
EBITDA operational	27	42	76

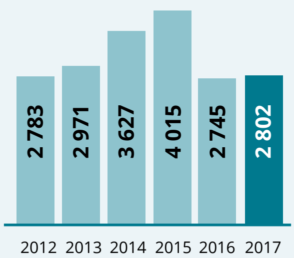
CONSOLIDATED OPERATING REVENUE



CONSOLIDATED EBITDA



CONSOLIDATED ORDER BACKLOG



TTS Organization

TTS is an international corporation that provides high quality handling solutions and access systems for the marine and offshore industries. Headquartered in Bergen, Norway, TTS has branch offices in 13 countries and serves a global client base from strategic points in Europe, Asia and America. The Group is organized in business units.

RORO, CRUISE, NAVY

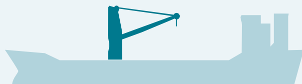
The business unit RoRo, Cruise, Navy (BU RCN) delivers complete cargo handling and passenger access solutions to RoRo, PCTC, RoPax, cruise and naval vessels, including terminal loading and passenger systems. Product range includes external and internal ramps, covers and doors, lifts and platforms, liftable decks, passenger gangways and link span systems.
The business unit is operated from Gothenburg, Sweden.

CONTAINER, BULK, TANK

The business unit Container, Bulk, Tank (BU CBT) delivers complete cargo handling solutions to container, tanker and bulk vessels. The product range includes 10-40 t winches, 15-50 t cranes and specialized hatch covers designs.

The business unit is operated from Bremen, Germany, and includes two fully owned subsidiaries in Busan, Korea and Dalian, China, as well as the 50% owned, fully consolidated company TTS Hua Hai Ships Equipment Co (THH).

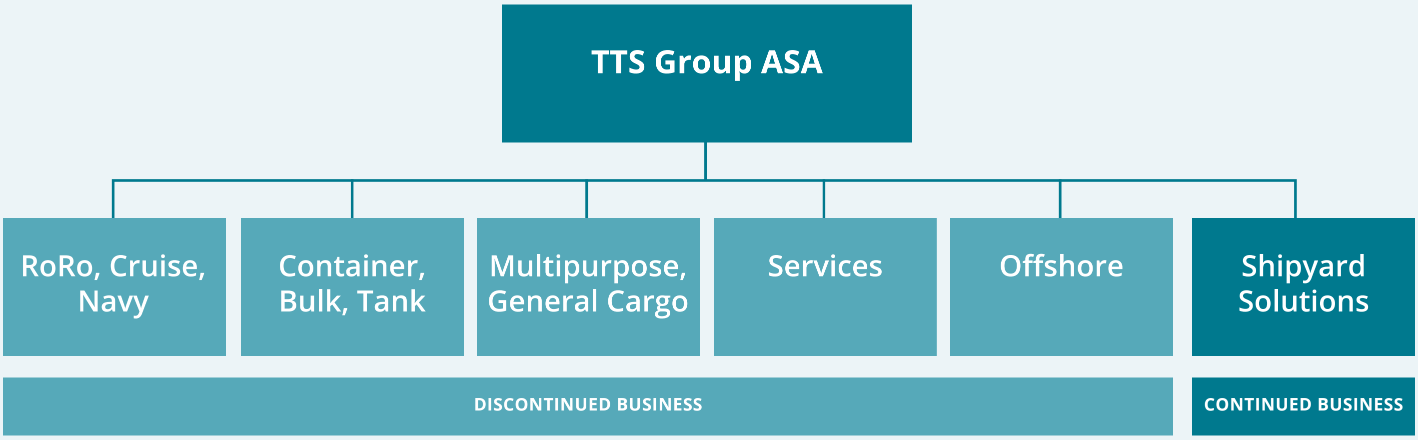
TTS owns 50% of TTS Bohai Machinery Co. Ltd. The company is equity consolidated. Through its control of the 50% owned subsidiary TTS Hua Hai Ships Equipment, TTS holds indirectly a 20% stake in Jiangnan (Nantong) TTS Ships Equipment Co. Ltd.

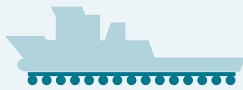


MULTIPURPOSE, GENERAL CARGO

The business unit Multipurpose, General Cargo (BU MPG) delivers support solutions to vessels, which are designed to operate in the multipurpose or general cargo market, requiring specialized operating capabilities. The product range includes 40-2500 t heavy lift cranes, and LEC cranes.

The business unit is operated from Hamburg, Germany and includes the 50% owned, fully consolidated TTS-SCM Marine and Offshore Machinery Co. Ltd. (TSG) in Guangzhou/China.





SERVICES

The business unit Services (BU SER) includes service and after sales for all segments within TTS. This enables TTS to offer service and after sale worldwide for the full range of its products. The business unit is operated from Kristiansand, Norway and includes operations in 12 countries.

OFFSHORE

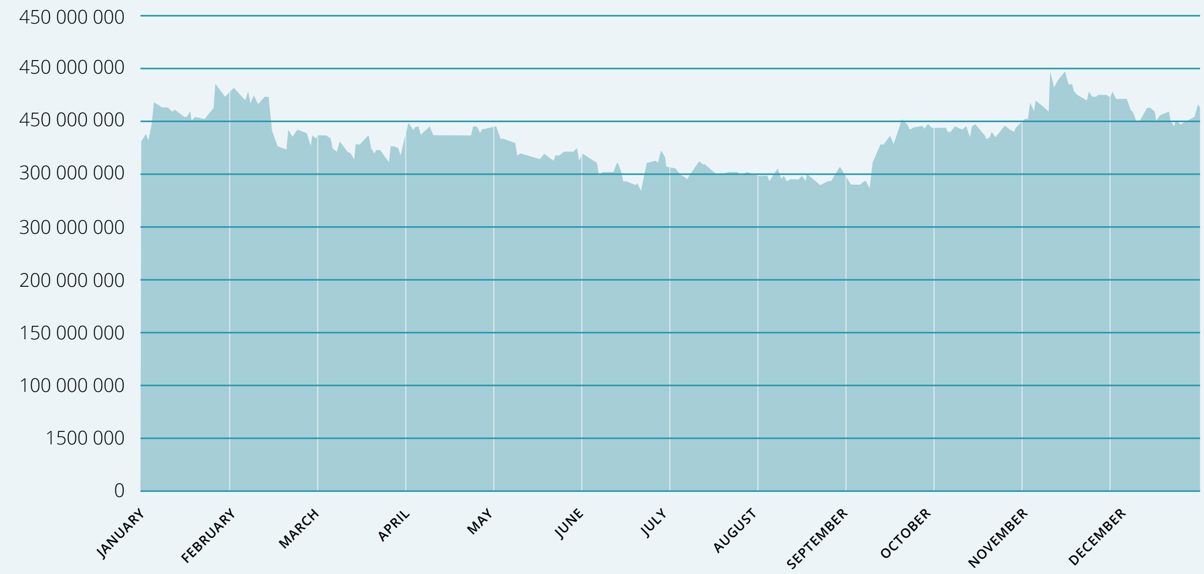
The business unit Offshore (BU OFF) delivers support solutions to the offshore-based oil industry and the supporting service industry. The product range includes 15-50 t offshore cranes, 40-400 t active heave compensated cranes, mooring winches, internal and external covers and doors. The business unit is operated from Bergen, Norway.

SHIPYARD SOLUTIONS

The business unit Shipyard Solutions (BU SYS) offers turnkey and customized solutions for shipyards around the world. The product range includes shiplifting systems for launching and retrievals of vessels, transfer systems for a fast and reliable way of moving vessels around the yard, and the FastDockingTM products for efficient operations during docking and maintenance of vessels. The business unit is operated from Drøbak, Norway.

Shareholder information

MARKET CAPITAL DEVELOPMENT (NOK) 2017



SHARE PRICE PERFORMANCE

Date	Change in shares	Market price (NOK)	Dividend pr. share (NOK)	Earnings per share	Equity per share	P.B	Number of shares ('000)	Market capitalization value (MNOK)
	Subscription public offering	46,00	-				1 911	88
03.05.1995	Introduced at Oslo Stock Exchange	53,00	-				1 911	101
31.12.1995	Share split 1:2	25,24	-	0,05	14,68	1,72	3 822	96
31.12.1996	Private placement	29,26	-	-2,64	12,50	2,34	4 292	126
31.12.1997	Private placement	29,26	-	4,46	11,90	2,46	5 146	151
31.12.1998	Private placement	10,97	-	0,02	11,98	0,92	5 361	59
31.12.1999	Private placement	10,24	-	0,97	13,81	0,74	5 861	60
31.12.2000	Private placement	17,92	-	-0,27	15,31	1,17	6 873	123
31.12.2001	Private placement	12,44	-	0,60	15,05	0,83	6 988	87
31.12.2002	Private placement,	5,67	-	0,83	15,64	0,36	14 846	84
31.12.2003	Private placement	7,56	-	0,04	15,07	0,50	14 846	112
31.12.2004	Private placement	14,13	-	0,70	17,05	0,83	16 315	231
31.12.2005	Private placement	23,43	-	2,19	19,63	1,19	20 116	471
31.12.2006	Private placement	52,90	-	2,92	26,58	1,99	22 493	1 190
31.12.2007	Private placement	73,32	1,00	3,07	36,27	2,02	25 738	1 887
31.12.2008	Private placement	12,47	1,25	1,41	38,18	0,33	25 908	323
31.12.2009	Public placement, NOK 6.00 per share	5,70	-	-5,72	13,78	0,41	67 908	387
31.12.2010	Private placement, NOK 6,00 per share	7,60	-	-2,76	10,76	0,71	74 631	567
31.12.2011	Converted bond debt NOK 9,28 per share	9,47	-	0,30	11,10	0,85	75 691	717
31.12.2012	Converted bond debt NOK 9,28 per share	9,40	5,77	5,47	9,89	0,95	86 606	814
31.12.2013		6,21	1,00	-2,36	6,54	0,95	86 606	538
31.12.2014		4,75	-	0,21	7,05	0,67	86 606	411
31.12.2015		2,79	-	-0,55	7,32	0,38	86 606	242
31.12.2016		3,78	-	-1,40	4,83	0,78	86 606	327
31.12.2017		4,20	-	-0,39	5,25	0,80	86 606	364

20 LARGEST SHAREHOLDERS*)

		Shares	%	Country
1	SKEIE TECHNOLOGY AS	22 655 763	26,1%	NOR
2	RASMUSSENGRUPPEN AS	11 512 506	13,3%	NOR
3	BARRUS CAPITAL AS	5 803 500	6,7%	NOR
4	VINTERSTUA AS	4 840 000	5,6%	NOR
5	SKEIE CAPITAL INVEST	4 203 361	4,8%	NOR
6	DnB NOR MARKETS	3 440 907	4,0%	NOR
7	PIMA AS	2 120 003	2,4%	NOR
8	GMC JUNIOR INVEST AS	1 714 235	2,0%	NOR
9	TIGERSTADEN AS	1 689 720	1,9%	NOR
10	ITLUTION AS	1 475 261	1,7%	NOR
11	FIRST PARTNERS HOLDI	1 461 814	1,7%	NOR
12	TRAPESA AS	1 355 909	1,6%	NOR
13	AVANZA BANK AB	1 235 948	1,4%	SWE
14	SALT VALUE AS	1 070 722	1,2%	NOR
15	DANSKE BANK AS	1 011 604	1,2%	NOR
16	AVANT AS	1 000 000	1,2%	NOR
17	ESPEDAL & CO AS	743 557	0,9%	NOR
18	PHAROS INVEST I AS	675 000	0,8%	NOR
19	GLASTAD CAPITAL AS	668 000	0,8%	NOR
20	SJAP AS	565 000	0,7%	NOR
	Total, 20 largest shareholers	69 242 810	79,7%	
	Other	17 664 660	20,3%	
	Total	**86 907 470**	**100%**	

*) As of 27 April 2018

TRADE IN TTS SHARES

	1.1.2017 - 31.1.2017	Average per trading day
Number of trades	6 349	25
Value (NOK 1000)	185 632	740
Number of shares	42 680	170
Average price	4,35	

FINANCIAL CALENDAR

1Q 2018 Results	8 May
Annual general meeting	31 May
Half year 2018 Results	16 August
3Q 2018 Results	8 November

The Board of Directors

TRYM SKEIE

CHAIRMAN OF THE BOARD

Mr. Skeie (b. 1968) is one of the main founders of Skagerak Venture Capital and Skagerak Maturo Capital, where he currently is a partner. He holds the Chairman of Board of Directors position in several venture and growth companies. Skeie has been working as an Investment Manager with Kistefos Venture Capital, management consultant in Acccenture and as a structural design engineer in Hydralift ASA. Skeie holds a Master of Science (M.Sc.) in Economics and Business Administration from the Norwegian School of Economics (NHH), and a M.Sc. in Civil Engineering from the Norwegian University of Science and Technology (NTH).

Skeie has been Chairman of the Board of TTS Group ASA since November 2009.

BRITT MJELLEM

DIRECTOR OF THE BOARD

Ms Mjellem (b. 1961) is a consultant and independent member of several boards. She has studied Economics and Marketing at the University of Mannheim, Germany. She has previously held senior positions in banking, finance, staffing industry and within oil service. She has extensive board experience including from DOF ASA (2005-2012). She is currently inter alia a Director of the Board in Bertel O. Steen Teknikk AS and in the Great Norwegian Spitsbergen Coal Company.

Mjellem has been Director of the Board of TTS Group ASA since 2016.

GISLE RIKE

DIRECTOR OF THE BOARD

Mr. Rike (b. 1953) is Director of Property in Rasmussengruppen AS, a major shareholder of the Company. He holds an MSC from Norwegian University of Science & Technology (NTH). Rike has various executive management experiences from project management and business development from Rasmussengruppen AS and Maritime Tentech AS.

Rike has been Director of the Board of TTS Group ASA since 2015.

MARIANNE SANDAL

DIRECTOR OF THE BOARD

Ms Sandal (b. 1965) is COO in poLight AS. She holds a Bachelor degree in Mechanical Engineering from Bergen University College. She has further education in economics and management from BI Norwegian Business School. Sandal has various executive management experiences from business development, sales and project management from Nera ASA and Q-free ASA since 1998.

Sandal has been Director of the Board of TTS Group ASA since 2014.

LEIF HAUKOM

DIRECTOR OF THE BOARD

Mr. Haukom (b. 1950) is a consultant and independent member of several boards. He holds a Bachelor degree in Engineering from the University of Agder, and supportive education in economics and management. His 35 years' work experience from the Offshore and Maritime Industry includes Managing Director of Maritime Tentech, Aker Pusnes, and MacGregor Pusnes. Mr. Haukom have a vast broad experience from chairman and board member positions in Norwegian companies and their international subsidiaries.

Haukom has been Director of the Board of TTS Group ASA since 2017.

ANITA KRÅKENES

DIRECTOR OF THE BOARD EMPLOYEE ELECTED

Ms. Kråkenes (b. 1971) is an Administrative Service Coordinator at TTS Marine AS. She joined TTS in 2011, and has previously also worked as a project controller and spare parts coordinator. Kråkenes has a Bachelor in International Marketing from BI and has further qualifications in Psychology and Service Management.

Kråkenes has been employee elected Director of the Board of TTS Group ASA since 2014.

MORTEN AARVIK

DIRECTOR OF THE BOARD EMPLOYEE ELECTED

Mr. Aarvik (b. 1985) is Project engineer at TTS Marine AS in Kristiansand. He has worked for TTS since 2014. Aarvik has a Bachelor in Mechanical Engineering from Høgskolen Stord/Haugesund, and has further qualifications within Marketing communications.

Aarvik has been an employee elected Director of the Board of TTS Group ASA since 2016.

Directors' report

TTS Group ASA announced 8 February 2018 an asset sale agreement with Cargotec Oyj. The sales includes the marine and offshore business units including Services, but with exception of the business unit Shipyard Solutions. When the transaction is completed TTS Group ASA will develop a new strategy, under the name Nekkar ASA, i.a. built around the operations of the remaining business unit Shipyard Solutions.

Considering the challenging market, in 2017 TTS delivered satisfactory operating results. Despite a significant drop in revenue, close to 30%, TTS achieved an slight increase of: 25%, up to 5% in the operational EBITDA margin.

The performance improvements in 2017 are accomplished as a result of the restructuring processes and improvements initiatives executed over the last 18 months. TTS Group is now a leaner, stronger and more focused company.

FINANCIAL HIGHLIGHTS

Due to the process which resulted in the announced Cargotec Oyj transaction, the accounts are restated and presented in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

TTS Group (Total) includes Continued + Discontinued Business, Continued Business consists of TTS Group ASA + BU SYS, Discontinued Business consists of all activities included in the sales agreement with Cargotec Oyj + TTS Liftec Oy (sold).

TTS GROUP (TOTAL)

- Total group revenues was MNOK 2,183, almost 30% lower than in 2016 (MNOK 3,087) . All business units except for Shipyard Solutions experienced a drop in revenues compared to 2016.
- The TTS Group (total) EBITDA for the year, excluding restructuring costs and other non-recurring items was MNOK 117, a MNOK 16 reduction compared to 2016 (MNOK 133), but with a 1.1 percentage point increase in the EBITDA margin to 5.4%. The margin improvement was achieved by reducing operating expenses, where a reduction of approximately MNOK 150 has been realized over the last 18 months.
- The reported EBITDA was MNOK 53 compared to MNOK 70 in 2016. The difference between reported EBITDA and operational EBITDA is included in a table under the review of the annual accounts below.
- The order backlog at the end of 2017 was MNOK 2,802 including 50% of the order backlog of MNOK 111, in equity consolidated investments in TBH (China, 50/50 owned). In 2016 the backlog was MNOK 2,722 including MNOK 221 from TBH.The order backlog extends into 2019 and 2020, and covers more than 85% of the expected 2018 newbuild revenues.
- Agreed sales price for asset sale to Cargotec Oyj is MNOK 840 on cash free/debt free enterprise value basis. Final settlement is subject to working capital and net debt adjustments at closing.
- In February 2017 TTS Liftec Oy in Finland was sold to Novatech ApS in Denmark. The value of the transaction was MEUR 5.8 including net cash, payable at closing, in addition to an earn-out over the next three years.

CONTINUED BUSINESS

Revenues for the continued business was MNOK 211 a MNOK 9 increase from 2016 (MNOK 202). Reported EBITDA was MNOK 11 compared to a loss of MNOK 14 in 2016. The 2016 numbers for Liftec Oy are included in the discontinued business.

Profit before tax for the continued business was MNOK 4 in 2017, compared to a loss of MNOK 17 in 2016. The improvement in profits was a result of improved performance in BU SYS and lower costs in TTS Group ASA. The order backlog for the continued business was MNOK 458 up from MNOK 315 in 2016.

DISCONTINUED BUSINESS

Revenues for the discontinued business was MNOK 1,972 compared to MNOK 2,884 in 2016. Reported EBITDA was MNOK 43 compared to MNOK 84 in 2016. The order backlog for the discontinued businesses was MNOK 2,344 compared to MNOK 2,407 in 2016.

TARGET AND STRATEGY

The main objective for the company has been to develop, design, engineer and supply high-quality handling systems and services for the global marine and offshore industries. Going forward, the company intends to build its operation around Business Unit Shipyard Solutions, with its Syncrolift brand. The company will also seek new investment and corporate venture opportunities building on the heritage of TTS mixed with new industry insight based on digitalization.

The transaction with Cargotec Oyj is subject to approvals from relevant competition authorities. The approval process has started, and approvals are expected within the third quarter of 2018.

After closing of the transaction, the total number of employees in the Group will be reduced to approximately 35-45 of which the majority will be employed in TTS Syncrolift AS ("Syncrolift").

The company has in February 2018 entered into an agreement to acquire 51% of the shares in Intellilift AS, a software company established for developing control systems and visualisation tools for remote operations in the drilling industry and other related industries.

The company will in addition use its access to technology and knowledge clusters in Norway to identify companies, assets, people and technology, which will contribute, to the development in the future. The company will use its stock exchange listing and access to the capital markets to ensure that the balance sheet is sufficiently strong to finance the growth strategy.

OPERATIONS AND BUSINESS UNITS

The TTS Group (Total) runs a worldwide operation and had at the end of 2017 subsidiaries or branch offices in 13 countries: Belgium, China, Dubai, Germany, Greece, Italy, Norway, Poland, Singapore, South Korea, Sweden, USA and Vietnam. In addition, agents represent TTS in several other locations. The Finish subsidiary TTS Liftec Oy was sold in 2017. The operations in Brazil were closed down. The continued business will have a subsidiary in Norway and one in USA.

TTS has organized its operations into six business units. Business unit Shipyard Solutions will be the remaining business unit in the group, and reported as part of the continued business. The business units RoRo/Cruise/Navy, Container/Bulk/Tank, Multipurpose/General Cargo, Offshore and Services are planned sold to Cargotec Oyj and reported as the discontinued business.

Nekkar ASA (Continued Business) will remain headquartered in Bergen, Norway, and conduct its BU SYS operations out of Drøbak, Norway.

CONTINUED BUSINESS

Shipyard Solutions (BU SYS)
BU SYS offers turnkey and customized solutions for shipyards around the world. The product range includes shiplifting systems for launching and retrievals of vessels, transfer systems for a fast and reliable way of moving vessels around the yard, and the FastDockingTM products for efficient operations during docking and maintenance of vessels. The business unit is operated from Drøbak, Norway.

DISCONTINUED BUSINESS

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TTS GROUP

The parent company of the group, TTS Group ASA, is located in Bergen, Norway, and is listed on the Oslo Stock Exchange with the ticker code TTS.

The Group operates on a worldwide basis and had 804 (1013) employees at the end of 2017 of which 21 (39) were temporary. Throughout 2017, staff has been reduced in BU OFF, BU MPG and BU CBT as a result of the restructuring proceses. In addition TTS Liftec Oy in Finland (31 employees) was sold.

38 employees worked for the continued business, 12 in TTS Group ASA and 26 in BU SYS.

GEOGRAPHICAL BREAKDOWN OF EMPLOYEES

COUNTRY	Number of employees	% of Total employees	Employees Cont. Bus.	Employees Discont. Bus.
Norway	171	21,3%	38	132
Germany	150	18,7%		150
China	172	21,4%		172
Sweden	97	12,1%		97
South Korea	72	9,0%		72
Poland	67	8,3%		67
Vietnam	26	3,2%		26
Other	49	6,1%		49
	804	100%	38	766

REVIEW OF THE ANNUAL ACCOUNTS

ANNUAL RESULTS FOR 2017

TTS GROUP	Consolidated		Continued Bus		Discontinued Bus	
MNOK	2017	2016	2017	2016	2017 [3]	2016
Revenue	2183	3 087	211	202	1972	2 884
EBITDA [2]	53	70	11	-14	43	84
Operational EBITDA	117	133	16	-14	101	147
EBITDA margin (%)	2%	2%	5%	-7%	2%	3%
Operational EBITDA margin (%)	5%	4%	8%	-7%	5%	5%
Order intake	2267	2 398	351	418	1916	1 980
Order backlog [1]	2802	2 722	458	315	2344	2 407
EPS (NOK) Total	-0,39	0,08	0,09	0,08	-0,30	-1,31

[1] Order backlog includes 50% of backlog from equity consolidated investments in China.

[2] 2017 EBITDA includes a restructuring cost of MNOK 50, and MNOK 13 in bad debt provision related to an old contract.
2016 EBITDA includes a negative inventory impairment in BUMPG of MNOK 20, and a negative write down in BUCBT of MNOK 43.

[3] TTS Liftec OY, a former part of BUSYS, was sold in 1Q/2017. Profit from the transaction is calculated to MNOK 18,4 and classified as a finance transaction.

TTS GROUP (TOTAL)

Group revenues were MNOK 2,183 down 29.4% from 2016 (MNOK 3,087). Compared to 2016, revenues were significantly down in all business units except for Shipyard Solutions, which increased revenues with 14%. The continuation of the adverse market conditions for both the marine and offshore industries was the main reason for the reduction in revenues for the other business units.

The gross margin adjusted for restructuring costs and bad debt provisions was maintained in 2017 despite lower revenues, and operating costs were significantly reduced from 2016. However, EBITDA was impacted by MNOK 50 in restructuring charges and MNOK 13 in bad debt provisions related to an old contract. Reported EBITDA was MNOK 53 compared to an operational EBITDA of MNOK 117 (see table below for an overview of the adjustments between reported EBITDA and operational EBITDA. Ref note 33 for alternative performance measures).

For 2016, reported EBITDA was MNOK 70 and operational EBITDA MNOK 133.

OVERVIEW RESTRUCTURING AND NON-RECURRING COSTS

Overview restructuring and non-recurring costs	Full year	
MNOK	2017	2016
Inventory write down BUMPG		20
Impairment Jiangnan BUCBT		43
Restructuring charges BUMPG	32	
Restructuring charges BUSER	11	
Restructuring charges BUOFF	3	
Restructuring charges TTS Group ASA	5	
Bad debt provision for BUMPG/BUCBT	13	
Total restructuring and non-recurring costs	**64**	**63**

The Group's total net finance cost in 2017 was MNOK 19, a decrease from MNOK 25 in 2016. The decrease in finance cost is mainly explained by a profit related to the sale of TTS Liftec Oy, as foreign exchange fluctuations were neutral, and net interest costs about the same level as in 2016.

CONTINUED BUSINESS

Total revenue for the continued business in 2017 were MNOK 211 compared to MNOK 202 in 2016. The revenue from the continued business comes mainly from BU SYS. The EBITDA of MNOK 11 was MNOK 25 higher than in 2016. MNOK 13 was related to improved results in BU SYS. MNOK 12 was related to lower costs in TTS Group ASA.

DISCONTINUED BUSINESS

Total revenue for the discontinued business in 2017 was MNOK 1,972, compared to MNOK 2,885 in 2016. Reported EBITDA was MNOK 43 compared to MNOK 84 in 2016. All business units generated lower revenues than in 2016. The results in BU MPG, BU OFF, BU CBT and BU SER were adversely impacted by restructuring and non-recurring costs.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The balance sheet has been reclassified in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. It should be noted that all balance sheet items regarding the discontinued business are captured in the assets held for sale line and liabilities held for sale.

Total assets at the end 2017 were MNOK 2,328, of which MNOK 1,940 was Assets held for Sale. Total assets were MNOK 2,175 in 2016. The increase of MNOK 156 was mainly due to reduced working capital and increase in bank deposits.

The net working capital was MNOK 31, compared to MNOK 124 at the end of 2016.

Net interest-bearing debt decreased from MNOK 294 in 2016 to MNOK 200 in 2017. Consolidation of the 50% owned subsidiaries THH and TTS SCM represents a reduction in the reported net interest-bearing debt of MNOK 165.

In December 2016, TTS agreed with Nordea and DNB on new credit and guarantee facility arrangements, which in principle represent an extension of previous agreements. The extended agreements expire 1 January 2019.

At the end of 2017, the TTS Group (total) has available MNOK 44 from the MNOK 200 overdraft facility with Nordea. In addition to the MNOK 156 drawn from the overdraft facility, the group has term loan facilities with Nordea of MNOK 100, and with DNB of MNOK 173. TTS Group repaid MNOK 25 related to the term loan facilities in 2017, and will pay MNOK 12,5 each quarter during 2018. The debt to the banks will, as a condition for approval of the transaction, be repaid in full at the time the asset sale to Cargotec Oyj is closed.

The term loan facilities are not a part of the transaction with Cargotec Oyj, and are classified as short-term debt as of 31 December 2017 due to the condition that the debt will be repaid at the time of the closing of the transaction.

Net overdraft facilities from Nordea and DNB constitutes a net debt of MNOK 72. Due to terms and conditions in the agreement with Cargotec, the overdraft facilities from Nordea and DNB is presented as cash and cash equivalents of MNOK 261, and liabilities held for sale of MNOK 333.

In March 2017, the bondholders agreed to an extension of the subordinated convertible bond (the Bond) until 18 January 2019. As a part of the extension MNOK 2 bonds was bought back and deleted, and the extended bond loan is MNOK 93.

The TTS Group ASA Extraordinary General Assembly approved the extension on 30 March 2017. There were no conversions in the Bond in 2017.

The bond debt is classified as short term debt as per 31 December 2017. The bond debt has been reclassified to short-term debt as the bond covenants states that the loan shall be repaid at the same time as the company's bank loans.

Financial fixed assets were MNOK 0 at the end of 2017, compared to MNOK 29 at the end of 2016. The assets consisting of TTS Group's investments in the equity accounted investments in China have been reclassified to "Asstes held for sale" in accordance with IFRS 5.

The Group's net deferred tax asset was MNOK 19 at the end of 2017, consisting of gross deferred tax assets of MNOK 19 and gross deferred tax liability of MNOK 0.

The reporting currency of TTS is NOK (Norwegian krone). As substantial parts of both income and expenses are denominated in foreign currencies, fluctuating foreign exchange rates may affect the group's operating results. TTS therefore works on reducing its exposure to currency fluctuations by using hedging instruments. For additional information, please refer to the Accounting principles, section 3.1a.

The annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors affirms that the accounts provide a true and fair view of the company's financial position as of December 31 2017. The Board of Directors is not aware of any unreported events occurring subsequent to the balance sheet date of 31 December 2017 that may be of material significance to the TTS Group, or to the annual accounts of 2017. See Note 31; Subsequent events, for further information.

At the end of 2017, the TTS Group ASA had a share capital of NOK 9,526,623, divided into 86,605,660 shares at 0.11 each. The company holds 112,882 own shares.

CASH FLOW

TTS GROUP (TOTAL)

TTS Group reported a positive cash flow of MNOK 69 in 2017, compared to a negative cash flow of MNOK 221 in 2016.

Cash flow from operations was positive MNOK 84 compared to the negative cash generation of MNOK 94 in 2016. The improvement in cash generation was related to positive development in the working capital mainly related to prepayments for projects.

Net cash flow from investment activities in 2017 was positive MNOK 53, compared to MNOK 0 in 2016. The positive cash flow originated from the sale of TTS Liftec Oy, which was completed in 2017.

In 2017, net cash flow from financing activities was negative MNOK 68 compared to a negative MNOK 126 in 2016, The main difference was related to 2016 dividends paid to minority shareholders of the 50% owned companies MNOK 52. Net interest paid was MNOK 31, and reduced drawdown of bank overdrafts and other debt were MNOK 31.

The cash position for the Group at the end of 2017 was MNOK 236 compared to MNOK 176 in 2016.

Net interest-bearing debt decreased from MNOK 294 in 2016 to MNOK 207 in 2017. Consolidation of the 50% owned subsidiaries THH and TTS SCM represents a reduction in the reported net interest-bearing debt of MNOK 165.

TTS paid no dividends to its shareholders in 2017.

CONTINUED BUSINESS

Due to the terms in the asset sale agreement, the group financing through the cash pool arrangement, cash pool balances have not been eliminated between continued and discontinued business. The reason for this is that each company will be responsible for refinancing the cash pool receivables/liabilities post transaction. As a result, the cash balance for the continued business includes a net positive cash pool position of MNOK 261.

DISCONTINUED BUSINESS

Reference is made to the explanation above regarding the cash flow for continued and discontinued business. The cash balance for the discontinued business includes a net positive position of MNOK 235.

RESEARCH AND DEVELOPMENT

Total capitalized investment in R&D in discontinued operations in 2017 was MNOK 6 (2016 MNOK 2). At the end of 2017, net R&D in the balance sheet was MNOK 9 (2016 MNOK 12). Cost of development activities within specific projects is charged to the P&L as operating costs.

In May, it was announced that TTS Group and Ulstein have joined forces in providing 3D motion compensated cranes to the offshore industry. This collaboration has resulted in the contract for a TTS Colibri™ motion compensated crane.

ORDER BACKLOG

The order backlog at the end of 2017 was MNOK 2,802, up from MNOK 2,722 at the end of 2016. The figure includes 50% of the order backlog of TBH in China. BU RCN and BU SYS had a positive order book development partially offset by a reduction in BU CBT.

The order backlog for the continued business was MNOK 458 up from MNOK 315 in 2016.

The order backlog for the discontinued business was MNOK 2,344 down from MNOK 2407 in 2016.

GOING CONCERN

As of 31 December 2017, the equity was 26.1%, compared to 28.3% in 2016. When including the subordinated convertible loan, the equity ratio was 30.1% (2016: 32.7%). Net interest-bearing debt amounted to MNOK 200, including the nominal value of the bond.

The Group's financial objective is to have sufficient cash reserves or credit lines to be able to, at any time, finance operations and investments throughout the year, in accordance with the Group's strategy plan. The Group has guarantee and overdraft facilities with Nordea and DNB, which mature on 1 January 2019. The Group's bond loan expires on 18 January 2019.The bank and bond debt will be repaid at the closing of the transaction with Cargotec Oyj.

In accordance with Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared based on the going concern assumption and that the requirements for the continued business are fulfilled.

BUSINESS UNITS

CONTINUED BUSINESS

Shipyard Solutions (BU SYS)
BU SYS generated revenues of MNOK 204 compared to MNOK 189 in 2016. The EBITDA of MNOK 31 were MNOK 3 higher than in 2016.

The business unit continued to perform well, and achieved a 15% EBITDA margin, which is a significant improvement compared to previous years.

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) [1]	Full year	
MNOK	2017	2016
Revenue [1]	204	189
EBITDA [1]	31	28
Operational EBITDA	31	28
EBITDA margin (%)	15%	15%
Operational EBITDA margin (%)	15%	15%
Order backlog [1]	458	315

[1] 2016: excl. Liftec Oy.

DISCONTINUED BUSINESS

The discontinued business units are RoRo/Cruise/Navy, Container/Bulk/Tank, Offshore, Multipurpose/General Cargo, and Services.

RoRo/Cruise/Navy (BU RCN)
BU RCN experienced a difficult start in 2017 with low activity levels and order book. 2017 revenues of MNOK 298 were 46% lower than MNOK 555 in 2016. The EBITDA of MNOK 5 was MNOK 10 lower than in 2016. However, considering the significant reduction in revenues, the operating performance improved as positive results of improvements in project execution and lower operating expenses due to cost savings were realized.

The order backlog at the end of 2017 was MNOK 910, compared to MOK 652 in 2016

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.

RORO, CRUISE, NAVY (RCN)	Full year	
MNOK	2017	2016
Revenue	298	555
EBITDA	5	15
Operational EBITDA	5	15
EBITDA margin (%)	1,6%	2,7%
Operational EBITDA margin (%)	1,7%	2,7%
Order backlog	910	652

Container/Bulk/Tank (BU CBT)
The operational EBITDA was MNOK 77 compared to MNOK 64 in 2016, despite reduction in revenues, from MNOK 1138 in 2016 to MNOK 894. Higher margins and lower operating costs more than offset the impact of lower revenues

The order backlog was MNOK 929 compared to MNOK 1403 in 2016 [1]. The reduction was mainly a result of low activity in the bulk market. The market improved during the last part of 2017. Activity levels are expected to improve throughout 2018.

CONTAINER, BULK, TANK (CBT)	Full year	
MNOK	2017	2016
Revenue	894	1 138
EBITDA [2]	77	21
Operational EBITDA	77	64
EBITDA margin (%)	9%	2%
Operational EBITDA margin (%)	9%	6%
Order backlog [1]	929	1 403

[1] Order backlog includes 50% of order reserve in equity consolidated investments in China.

[2] One off effect from impairment of TTS Jiangnan included in 2016 by MNOK 43.

Offshore (BU OFF)
BU OFF generated revenues of MNOK 142 in 2017, which were 37% lower than the MNOK 226 in 2016. Operational YTD EBITDA of MNOK -13 was MNOK 17 lower than last year.

The order backlog was MNOK 94 at the end of 2017 vs MNOK 150 in 2016. The BU is experiencing a moderate increase in market activity particularly related to handling equipment.

OFFSHORE (OFF)	Full year	
MNOK	2017	2016
Revenue	142	226
EBITDA [1]	-16	4
Operational EBITDA	-13	4
EBITDA margin (%)	-11%	2%
Operational EBITDA margin (%)	-9%	2%
Order backlog	94	150

[1] 2017 EBITDA includes restructuring costs of MNOK 3.

Multipurpose/General Cargo (BU MPG)
2017 revenues of MNOK 127 were down by more than 60% from MNOK 322 in 2016. The reduction in revenues were a result of the low order book at the beginning of 2017 and the continuation of a difficult market for heavy lift vessels.

BU MPG continued the restructuring process, which commenced in 2016 with the purpose of adjusting capacity to activity levels and reduce costs. A MNOK 32 in restructuring charge related to the close down of the German manufacturing setup was incurred in the first quarter of 2017, and a MNOK 10 bad debt provision related to an old contract was charged in the fourth quarter of the year. The resulting YTD EBITDA was MNOK -62 compared to MNOK -24 in 2016.

The order backlog of MNOK 412 is approximately 100% higher than in 2016, but the risk of further delays or cancellations of ongoing heavy lift projects remain high, and might affect performance.

MULTIPURPOSE, GENERAL CARGO (MPG)	Full year	
MNOK	2017	2016
Revenue	127	322
EBITDA [1]	-62	-24
Operational EBITDA	-31	-4
EBITDA margin (%)	-49%	-8%
Operational EBITDA margin (%)	-24%	-1%
Order backlog	412	205

[1] 2017 EBITDA includes restructuring cost of MNOK 32.

[1] 2016 EBITDA includes an inventory impairment of MNOK 20.

Services (BU SER)
In 2017, revenues were MNOK 507 compared to MNOK 533 in 2016. The reduction was mainly related to the relatively low activity levels in the first and last quarters of the year. The service margins were impacted by tough competition. In addition BU SER completed a restructuring process to improve operating performance. Hence, the EBITDA of MNOK 27 was a result of margin pressure, lower activity levels, and MNOK 11 of restructuring costs.

The outlook for the service market remains challenging due to local and global competition. 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, which have been implemented.

SERVICES (SER)	Full year	
MNOK	2017	2016
Revenue	507	533
EBITDA [1]	27	42
Operational EBITDA	38	42
EBITDA margin (%)	5%	8%
Operational EBITDA margin (%)	7%	8%
Order backlog	0	

[1] 2017 EBITDA includes restructuring cost of MNOK 11.

RISK FACTORS AND RISK MANAGEMENT

The TTS Group is exposed to various markets, financial and operational risks.

The Board of Directors reviews operating reports from management on a monthly basis. In addition to the continuous risk mitigation, the Board of Directors and the management carry out specific risk analyses in connection with major investments and contracts. Specific risk areas or projects are continuously monitored.

The risk for the Group will change after the transaction with Cargotec Oyj has closed. The company will initially be mainly exposed to the shipyard business. The business will be more focused, and is planned to be funded with cash flow from operations

MARKET RISKS

There is a number of risks related to the market development for TTS' products and services.

CONTINUED BUSINESS

BU SYS is the main business of the company after closing of the transaction with Cargotec Oyj. The activity in the market is depending on the construction of new shipyards, and upgrade of existing ship yards, which is suitable for the Syncrolift© systems and solutions.

At the beginning of 2018, BU SYS has secured an order backlog for its 2018 new building business. Scheduled deliveries for the current project portfolio extends into 2020.

DISCONTINUED BUSINESS

TTS monitors market risks through its extensive sales network, a number of enquiries, and by monitoring relevant available information on trends such as world trade, the number of vessels contracted, shipyard utilization indicators, charter development, investment trends as well as prices of oil and other raw materials.

The contracting of new vessels – both merchant vessels and specialized vessels – represents the most significant market risk factor for the discontinued businesses. The level of contracting activity impacts both the total business volume and margins for the main products and solutions. Services and after-sales are to a larger degree affected by the development in freight rates, legislative changes and the general development of supply and demand in the marine market, rather than the contracting activity.

At the beginning of 2018, the TTS Group has secured an order backlog for most of its new building business. Scheduled deliveries for the majority of the current contract obligations normally range from three months to two years. For all TTS' business units, uncertainties related to the global economy, the oil price and the credit market indicate risks relating to the cancellation or postponement of orders.

FINANCIAL RISKS

TTS is exposed to credit, liquidity and currency-related risks, and has adopted an active approach to manage risk in the financial market. The aim of the group's financial strategy is to be sufficiently robust to withstand adverse conditions. The financial risk profile of the company is expected to change after completion of the transaction with Cargotec Oyj. The financial risks related to credit, liquidity and currency are in line with the description below.

Credit risks represent potential financial losses stemming from contractual partners' failure to fulfil their contractual obligations. Developments in the global economy in general and in the marine and offshore businesses specifically have historically resulted in only modest losses of payments from customers. However, with the understanding that substantial credit risks can be present, the TTS Group has taken measures to limit these risks through evaluating the financial strength of its contract partners, restricting credit and utilizing mechanisms to secure payments, such as letters of credit. TTS works continuously to limit its exposure to credit risks.

At the end of 2017, the group meets both the covenants for the debt facilities with Nordea and DNB, equity >25%, NIBD/EBITDA 4.00, and liquidity reserve > MNOK 50.

The covenants for both equity ratio and EBITDA related to the debt facilities with Nordea and DNB were renegotiated when the bank and bond facilities were renewed in December 2016.

The table below shows the applicable covenants for 2017 and 2018:

Bank loan convenants	1Q 2017-3Q 2017	4Q 2017	1Q 2018 - 4Q 2018
NIBD [1]/EBITDA [2] maximum	4,25	4	3
Equity [3] minimum	24%	24%	25%
Minimum liquidity reserve	MNOK 50	MNOK 50	MNOK 50

[1] NIBD = Net interest bearing debt, excluding subordinated convertible bond loan, and including 50% of cash from 50% owned consolidated subsidiaries

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

[3] Equity, inclduing subordintated convertible bond loan

The liquidity risk is the risk that TTS may be unable to meet short-term financial demands and fulfill its obligations as they fall due. To reduce this risk, the TTS Group operates a cash pool arrangement involving the majority of the enterprises within the group. The purpose is to optimize group cash flow, and the arrangement includes the group's overdraft facilities. In total, this pool set-up enables optimal cash flow control on group level.

On a monthly basis, the TTS Group prepares a 12-month cash forecast to predict liquidity requirements. On 31 December 2017, the TTS Group had utilized MNOK 156 of its total overdraft facility of MNOK 200. The Group's overall cash position was satisfactory as excess liquidity was available outside the cash pool.

In March 2017, the bondholders agreed to an extension of the subordinated convertible debt until 18 January 2019. As part of the extension MNOK 2 bonds were bought back and deleted, and the extended bond loan is MNOK 93. The TTS Group ASA Extraordinary General Assembly approved the extension on 30 March 2017.

Relating to currency risks, TTS' policy is to hedge all significant currency contracts. The currency hedging is performed on firm contracts for sale or purchase in currencies other than the functional currency of the TTS unit entering into the contract. These hedging contracts qualify as hedging of firm commitments in accordance with IAS39. Furthermore, TTS Group is exposed to the currency effects of the group's net investments in foreign subsidiaries and joint controlled entities.

CONTINUED BUSINESS

Credit risk: No major change to the description above, and mitigating measures applies.

Liquidity risk: TTS is currently financed through equity and external debt. The external debt will, as a condition for approval, be repaid to the banks and bond holders at the time of the closing of the transaction. The company expects to be debt free post transaction, and is expected to finance its business with cash flow from operations. The company will in addition through its access to capital markets have the option to finance activities throught equity or debt based on changes to the financing requirements at any point in time.

Currency risk: No major change to the description above, and mitigating measures applies

OPERATIONAL RISKS

The TTS Group's deliveries are primarily conducted and organized in the form of projects. The operational risks of projects are largely related to deliveries from sub suppliers, project management, and customer related issues.

During the tender phase, projects undergo thorough risk assessment in order to identify and mitigate any potential technical and commercial risk involved. Furthermore, projects are evaluated in order to calculate additional risk areas and the level of contingency required. Measures have been implemented to ensure that all projects are being satisfactorily assessed both prior to signing the contracts and during the execution. One key initiative has been the strengthening of the bid review process, where all major risks are evaluated before a binding offer is sent to potential customers. The bid review process includes i.e. review by TTS Group management of bids above MNOK 25 and Board of Directors review of bids above MNOK 100. TTS has additionally improved the contract review process to ensure that contractual risk for both supply and customer contracts is acceptable and in accordance with company guidelines.

TTS will continue to focus on improving its risk monitoring and assessment tools, as well as its project management tools. Measures are taken to ensure that all companies within the group review progress and risk mitigation regularly during project execution.

CONTINUED BUSINESS

No major change to the description above, and mitigating measures applies.

CORPORATE SOCIAL RESPONSIBILITY (TOTAL)

TTS is part of an international industry where what is good for the globe and the people, and what is good for business are more closely intertwined than ever. Our ability to create value is dependent on promoting and maintaining the highest ethical standards to create a trust-based relationship with our employees, our owners, our business partners, our communities and other stakeholders.

TTS is dedicated to conducting our activities in an ethical and responsible way; aiming at sustainable development for employees, customers, investors and the communities in which TTS operates. Our policies for corporate social responsibility encompass QHSE, business ethics, support for human and employee rights and anti-corruption measures.

TTS has enterprises in 13 countries and operates in diverse cultural contexts. While committed to respecting local culture, TTS takes care always to employ the highest standards of ethical conduct and business behavior. TTS stresses the importance of legal compliance at local, national and international levels.

As a global corporation, TTS is committed to follow OECD's Guidelines for Multinational Enterprises and contributing to the improvement of international business standards and practices, especially with regard to questions of corruption, labor relations and the global environment. TTS performs in a manner that respects the human rights as set out in the UN's Universal Declaration of Human Rights and the core conventions of the International Labour Organization.

TTS has stated that the 10 principles about Corporate Social Responsibility ("CSR") related to human rights, employee rights, the environment and anti-corruption of the UN Global Compact shall be normative for the group's operations.

TTS gives high priority to creating a working environment where employees thrive and develop as humans and professionals. We support our workers' opportunities to exercise their employee rights and to organize through trade and labor unions, and we facilitate annual meetings for global employee representatives. TTS is also a strong advocate for equal rights for all employees regardless of gender, sexual orientation, disability, ethnicity, religion or political orientation.

For more than 15 years, TTS has built its reputation around the fundamentals embodied in the booklet "The Spirit of TTS", which encompasses company vision and strategy, corporate values and ethical and other guidelines for management and employees. In 2017 our Ethical guidelines were revised, and the Board of Directors adopted the TTS "Code of Conduct".

This Code of Conduct has been adopted to describe TTS' ethical commitments and requirements. It sets expectations to personal conduct and business practice. The Code includes our most important ethical principles, and provides some references to more detailed requirements for expected business and personal conduct. In addition to the English version, the Code of Conduct is translated to Chinese, German, Korean, Polish, Swedish and Vietnamese.

The Code applies to all TTS' companies, board members, directors, management and employees, including temporary personnel and consultants or contractors that act on TTS' behalf.

We expect all of our business partners to abide by similar or more stringent principles in their own operations to those outlined in this Code. TTS aims for this Code to be well known by all our business partners, including but not limited to our customers and suppliers.

TTS has zero tolerance for corruption and encourages its employees to "blow the whistle" when suspecting infringements. An internet based anonymous whistle-blower channel is made available, lowering the threshold for reporting misconduct to a minimum.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE) (TOTAL)

The Board of Directors believes that a proactive QHSE policy is a precondition for the successful development of a long-term sustainable and profitable business for the benefit of customers, employees and shareholders. The TTS Group therefore never compromises on issues of quality and safety, and has committed itself to a zero-harm-and-fault policy.

TTS always operates with worker safety and environmental sensitivity at the forefront, and supports a company culture characterized by strong day-to-day compliance with high QHSE standards. Our QHSE ambition is to cause no harm to people or to the environment, to prevent accidents and damages to property and to avoid faults and non-conformities that may influence the quality of our deliveries.

The Group comprises a range of companies that differ in size, operate in different business segments and face different legislative systems. The Board of Directors advocates a consistent HSE policy at corporate level, and common HSE reporting procedures are applied.

The Group also welcomes a general, global tendency towards more stringent HSE requirements from a growing number of customers, contributing to fairer competition based on quality, experience, efficiency and technology, and not on compromising on safety.

All employees are accountable for contributing to their own health, safety and wellbeing as well as that of their colleagues. Managers at all levels, however, have a special responsibility to monitor and mitigate any safety risks and to contribute to the improvement of management systems and TTS' QHSE performance.

TTS' Quality Management Group (QMG) at corporate level is responsible for establishing, implementing and enforcing common quality parameters throughout the group. A common quality management system was implemented in 2017, and will be further developed.

In 2017, QMG has focused on further improving non-conformity reporting and Group KPIs. QMG has also supported the implementation of Product Lifecycle Management. Furthermore, QMG has together with TTS Strategic Sourcing Group (SSG) enforced common routines for follow up and selecting partners, subcontractors and suppliers. QMG is well established within TTS and involved in several of the continuous improvements projects of TTS.

To create a common basis for the Group's future development, TTS encourages the exchange of views between CEO, management and employee representatives. The CEO holds an annual meeting for employee representatives and management where management policies, business plans and more detailed measures are openly discussed.

THE ENVIRONMENT

The TTS Group takes care to avoid any negative impact of its operations on the physical environment. Our activities related to design, engineering and sales have very limited impact on the external environment. TTS also conducts service and support activities as well as the assembly and testing of equipment based on a very limited use of chemicals that may be harmful to human health or to the environment. At our main manufacturing facilities, continuous measures are taken to ensure that operations are conducted in accordance with all applicable environmental standards.

The products delivered by TTS are mainly electro-hydraulically powered, and their use represents limited risks of environmental pollution. The TTS Group's operations are not regulated by any licenses or regulatory orders.

The TTS Group's target markets are the marine and offshore industries. Shipping is generally recognized to be among the most environmental-friendly ways of transportation; nevertheless, we have to acknowledge the fact that seaborne transportation is a major source of pollution. Therefore, we emphasize developing material handling and passenger access solutions targeted towards improving energy efficiency, saving fuel and reducing emissions. All-electric shell door and drive systems for cruise ships and new technology for environmentally safe scrapping are among our contributions to a greener shipping industry.

PEOPLE AND ORGANIZATION (TOTAL)

In July 2017 Mette Harv was appointed Executive Vice President for BU OFF and BU MPG. In August 2017 Leiv Kallestad was appointed Chief Financial Officer of TTS Group ASA.

THE DIFFERENT BUSINESS UNITS ARE MANAGED BY THE FOLLOWING EXECUTIVES:

CONTINUED BUSINESS

- Shipyards Solutions:
  General manager Rolf Atle Tomassen

DISCONTINUED

- RoRo/Cruise/Navy:
  Executive Vice President Björn Rosén
- Container/Bulk/Tank:
  Executive Vice President Holger Elies
- Offshore: Executive
  Vice President Mette Harv
- Multipurpose/General Cargo:
  Executive Vice President Mette Harv
- Services:
  Executive Vice President Trond Larsen

The TTS Group had 804 employees at the end of 2017, including 21 hired employees on a temporary basis. In order to adjust the workforce to the current difficult market conditions further workforce reductions were implemented in BU MPG, BU OFF and BU CBT in 2017. All downsizing was done in accordance with the jurisdiction applicable to the relevant site, and in cooperation with the employees' representatives.

The skilled and dedicated workers of TTS are the group's most important success factor, and the Board of Directors wishes to express their gratitude to all employees for their contribution to the company's improvement in 2017.

TTS experienced 2 workplace incidents resulting in the need for medical treatment in 2017, down from 13 in 2016. This indicates that TTS' strong focus on risk awareness and mitigation pays off, and the Board of Directors urges the management to continue promoting a culture of workplace injury prevention. The number of Lost Time Incidents was 5 in 2017 (3 in 2016). Reported absence due to illness was 3.5% (3.3% in 2016).

TTS conducted in 2017 a Global Employee Survey encompassing all TTS entities. The purpose of the survey is to identify employee engagement and the underlying factors influencing the overall satisfaction with working for TTS. Based on results action plans were made and followed up.

The TTS Group continuously works towards ensuring a healthy and motivating working environment for its employees. As an international corporation that operates within very different cultural contexts, TTS has invested considerable resources in establishing cross-border connections between managers and employees. In all of the group's units and subsidiaries, efforts are made to encourage joint corporate culture based on the core values described above.

EQUAL OPPORTUNITIES

TTS promotes a working environment that offers equal rights, equal treatment and equal opportunities to everyone regardless of gender, religion and ethnic background. It is an important goal that all employees experience equal possibilities regarding their professional and personal development.

Engineers make up the majority of TTS' workforce and represent a profession where women are traditionally underrepresented. The challenge of attracting women to the field is reflected by the fact that women constituted 20% of the workforce in 2017 (20,5% 2016). Consequently, the Board of Directors consider it important for TTS to map out a recruitment policy with a special eye for measures to attract women.

The CEO of TTS is female. Two of the corporate management team's eleven members are female, including the CEO. Three of the seven members of the Board of Directors of the Group ASA are female.

Pursuant to the law prohibiting discrimination based on disabilities (the Norwegian Anti-Discrimination and Accessibility Act), TTS has made efforts to locate operations and implement office layout in a manner that enhances accessibility for everybody. It is also the company's policy to make reasonable workplace accommodations in order to meet the needs of employees with hearing or sight impairments.

BOARD OF DIRECTORS

The Bord of Directors consists of Trym Skeie (Chairman), Leif Haukom, Marianne Sandal, Britt Mjellem, Gisle Rike, Anita Kråkenes (employee elected) and Morten Aarvik (employee elected).

At the Annual General Meeting held in June 2017, Leif Haukom was appointed director, whilst Gisle Rike was reelected.

AUDITORS

KPMG was re-elected as the TTS Group ASA's auditors for 2017.

Board statement on corporate governance
The TTS Group's Board of Directors adheres to good corporate governance standards and uses the Norwegian Code of Practice for Corporate Governance actively as a guideline. A more detailed account of the applicable principles for corporate governance is provided as a separate Corporate Governance section in the annual report. Resolutions from the General Meeting can be found at the company's website, www.ttsgroup.com.

SHAREHOLDER STRUCTURE AND LIMITATION

The shares of the TTS Group ASA are publicly traded at the Oslo Stock Exchange, where the company trades under the ticker code TTS. All shares are identified by the owner's name. As reflected in the company's Articles of Association, there are no restrictions to voting or to the transfer of share ownership, nor are there any mechanisms in effect aimed at preventing takeovers. The TTS Group ASA has one class of shares, and each share confers one vote at the General Meeting. There is no specific representation – neither individually nor jointly – for shares owned by employees of TTS.

Most of the agreements that the company has entered into with financial institutions are based on the condition that TTS Group ASA is listed at Oslo Stock Exchange.

CAPITAL STRUCTURE

Total group equity at the end of 2017 was MNOK 607, of which MNOK 456 was attributable to the majority and MNOK 151 was attributable to the non-controlling interests of partly owned subsidiaries.

The parent company, TTS Group ASA, reports a net profit of MNOK 136 and an operating loss of MNOK 21 for the year 2017. For the year 2016, there was a net loss of MNOK 241, and the operating loss was MNOK 35.

At the end of 2017, the equity in TTS Group ASA was MNOK 433 of which MNOK 159 was share premium capital and MNOK 275 other equity. For 2016, the equity was MNOK 297, of which MNOK 159 was restricted capital and MNOK 138 other equity.

In 2017, parent company net cash flow from operating activities was MNOK -21, net cash flow from investments MNOK 77, and net cash flow from financing MNOK -56. For 2016 the net cash flow from operating activities was MNOK -69, net cash flow from investments MNOK 15, and net cash flow from financing activities MNOK 54.

In addition, the company has a positive cash pool position in the Group cash pool arrangement of MNOK 165.4 (147.0), which is presented as intra-group receivable. Cash and cash equivalents at the end of 2017 was MNOK 0.4, and MNOK 0.3 at the end of 2016.

There were 12 employees in the company at the end of 2017 and 15 at the end of 2016.

TTS Group ASA follows the same principles and guidelines with respect to promoting equal opportunities for its employees.

The financial performance of the group is not strong although improving. The Board of Directors will propose no dividend payment for the year 2017. The net result for the year is proposed to be transferred to other equity.

OUTLOOK

The newbuilding activity has increased throughout the latter part of 2017 and into 2018, particularly for bulk and tank. Although the offshore market remains weak, there are some signs of improvement.

For BU SYS, the continued business of TTS, the outlook is solid. The ongoing business is running well, the order backlog is strong, and the activity in the market is good.

For the discontinued businesses, the outlook has improved. It is particularly applicable for BU CBT, but also BU OFF has experienced a moderate increase in activity represented by new orders and an improved hot offer list. However, the recovery is slow, and there is still risk for delays and cancellations, especially for BU MPG. For the service market (BU SER) there are signs of improvement and increased activities. 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.

TTS will in the coming months prepare a strategy and business plan for the continued business. The new strategy will be presented shortly after closing of the transaction.

The order backlog at the end of the quarter was MNOK 2,802 (continued business MNOK 458, discontinued businesses MNOK 2,344). Expected revenues from BU SER is not included in the Group's reported order backlog.

This report is stated on the basis that the transaction with Cargotec Oyj will be completed. The Board of Directors will propose a significant dividend to the shareholders when the transaction is completed.

Bergen, 27 April 2018
TTS Group ASA

Trym Skeie
Chairman of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Anita Kråkenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Corporate Governance

TTS Group ASA (TTS) follows The Norwegian Code of Practice for Corporate Governance (NUES), dated 30 October 2014, as guidelines for its work. The following principles for corporate governance have been adopted by the Board of TTS Group ASA:

1. REVIEW OF CORPORATE GOVERNANCE

TTS' principles of corporate governance aim to clarify the roles of the shareholders, Board of Directors and management beyond following rules and regulations. These principles constitute a part of the company's annual report.

"The Spirit of TTS" is available on the company's website, www.ttsgroup.com, and describes our 1) Vision and Strategy, 2) Corporate Culture and Core Values, 3) Management, and 4) Ethical Guidelines. Additionally, the company has approved more specific guidelines for Corporate Social Responsibility ("CSR") based on the UN Global Compact's 10 principles about CSR related to human rights, employee rights, the environment, and anti-corruption.

The Ethical Guidelines were revised in 2017, and the Board of Directors adopted the TTS "Code of Conduct".

The Code of Conduct has been adopted to describe TTS' ethical commitments and requirements. It sets expectations for personal conduct and business practice. The Code includes the most important ethical principles, and provides references to more detailed requirements for the expectations related to business and personal conduct. In addition to the English version, the Code of Conduct is translated to Chinese, German, Korean, Polish, Swedish, and Vietnamese.

The Code applies to all TTS' group companies, board members, directors, management, and employees, including temporary personnel and consultants or contractors acting on behalf of TTS.

TTS expects that our business partners abide by similar or more stringent principles to those outlined in the Code for their own operations. TTS aims that our business partners shall be familiar with the Code.

TTS Group ASA has approved and implemented a specific set of rules and procedures for the Board of Directors, constituting the governance structure for the work and administrative procedures of the Board of Directors.

As a global company with activities in 13 countries, it is important for the Group to focus on core values and corporate social responsibility to ensure that the corporate culture complies with the applicable standards. The Group's core values, defined as integrity, openness and honesty, loyalty, and initiative shall characterize the work of all employees and the Group's activities.

TTS' operations are often based on trade across borders and cultures. TTS assumes social responsibility through increasing the understanding of cultural differences, leading to increased tolerance.

TTS has held seminars to enhance our understanding of cultural differences, and developed its own "Cultural Handbook".

2. BUSINESS

TTS Group ASA's Articles of Association are available on the company's website. Article 3 defines the company's purpose:

"The company's purpose is to engage in industrial activities related to ship building, oil and gas production and port activities, including any related activities, as well as participation in or acquisition of other businesses."

The company's operations, goal and strategy are described in more detail in other parts of the Group's annual report. As shown in these descriptions, the company's operations and strategy are within the limits of the mission statement of the Articles of Association.

3. EQUITY AND DIVIDENDS

EQUITY

The balance sheet has been reclassified according to IFRS 5 "Assets held for Sale". Total assets at the end of 2017 were MNOK 2,328, of which MNOK 1,941 was Assets held for Sale. The equity was MNOK 607, resulting in an equity-to-assets ratio of 26.1%; 30.1% when including conversion of the subordinated convertible bond loan. The company's solidity is continuously assessed based on the company's goals, strategies and risk profile.

TTS issued a subordinated convertible bond of MNOK 200 in 2011. During the period from 2011 to 2014 MNOK 105 was converted into 10,464,876 shares. In December 2015, the remaining part of the loan was replaced by a new subordinated convertible bond (The Bond) with maturity date 18 April 2017. In March 2017, the bondholders agreed to extend the maturity date of the Bond until 18 January 2019. As a part of the extension, bonds with a value of MNOK 2 were bought back and deleted, and the extended bond loan is MNOK 93. The TTS Group ASA Extraordinary General Assembly approved the extension on 30 March 2017.

The Bond is classified as short-term debt as per 31 December 2017. The Bond has been reclassified to short-term debt, as the covenants state that the loan shall be repaid at the same time as the company's bank loans, which will be repaid in full at the closing of the transaction with Cargotec Oyj in line with one of the conditions for approval of the transaction.

SHAREHOLDER POLICY

TTS aims to give shareholders a competitive long-term return that reflects the risk inherent in the company's operations. Based on TTS' capital structure and growth strategy, the shareholders' return should be realized first and foremost through an increase in the value of their shares. However, a combination of share price increase and dividend may also be relevant in the future if and when circumstances permit it. Growth through acquisitions will be funded through a balanced mix of equity and debt.

The Annual General Meeting determines the annual dividend, based on the Board's proposal.

On 31 May 2018, the Board of TTS Group ASA will propose to the Annual General Meeting that no dividends are paid out for the financial year 2017.

CHANGE OF STRATEGIC DIRECTION AFTER THE ASSET SALE TO CARGOTEC OYJ

TTS Group ASA, to be renamed Nekkar ASA, will change its strategic directions as a direct consequence of divesting a large part of its business.

The main objective of the company has been design, development and supply high-quality handling systems and services for the global marine and offshore industries. Going forward, the company intends to build its operations around Business Unit Shipyard Solutions with its Syncrolift brand. The company will also seek new investment opportunities building on the heritage of TTS.

The company will in addition use its access to technology and knowledge clusters in Norway to identify companies, assets, people and technology, which will contribute, to the development in the future. The company will use its stock exchange listing and access to the capital markets to ensure that the balance sheet is sufficiently strong to finance the strategy.

BOARD AUTHORIZATIONS VALID AS PER 27 APRIL 2018

Resolution to authorize the Board to carry out a share capital increase for the benefit of the company's leading employees.

- On 2 June 2016, the Annual General Meeting adopted a resolution to authorize the Board to issue a maximum of 675,000 shares against cash redemption for the benefit of the company's leading employees. This authorization is valid for two years, based on the two-year terms of the company's option programme. The authorization remains valid until 2 June 2018. No shares have been issued in the form of options as of 27 April 2018.

Resolution to authorize the Board to perform an increase in share capital.

- On 1 June 2017, the Annual General Meeting adopted a resolution granting the Board the authority to increase the company's share capital by up to NOK 946,000, through the subscription of up to 8,600,000 shares, each at a nominal value of NOK 0.11. The authorization remains in effect until the next Annual General Meeting, and until 30 June 2018 at the latest. As of 27 April 2018, the authorization has not been used.

Resolution to authorize the Board to carry out a share capital increase for the benefit of the company's leading employees.

- On 1 June 2017, the Annual General Meeting adopted a resolution where it granted the Board authority to increase the company's share capital by up to NOK 165,000, through the subscription of up to 1,500,000 shares, each at a nominal value of NOK 0.11. The authorization remains in effect for two years, until 1 June 2019. The Board has subsequently issued 1,270,000 stock options, which can be converted into shares, to leading employees.

Resolution to authorize the Board to buy back own shares for deletion

- On 1 June 2017, the Annual General Meeting adopted a resolution where it granted the Board the authority to buy back own shares corresponding to a share capital of up to NOK 660,000, equalling 6,000,000 shares, each at a nominal value of NOK 0.11. A purchase shall be in the price interval between NOK 1 to NOK 25 per share. The authorization remains in effect until the next Annual General Meeting, and 30 June 2018 at the latest. As of 27 April 2018, the authorization has not been used.

Resolution to authorize the Board to buy back portions of the convertible, callable, unsecured subordinated bond

- On 1 June 2017 the Annual General Meeting adopted a resolution granting the Board autority to buy back portions of the convertible, callable, unsecured subordinated bond up to a total of MNOK 150. The authorization remains in effect until the next Annual General Meeting, and 30 June 2018, at the latest. As of 27 April 2018, the authorization has not been used.

- According to the loan agreement, this authorization applies on demand from the bondholders and, in certain conditions, from the company. As of 27 April 2017, the authorization has not been used.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

SHARE CAPITAL AND SHAREHOLDERS

On 31 December 2017 the share capital was NOK 9,526,623, distributed on 86,605,660 shares at a nominal value of NOK 0.11 each. The company only has one class of freely negotiable shares, which are listed on the Oslo Stock Exchange's Match List under the ticker symbol TTS. Each share is allocated one vote. A list of TTS' 20 major shareholders is available on the company's website.

OWN SHARES

Own shares are purchased through ordinary trade on the Oslo Stock Exchange. On 27 April 2018, the company's own shareholding was 112,882 shares.

THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

TTS Group ASA's Board of Directors and Group management are considered close associates of TTS. The Board of Directors has approved a specific set of "Rules and procedures" for the Board of Directors. According to this, transactions between associates shall comply with the Norwegian Code of Practice for Corporate Governance ("NUES").

According to the Norwegian Code of Practice for Corporate Governance, a company should list reasons for deviating from the existing shareholders' preferential status when making a rights issue. If such a situation occurs, TTS will comply with this recommendation.

RELATED COMPANIES

The joint venture companies within the TTS Group are treated as close associates. Transactions are shown in Note 10.

5. FREELY NEGOTIABLE SHARES

As it transpires from the Articles of Association, posted on the company's website, no form of transfer restriction has been effectuated. The company's shares are therefore freely traded.

6. ANNUAL GENERAL MEETING

The Annual General Meeting is usually held at the end of May/beginning of June. The Annual General Meeting for 2017 will be held on 31 May 2018, in accordance with the financial calendar for 2018.

Notice, including the agenda for the Annual General Meeting and the nominating committee's recommendations, is distributed to the shareholders at least three weeks before the Annual General Meeting and is available on the company's website at the same time.

The notice includes sufficiently detailed and comprehensive information to allow the shareholders to form a view on all matters that will be discussed at the meeting.

Shareholders unable to attend may vote by proxy. Proxy forms are issued to each shareholder. The proxy form allows the shareholders to provide separate voting instructions for each matter that will be discussed at the meeting, including for each of the candidates nominated for election. Registration of proxies is set to the day before the Annual General Meeting.

The Chairman of the Board, the chairman of the nominating committee, the auditor, and the CEO are all present at the Annual General Meeting, in addition to other board members when appropriate. The Chairman of the Board ("COB") opens the Annual General Meeting, and the COB is normally elected to chair the meeting.

Due to a low turnout for the general meetings, TTS does not deem it necessary for all of the Directors of the Board to be present. For the same reason, TTS has found it unnecessary to establish routines for appointing an independent chair to lead the Annual General Meeting. Should there be particular items on the agenda requiring such measures, this will be considered for each general meeting individually.

The Annual General Meeting will have the opportunity to vote for each of the candidates nominated for positions in the company's bodies.

7. NOMINATION COMMITTEE

In TTS, a nomination committee is statutory according to the Articles of Association. Following the Annual General Meeting on 1 June 2017, a nomination committee was set up with the following members:

NAME	POSITION
Petter Sandtorv	Self-employed
Anders Nome Lepsøe	EVP & CFO Westfal-Larsen Management AS
Kate Henriksen	COO Miles AS

The nomination committee appoints its own chairman. Petter Sandtorv was elected to chair the committee.

No one in the nomination committee is a member of the Board of TTS Group ASA or part of the management of TTS, and are all independent of the Board of Directors or members of corporate management. The nomination committee receives updates on TTS activities and challenges during their work, and they have contact with the Board of Directors, management and major shareholders, so that the interests of the shareholders are protected.

The nomination committee recommends candidates for the Board of Directors and recommends the remuneration of the members of the Board of Directors. The recommendations from the nomination committee are an integrated part of the Annual General Meeting notice to the shareholders.

According to the Norwegian Code of Practice for Corporate Governance, the chairman of the nomination committee should be elected at the Annual General Meeting, and furthermore, the guidelines for their work should be set by the Annual General Meeting. In the opinion of TTS, it is more appropriate that the Board of Directors sets the rules and procedures for the nomination committee, and that the nomination committee decides on the distribution of tasks, including the election of a chairman. The Annual General Meeting determines the nominating committee's remuneration.

Information about the committee members, the rules, and procedures, as well as information on the shareholders' right to submit proposals to the nomination committee, is available on the company's website. Contact details for the election committee are also available on the website.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

As TTS Group ASA has fewer than 200 employees, the corporate governance structure does not include a corporate assembly. There are two employee-elected representatives on the Board of Directors of TTS Group ASA.

In accordance with the Annual General Meeting on 1 June 2017, the shareholders elected the following members to the Board of Directors:

NAME	ELECTION PERIOD	POSITION
Trym Skeie	2016 - 2018	Chairman, Skagerak Kapital AS
Marianne Sandal	2016 - 2018	Chief Operating Officer, Polight AS
Britt Mjellem	2016 - 2018	Self-employed
Leif Haukom	2017 - 2019	Self-employed
Gisle Rike	2017 - 2019	Manager, Rasmussengruppen AS

In accordance with the ordinary election of two employee representatives to the Board of Directors of TTS Group ASA, the following were appointed to the Board in July 2016:

NAME	COMPANY	POSITION
Anita Kråkenes	TTS Marine AS	Director
Morten Aarvik	TTS Marine AS	Director

TTS' Directors of the Board are elected for a period of two years. Time of service and CV for each member of the Board of Directors are available in the Annual Report.

Trym Skeie is, both directly and indirectly, a major shareholder in the company. Gisle Rike is employed by Rasmussengruppen AS, which is a major shareholder in the company. The other shareholder-elected Board members are independent of management, the company's major shareholders, and the main business connections. Furthermore, the composition of the Board of Directors upholds shareholder interests and the company's requirements for expertise, capacity, and diversity in a well-functioning collegiate body. The complementary expertise of the Board of Directors ensures that the members of the Board of Directors can assess matters from different perspectives before concluding.

Per 27 April 2018, Trym Skeie holds 323,140 TTS shares in person and 250,000 in Skeie Alpha Invest AS, which is a 100% subsidiary of Skeie Alpha Equity AS, 100% owned by Trym Skeie. Skeie Alpha Equity holds a 23.5% stake in both Skeie Capital Invest and Skeie Technology and subsequently, they hold 4,203,361 and 22,655,763 TTS shares. The number of shares remained unchanged in 2017.

The other Directors of the Board do not own any shares in TTS Group ASA. None of the Directors of the Board holds options.

A procedure for the Directors of the Board and management has been made regarding trade in TTS shares.

According to the Norwegian Code of Practice for Corporate Governance, the Chairman of the Board should be elected by the Annual General Meeting. In TTS, the Board appoints its chairman.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors conducts its work through established procedures ("Rules and procedures for the Board of Directors") where its responsibilities and rules for the work and administrative procedures are laid down. The Board of Directors works according to an annual plan to ensure that all important issues and business areas are covered, emphasizing objectives, strategy, and implementation in particular.

The Board of Directors holds yearly, two-day strategy meetings, normally every fall, where the main subject is long-term planning.

Usually, the Board holds eight scheduled meetings per year, but due to the challenging situation within some of the business units, the Board of Directors has held both work sessions and extraordinary meetings for the past few years. A total of 17 Board meetings (e-mail, telephone, and physical meetings) were held in 2017. The attendance of the shareholder-elected members of the Board of Directors were: Trym Skeie 17/17, Bjarne Skeie 5/7, Gisle Rike 17/17, Marianne Sandal 17/17, Leiv Haukom 10/10, and Britt Mjellem 15/17.

The Board of Directors issues instructions for its own work as well as for the executive management. Throughout 2017, the Board of Directors has continued to focus on the Group's performance improvement intitiatives for BU RCN, BU MPG, BU OFF, and BU SER, where the restructuring, downsizing, and completion of projects with especially high risks have had special attention. Further, the Board had several extraordinary meetings regarding the asset sale transaction to Cargotec Oyj.

The Board of Directors in TTS Group ASA has appointed an audit committee with the following composition in 2017:

AUDIT COMMITTEE

- Britt Mjellem (Chair)
- Leif Haukom
- Gisle Rike

The audit committee is selected based on qualifications and independence from the company as described in NUES.

At present, the Board of Directors does not have a compensation committee. This is assessed on an annual basis. There are no other committees in the Board of Directors. At present, TTS does not have a deputy chairman. This is also assessed on an annual basis.

The Board of Directors evaluates its own performance and expertise on an annual basis. This evaluation is submitted to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

On an annual basis, The Board of Directors discusses and assesses the Group's risk exposures, systems, routines, and internal control to mitigate these risks. Internal control procedures have been tightened through implementing new procedures, limiting authorizations, organizational changes, strengthened manning and increased reporting. The effect of these measures will gradually emerge due to the business model being structured around projects and deliveries over a relatively long period. The Board of Directors' work with internal control and applicable systems encompasses the company's corporate values, ethical guidelines, and guidelines for corporate social responsibility.

Procedures and systems upholding uniform reporting are prepared. The management prepares monthly financial reports, which are submitted to and reviewed by the members of the Board of Directors. More comprehensive quarterly financial reports are also prepared and reviewed at the quarterly meetings of the Board of Directors.

As part of ongoing risk management efforts, the Board of Directors and the management carry out specific risk reviews of major investments and contracts.

As part of the annual budget and strategy process, the Board of Directors and executive management conduct an annual review to discuss and identify external and internal opportunities and threats for the Group.

In addition, the Board of Directors carries out a thorough review of the company's financial status in the Directors' Report. This review also includes further description of the main elements of our HSE efforts with a corresponding action plan if needed.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Based on the nomination committee's recommendation, the Annual General Meeting determines the remuneration of the Board of Directors.The nomination committee's remuneration recommendation is normally based on the Board of Directors' responsibilities, competence, and time commitment, taking the company's size and complexity into consideration. It also references the level of board remuneration in comparable, Norwegian stock exchange listed companies. The remuneration is not linked to the company's performance. There is no share option programme for the Board of Directors.

Members of the Board of Directors, or companies with whom they are associated, are not usually given separate tasks by TTS in addition to their function as members of the Board of Directors. Still, the assignment of such tasks will be based on the approval of the Board of Directors. There were no such assignments in 2017.

The nomination committee's proposal for remuneration of the Board of Directors will be presented in the call for the Annual General Meeting in 2018.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The Board of Directors has issued guidelines for salaries and other remuneration for executive management. The President and CEO's terms are determined by the Board of Directors. The guidelines are communicated yearly to the Annual General Meeting, where so far, the Board of Directors has asked for the endorsement of all sections of the declaration of the determination of salaries and other remuneration of leading employees, except the option programme where they have asked for approval. Executive management remuneration consists of three main elements: salary, bonus, and options.

The Board of Directors' view on management salaries is that these should be competitive and motivating, but not ahead of the market level. Bonuses are calculated according to specific targets, hereunder result targets that are determined by the Board each year. Bonus schemes are limited to a portion of the salary, increasing according to the position category and maximized up to 50% of ordinary annual salary unless special circumstances apply. Guidelines are outlined in note 4.

As presented in note 4 and 15, 1,270,000 options were issued to executive management during the period 1 June 2017 to 27 April 2018, under the two authorizations to the Board of Directors mentioned in Item 3.

DISTRIBUTION OF OPTIONS 27 APRIL 2018

Name	Position	Number of Options
Toril Eidesvik	President and CEO	300,000
Leiv Kallestad	CFO	170,000
Bjørn Rosén	EVP RCN	150,000
Holger Elies	EVP CBT	150,000
Mette Harv	EVP ENERGY	80,000
Trond Larsen	EVP SER	150,000
Rolf-Atle Tomassen	EVP SYS	150,000
Mark Bakelaar	CDO	80,000
Lennart Svensson	SVP Sales	40,000

13. INFORMATION AND COMMUNICATION

The company has established guidelines for handling information and communication. These guidelines also address the contact with shareholders outside the general assembly. TTS' reporting of financial and other information is based on transparency, respecting the principles of equal treatment of stock market participants.

A financial calendar is available on the company's website.

Any dividend proposals are presented in the fourth quarterly report and the call for the Annual General Meeting.

Information for the shareholders of the company is posted on newsweb.no and the company's website. Notice for the Annual General Meeting is distributed to the shareholders per post at the same time.

14. COMPANY TAKEOVER

The company's Articles of Association do not include mechanisms aimed towards preventing a takeover, nor are any other obstacles impemented with the objective of reducing the trade and/or transferability of the company's shares. The shares are freely negotiable. Transparency and equal treatment of the shareholders are fundamental principles.

Further written principles have not been established for how TTS will act in case of any takeover bids, but the Board of Directors has discussed the matter and intends to act fully in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur. The recommendation of Corporate Governance and company management will, in any such situation, be a reference with normative function.

15. AUDITOR

The auditor conducts a minimum of two meetings per year with the audit committee, where part of the meeting is held without management present. One of the meetings is conducted in connection with the review of the annual accounts, and one of the meetings deals with the company's internal control. The audit committee reviews the yearly audit plan with the auditor. Any identified weaknesses and suggestions for improving the company's internal control are reviewed together with the audit committee, generally in the fall when summarizing the interim audit.

The auditor is present in the Board of Directors meetings as and when required. The auditors are always present at the meetings in the Board of Directors when the annual accounts are approved. The Board of Directors has a separate session with the auditors during this meeting, without the management present.

Remuneration payable to the auditor, specifying the division between auditing and other services, is outlined in Note 4 (TTS Group). It has not been deemed necessary by the Board of Directors to implement additional guidelines regarding the management's access to making use of the auditor for services other than auditing.

Each year in the Annual General Meeting, the Board of Directors presents the auditor's remuneration along with the distribution between auditing and other services.

Consolidated statement of comprehensive income

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	IFRS 2017	IFRS 2016
CONTINUED OPERATIONS			
Operating revenue			
Project revenue	2	211 038	202 339
Total revenue and income	1	**211 038**	**202 339**
Operating expenses			
Cost of sales	3	137 196	126 283
Personnel costs	4, 5	46 426	54 843
Losses on accounts receivable		332	650
Other operating expenses	4, 20	16 568	34 494
Depreciation and amortization of fixed assets	6, 7	1 680	1 680
Total operating expenses		**202 203**	**217 964**
Operating profit/loss		**8 835**	**-15 625**
Financial income and expenses			
Financial income	24	4 676	12 860
Financial expense	24	9 284	14 296
Net Finance costs		**-4 608**	**-1 436**
Profit/loss before tax	1	**4 228**	**-17 061**
Income tax expenses	18	3 970	3 390
Profit/loss from continued operations		**8 197**	**-13 671**
DISCONTINUED OPERATION			
Profit / (loss) after tax for the period from discontinued operation	29	-26 330	-113 401
Profit for the period		**-18 132**	**-127 072**
Attributable to equity holders of the company		-33 540	-120 854
Attributable to non-controlling interests	28	15 408	-6 218
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subseqently to profit or loss			
Foreign currency differences for foreign operations	25	20 490	-58 680
Other comprehensive income for the period		**20 490**	**-58 680**
Total comprehensive income for the period		**2 358**	**-185 752**
Attributable to equity holders of the company		-16 421	-162 044
Attributable to non-controlling interests		18 779	-23 708
Earnings per share (NOK)	17	-0,39	-1,40
Diluted earnings per share (NOK)*	17	-0,25	-1,40
Earnings per share - Continued operations (NOK)	17	0,09	-0,16
Diluted earnings per share - Continued operations (NOK)	17	0,08	-0,16

Consolidated statement of financial position

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	IFRS 2017	IFRS 2016
ASSETS			
Non-current assets			
Deferred tax assets	18	18 845	29 680
Intangible assets and Goodwill	7	6 473	680 082
Property, plant and equipment	6, 13	7 322	94 338
Equity-accounted investees	10	-	29 160
Total non-current assets		**32 641**	**833 260**
Current assets			
Inventories	3, 13	636	229 034
Trade receivables	11, 13	38 400	463 359
Other receivables	11, 13	17 304	84 493
Accrued, non-invoiced production	2, 13	33 247	302 153
Derivative financial instruments	22	3 000	15 514
Prepayments to suppliers	2	-	71 629
Bank deposits, cash in hand, etc.	14	261 843	175 784
Assets held for sale	32	1 941 413	-
Total current assets		**2 295 843**	**1 341 967**
Total assets	1	**2 328 483**	**2 175 226**

Consolidated statement of financial position

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	IFRS 2017	IFRS 2016
EQUITY AND LIABILTIES			
Equity			
Issued share capital	16	9 527	9 527
Treasury shares	16	-12	-12
Share premium	16	149 378	149 378
Other equity	16	297 186	313 045
Shareholders equity		**456 078**	**471 937**
Equity allocated to non-controlling interests	28	151 382	144 489
Total equity		**607 460**	**616 426**
Liabilities			
Non-current liabilities			
Deferred tax	18	-	46 350
Debt to financial institutions	12, 13, 14	-	271 750
Total non-current liabilities		**-**	**318 100**
Current liabilities			
Convertible Callable Unsecured Subordinated Bond	12, 14, 15	93 345	95 345
Debt to financial institutions	12, 13, 14	246 500	102 962
Payables to suppliers		16 277	257 318
Income tax payable	18	-	-4 658
Other taxes payable		3 309	22 224
Prepayments from customers	2	58 469	249 196
Non-invoiced production costs, suppliers	2	0	132 410
Derivative financial instruments	22	19 100	58 314
Other current liabilities	19, 23	32 781	327 589
Liabilities held for sale	32	1 251 241	-
Total current liabilities		**1 721 024**	**1 240 700**
Total liabilities	1	**1 721 024**	**1 558 800**
Total equity and liabilities		**2 328 483**	**2 175 226**

Bergen, 27 April 2018
TTS Group ASA

Trym Skeie
Chairman of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Anita Kråkenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Consolidated statement of changes in equity

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Note	Share capital	Treasury shares	Share premium	Other equity	Share-holders equity	Non-controlling interests	Total equity
Equity as of 1.1.2016		**9 526**	**-12**	**149 378**	**475 612**	**634 505**	**220 060**	**854 566**
Profit /(loss) for the period		-	-	-	-120 854	-120 854	-6 218	-127 072
Other comprehensive income	25	-	-	-	-41 190	-41 190	-17 490	-58 680
Total comprehensive income		-	-	-	-162 044	-162 044	-23 708	-185 752
Equity transactions with non-controlling interests		-	-	-	-	-	-	-
Treasury shares (sale)	16	-	-	-	-	-	-	-
Share based payment	16	-	-	-	-526	-526	-	-526
Dividend paid		-	-	-	-	-	-51 863	-51 863
Equity as of 31.12.2016		**9 526**	**-12**	**149 378**	**313 042**	**471 935**	**144 489**	**616 426**
Equity as of 1.1.2017		**9 526**	**-12**	**149 378**	**313 042**	**471 935**	**144 489**	**616 426**
Profit /(loss) for the period		-	-	-	-33 540	-33 540	15 408	-18 132
Other comprehensive income	25	-	-	-	17 119	17 119	3 371	20 490
Total comprehensive income		-	-	-	-16 421	-16 421	18 779	2 358
Equity transactions with non-controlling interests		-	-	-	-	-	-	-
Treasury shares (sale)	16	-	-	-	-	-	-	-
Share based payment	16	-	-	-	561	561	-	561
Dividend paid		-	-	-	-	-	-11 886	-11 886
Equity as of 31.12.2017		**9 526**	**-12**	**149 378**	**297 182**	**456 075**	**151 382**	**607 460**

Consolidated statement of cash flows

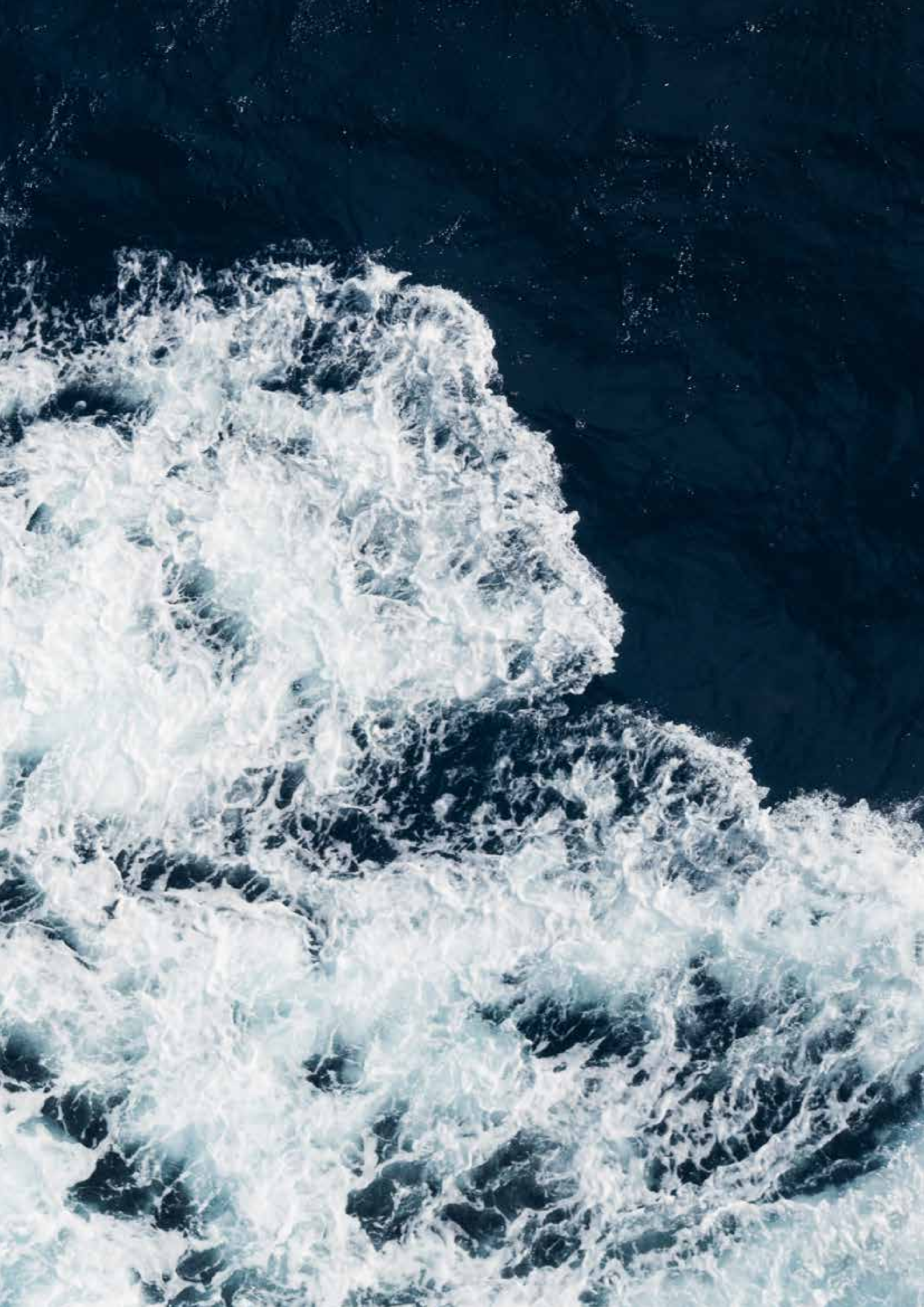
1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax continuing operations		4 228	-17 061
Profit/loss before tax discontinuing operations		-12 077	-79 627
Profit (loss) before tax		-7 850	-96 687
Adjustments for:			
Depreciation / impairment	6,7	40 832	142 091
Interest expense		31 108	40 235
Interest income		-1 363	-4 219
Profit/loss from joint ventures		-6 264	60 872
Gain on sale of discontinued operation, net of tax (TTS Liftec Oy)	27,29	-18 406	-
Gain of sale of other investments		-2 174	-
Gain from sale of fixed assets		-791	-9 680
Share based payment		560	526
Income tax paid		-27 968	-32 146
Changes in:			
Inventories		55 718	185 122
Trade receivables		130 442	-102 052
Trade payables		1 965	-28 543
Other receivables and other payables		-111 412	-249 606
Net cash flow from operating activities		**84 399**	**-94 087**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from sale of fixed assets	6,7	4 027	12 120
Acquisition of fixed assets	6,7	-10 420	-12 496
Disposal of discontinued operation, net of cash disposed of	29	57 149	-
Proceeds from sale of investments		2 174	
Net cash flow from investment activities		**52 930**	**-376**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of short-term/long-term debt	12	-	171 750
Disbursement on short-term/ long-term debt	12	-24 515	-74 571
Net change in bank overdraft facility	12	-1 856	-140 098
Dividends paid		-11 885	-51 863
Interest received		1 363	4 219
Interest paid		-31 108	-35 828
Net cash flow from financing activities		**-68 001**	**-126 391**
Net change in cash and cash equivalents		97 296	-220 854
Cash and cash equivalents at the start of the period		175 784	413 210
Foreign currency gains/loss on cash and cash equivalents		-9 138	-16 572
Cash and cash equivalents at the end of the period		**235 973**	**175 784**
Cash and cash equivalents at the end of the period - from cash flow statement		235 973	
Reclassification positive cash pool balance in TTS Group ASA and TTS Syncrolift AS		260 892	
Total - Cash and cash equivalents at the end of the period presented		**496 865**	

Due to the terms in the asset sale agreement, the group financing through the Cash Pool arrangement, Cash pool balances has not been eliminated between continued and discontinued business. The basis for this is that each company will be responsible for refinancing the cash pool receivables/liabilities post transaction. As a result, the cash balance CB consists of the following items;

Cash and cash equivalents at the end of the period - presented as "Bank deposits, cash in hand, etc." in the consolidated statement of financial position	261 843	
Cash and cash equivalents at the end of the period - presented as "assets held for sale" in the consolidated statement of financial position	235 022	



Accounting principles

1. GENERAL INFORMATION

1.1 REPORTING ENTITY

TTS Group ASA is a public company incorporated and domiciled in Norway. The company is listed on the Oslo Stock Exchange where the shares are publicly traded.

The registered head office is located at Folke Berandottes vei 38, Fyllingsdalen in Bergen.

As per 31.12.2017 TTS Group holds subsidiaries in Norway, Sweden, Germany, China, USA, Italy, Singapore, Korea, Greece, Brazil, Belgium and UAR.

On the 8th February 2018, TTS Group ASA announced a signed asset deal with Cargotec Oyj. The assets deal was approved by an Extraordinary General Meeting on March 12th 2018.

The agreement implies a takeover by Cargotec Oyj of all TTS assets except for the companies TTS Group ASA and the Norwegian subsidiary TTS Syncrolift AS. The annual report has been stated according to IFRS 5. Any and all assets and liabilities included in the agreement have been presented as assets held for sale and liabilities held for sale.

Following the completion of the agreement TTS Group ASA will be renamed, proposed to Nekkar ASA.

Based on the agreement between TTS and Cargotec Oyj the annual reports are focusing on continued business and the BU SYS (Shipyard Solutions). Divested businesses in the asset deal represents BU RCN (RoRo/ Cruise/ Navy), BU CBT (Container/Bulk/Tank), BU MPG (Multi purpose/General Cargo), BU OFF (Offshore), and BU SER (Services), and are presented as divested in profit and loss the annual report.

On 2 February 2017 TTS Group signed a deal to sell its subsidiary TTS Liftec Oy (former reported as a part of BU SYS). The transaction is based on closing numbers as per 31.12.2016. The divestment is reflected in comparable numbers for 2016.

TTS Group is a global enterprise that designs, develops and supplies equipment solutions and services for the marine and offshore industries. The group's activities primarily involve design, assembly and testing of equipment while, apart from manufacturing of certain key components, production is undertaken by a global network of subcontractors.

TTS Group is among the leading suppliers in its product market segments. Further information of the principal activities of the Group is described in Note 1. Information on ultimate parent is presented in Note 16 and Note 21. Additional information on the agreement with Cargotec is included in Note 32.

1.2 BASIS OF PREPARATION

The consolidated financial statements for TTS Group ASA have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. Standards and interpretations effective for annual periods beginning after 1 January 2018 have not been applied in preparing these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the Board of Directors on 27 April 2018.

The consolidated financial statements have been prepared on the basis of historic cost, with the following modifications: Shares and assets held available for sale and financial derivatives are measured at fair value.

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Future events may lead to these estimates being changed. Estimates and their assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods. Areas that to a great extent involve such evaluations or high degree of complexity, or areas where assumptions and estimated are material to the consolidated financial statements, are described in section 4.

The consolidated financial statements are presented in NOK. Financial information is presented and rounded to the nearest thousands, except when otherwise indicated.

2. SUMMARY OF THE MOST CENTRAL ACCOUNTING PRINCIPLES

The accounting principles set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by Group entities.

2.1 BASIC PRINCIPLES

a) New accounting standards
The accounting policies adopted are consistent with those of the previous year. The adoption of the standards or interpretations, and the effects on the financial statements for the Group is described below:

Several other amendments apply for the first time in 2017. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standards and amendments are summarized below:

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED BY TTS GROUP:

A number of new standards, interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing the consolidated financial statement. The Group has not opted for early adoption. The most relevant changes for TTS Group are:

IFRS 9, Financial instruments
Summary of the requirements: IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new general hedge accounting requirements are expected to be the most relevant change for TTS Group. Most of the groups hedges qualify for hedge accounting under IAS 39 standard. The implementation of IFRS 9 is not expected to change this, as the hedge accounting model under IFRS 9 is more aligned with risk management, including prospective testing and less restrictive requirements on qualifying hedging instruments. This is expected to result in the same or less net foreign currency effects reported under financial items.

Possible impact on consolidated financial statements: The estimated impact on equity from implementing IFRS 9 per 1 January 2018 is immaterial and no transition adjustment is expected adjusted against equity. TTS Group has assessed potential impact of IFRS 9, giving basis for minor changes to the internal hedge documentation process.

As per 31 December 2017 the market value of FX-derivatives qualifying as fair value hedges is negative by MNOK 20, compared to a negative value of MNOK 43 as per 31 December 2016. FX-derivatives qualifying as fair value hedges related to assets not held for sale is MNOK -18, while the amount related to assets held for sale is MNOK -2.

The actual impact may change if new information and guidance becomes known before the group presents it first financial statement using the new standard.

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. The standard can be adopted applying a full retrospective method, or a modified retrospective method. The Group will adopt IFRS 15 on the required effective date applying the modified retrospective method.

Possible impact on consolidated financial statements:
Current contract term structure for most of the BU's do not fulfill the requirement of retaining POC-based methods described in IFRS 15. The consequence is a shift of revenue recognition method from "over time" recognition to "point of time" recognition.

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 MNOK 1401 of the revenue, and MNOK 104 of the EBITDA as of YTD 4Q 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 MNOK 780 of the revenue, and MNOK -51 of the EBITDA as of YTD 4Q 2017.

At year-end 2017 the estimated equity effect of implementation of IFRS 15 for the activity in the continuing business is estimated to approximately MNOK -84, while the assessment of the effect for the activity in discontinued business is estimated to approximately MNOK -80. For the equity effect on discontinued business, there will be a corresponding effect on the gain/loss calculation for the transaction in a subsequent period. Deferred tax effects from implementing IFRS 15 have note been calculated.

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

The actual impact may change if new information and guidance becomes known before the group presents it first financial statement using the new standard.

IFRS 16 LEASES

Summary of the requirements: IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. For all leases, the lessee will recognize a lease liability in its statement of financial position for the obligation to make future lease payments. At the same time, the lessee will capitalize a right of use to the underlying asset which is generally equivalent to the present value of the future lease payments plus directly attributable expenditure. Similar to the guidance on finance leases in IAS 17, the lease liability will be adjusted over the lease term for any remeasurement, while the right-of-use asset will be depreciated, which normally leads to higher expenses at the inception date of a lease. For the lessor, on the other hand, the guidance in the new standard are similar to the existing guidance in IAS 17. IFRS 16 also includes updated guidance on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.

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

Possible impact on consolidated financial statements: The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. Committed nominal lease payments at the end of 2017 were MNOK 11. Based on current structure of lease contracts, a 10% discount rate, and 3,5% annual increase in nominal lease, lease assets and lease liabilities as per 31.12.2017 is estimated at MNOK 10.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after in the reporting period. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the highest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above, ref note 8.

2.2 BASIS FOR CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017.

The Group's consolidated financial statements comprise TTS Group ASA and subsidiaries. Subsidiaries are entities which TTS Group ASA has the ability to control. Ability to control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. Control may also be achieved when the Group owns 50% of the shares or less, through voting rights from contractual agreements or when the Group is able to exercise actual control over the entity.

Non-controlling interests are included in the Group's equity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

In cases where TTS achieves control over an entity, business combinations are accounted for using the acquisition method (see section 2.7). The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Acquisition cost is expensed. Goodwill is measured at the acquisition date. If the excess value is negative, a bargain purchase (negative goodwill) is recognized immediately in profit or loss; see section 2.7.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognized as a gain or loss in profit or loss. Investments retained, if any, are recognized at fair value. Surplus or deficits, if any, are recognized in profit and loss as a part of gain/loss on subsidiary disposal. Amounts included in other comprehensive income are recognized in profit or loss or is recognized directly in equity – depending on the character of the items.

All intra-group transactions, outstanding balances and unrealized internal gains between group companies are eliminated. Unrealized internal losses are eliminated, but considered an impairment indicator in relation to write-down of the asset transferred. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

b) Joint arrangements (ventures)

Joint ventures are entities where the Group by agreement has joint control together with other parties, but not alone. Investments in joint ventures are recognized in the financial statements in accordance with the equity method. Investments in joint ventures are recognized in the financial statements at cost at the time of acquisition, and include goodwill (which is reduced by any subsequent write-downs) (ref. section 2.7).

The consolidated financial statements include the Group´s share of the profit and loss and other comprehensive income of the joint ventures. If the Group´s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

As the activities of the joint ventures are closely related to the operations of the Group, the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss as an adjustment of operating expenses, and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The Group's share of unrealized gains on transactions between the Group and the joint ventures are eliminated against the investment to the extent of the Groups interest in the investee. The same applies to unrealized losses unless the transaction indicates a write-down of the asset transferred.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognized as a gain or loss in profit or loss. Investments retained, if any, are recognized at fair value.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.3 SEGMENT INFORMATION

For management purposes, the Group is organized into segments based on its products and services. The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) is managed on a Group basis and are not allocated to operating segments.

Based on the agreement between TTS and Cargotec Oyj the annual report are focusing on continued business and the BU SYS (Shipyard Solutions). Divested businesses in the asset deal represents BU RCN (RoRo/ Cruise/ Navy), BU CBT (Container/Bulk/Tank), BU MPG (Multi purpose/General Cargo), BU OFF(Offshore), and BU SER (Services), and are presented as discontinued operations in profit and loss in the annual report.

2.4 FOREIGN CURRENCIES

a) Functional and presentation currencies
The financial statements of the individual entities in the Group are measured in the currency primarily used in the economic area where the unit operates (functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the functional and presentation currency of the parent company, TTS Group ASA.

b) Transactions and balance sheet items
Transactions in foreign currencies are translated into the functional currency using the currency spot rates at the time of recognition. Foreign currency gains and losses that arise from the payment of such transactions, and the translation of monetary items (assets and liabilities) in foreign currencies at the currency spot rates at the balance sheet date, are recognized in profit and loss. Non-monetary items measured at historical cost in foreign currency are translated into functional currency using the exchange rates as at the dates of the initial transaction.

c) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into NOK at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Goodwill associated with the acquisition of a foreign entity is allocated to the acquired entity, and translated at the rate in effect on the date of the balance sheet.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded in the financial statements at cost less accumulated depreciation and accumulated write-downs. Cost includes the costs directly related to the acquisition of the fixed asset.

Subsequent expenses are capitalized when it is likely that the Group will receive future economic benefits from the expense, and the expense can be measured reliably. Other repair and maintenance costs are recognized in the profit and loss accounts in the period when the expenses are incurred.

Land is not depreciated. Other fixed assets are depreciated based on the straight-line method, so that the historical cost of the fixed asset is depreciated to the residual value over expected useful life, which is:

Buildings	25-50 years
Machinery and vehicles	3-5 years
Fixtures/office equipment	5-10 years
Computer equipment	3-5 years

The assessment of indicators related to possible impairment is monitored continuously. If the carrying value of the fixed asset is higher than the estimated recoverable amount, the value is impaired to recoverable amount.

Gains and losses on disposals are recognized in the profit and loss accounts and represent the difference between the sales price and the carrying value.

Depreciation methods, useful lives and residual values are assessed at balance sheet date and adjusted when necessary.

2.6 INTANGIBLE ASSETS

Intangible assets that have been acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through an acquisition is their fair value at the date of acquisition. Capitalized intangible assets are recognized at cost less any amortization and impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but are expensed as occurred.

The economic life is either finite or indefinite. Intangible assets with a finite economic life are amortized over their economic life and tested for impairment if there are any indications. The amortization method and period are assessed at least once a year. Changes to the amortization method and/or period are accounted for as a change in accounting estimate.

Intangible assets with an indefinite economic life are tested for impairment at least once a year, either individually or as a part of a cash-generating unit. Intangible assets with an indefinite economic life are not amortized. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

Customer relationships and customer portfolio
Customer relationships and customer portfolios are established through contracts with customers. Customer relationships and customer portfolio acquired through a business combination is recognized as an asset based on the fair value. The customer relationship and customer portfolios have limited useful life, and are depreciated by the straight-line method over their expected useful life (10 to 15 years).

Patents and licenses
Patents and licenses have limited useful life, and are recorded at historical cost in the balance sheet less depreciation. Patents and technology are depreciated by the straight-line method over their expected useful life (2 to 15 years).

Research and development
Research costs are expensed as incurred. Development activities include design or planning of production of new or significantly improved products and processes. Development costs associated with development of new products are normally capitalized. Development costs are capitalized only to the extent that they can be reliably measured, the product or process is technically or commercially feasible, future financial benefits are likely, and the Group intends and has sufficient resources to complete the development, and to sell or use the asset. Capitalized development expenses include materials, direct labor, directly attributable overheads and capitalized borrowing costs. Development costs are depreciated over their expected useful life (2 to 15 years).

Cost related to market surveys, market developments are expensed as incurred. Project development cost related to established sales contracts is charged as cost to the individual projects. Other project development expenditure is expensed when incurred.

Capitalized development expenses are recognized at cost less accumulated amortization and accumulated impairment losses.

2.7 BUSINESS COMBINATIONS AND GOODWILL

When acquiring a business, financial assets and liabilities acquired are classified in accordance with contractual terms, economic circumstances and conditions at the acquisition date. The acquired assets and liabilities are recognized at fair value in the opening group balance.

The consideration paid in a business combination is measured at fair value at the acquisition date and may consist of cash, shares issued in TTS Group ASA and contingent consideration. The contingent consideration is classified as a liability in accordance with IAS 39. Subsequent changes in the fair value are recognized in profit or loss.

Business combinations are accounted for using the acquisition method. Acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received. Acquisition costs are classified as administrative expenses.

The initial accounting for a business combination can be changed if new information about the fair value at the acquisition date is present. The allocation can be amended within 12 months of the acquisition date provided that the initial accounting at the acquisition date was determined provisionally. The non-controlling interest is set to the non-controlling interest’s share of identifiable assets and liabilities. The measurement principle is applied for each business combination separately.

If the business combination is achieved in stages the previously held equity interest is re-measured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.8 FINANCIAL INSTRUMENTS

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

For subsequent measurement, the Group classifies financial assets into the following categories:

a) Loans and receivables
b) Financial assets available for sale
c) Financial assets at fair value through profit and loss

a) Loans and other receivables

Loans and other receivables are non-derivative financial assets with payments that are fixed or determinable and that are not quoted in an active market. They are classified as current assets, unless they are due more than 12 months after the date of the balance sheet. In this case they are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statements in finance costs for loans and in cost of sales or other operating expenses for receivables.

Loans and receivables consist of accounts receivable and other outstanding claims.

b) Assets available-for-sale (investments in shares)

Financial assets available-for-sale is non-derivative financial assets that are designated as being available-for-sale, and which are not classified in any of the other categories. Investments in shares are included in non-current assets unless management intends to sell the investment within 12 months from the date of the balance sheet.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value on the balance sheet date. Any changes in fair value are charged directly against comprehensive income and presented as revaluation reserve in the equity. However, this does not apply to impairment losses and exchange rate differences on equity instruments available-for-sale. When an investment is derecognized, the cumulative gain or loss from comprehensive income is transferred and recognized in other operating income.

c) Financial instruments at fair value through profit and loss

The Group's financial assets through profit and loss are the Group's hedging instruments, ref. section 2.9.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

In accordance with adopted guidelines and the Group's strategy, the Group utilizes hedging of contractual income and cost in a foreign currency at the date of signature of the contract. The same applies to individual larger sub-contracts in foreign currencies.

FAIR VALUE HEDGING

The Group uses financial derivatives to hedge foreign currency risk. Derivatives are recognized initially at fair value, and are subsequently re-measured at fair value. Attributable transaction costs are recognized in the profit or loss as they incur. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group only uses forward currency contracts for fair value hedging of the foreign currency risk in unrecognized firm commitments. At the inception of a hedge relationship, the group formally designates and documents the relationship between the hedging instrument and hedged item. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items attributable to the hedged risk.

Fair value of the derivatives used for hedging are set out in Note 22. Fair value of the derivatives is classified as current assets or short-term liabilities, as the hedges and derivatives generally fall due within 12 months.

Changes to fair value of the hedging derivative are recognized in profit and loss along with the change in fair value associated with the corresponding hedged asset or liability. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

Profit or loss attributable to the hedged risk is recognized as project revenue if it is associated with hedging of contract revenue and under operational expenses if it is associated with hedging of contract costs.

In the event that the hedge no longer fulfils the criteria for hedge accounting, the derivative is carried at fair value through profit and loss. This applies to derivatives where the underlying delivery contract has been cancelled.

Derivatives at fair value through profit and loss
Derivatives that are not designated as hedging instruments at initial recognition or that do not any longer fulfill the criteria for hedge accounting are carried at fair value through profit or loss. Changes to the fair value of the derivatives are recognized in the profit and loss statement as financial expenses and financial income.

2.10 LEASES

Financial leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, and whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangements conveys a right to use the assets, even if that right is not explicitly specified in the arrangement.

Leases of property, plant and equipment in terms of which the Group assumes substantially all of the risks and rewards of ownership of the leased item, are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statements.

The same depreciation period as for the company's other depreciable assets are used. If it is not reasonably certain that the company will assume ownership when the term of the lease expires, the asset is depreciated over the term of the lease or the asset's economic life, whichever is the shorter.

Operational leases
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as an operating expense on a straight-line basis over the lease term.

2.11 INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost is calculated by means of the first-in, first-out principle (FIFO). For finished goods and work in progress, the cost consists of product design expenses, consumption of materials, direct labor costs, other direct costs, and indirect production costs (based on a normal capacity level), and attributable borrowing cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

Inventories established as a result of a contracts being cancelled are recognized as inventory. The inventory related to canceled projects, is valued at the lowest of production cost and fair value. Any payments received that the Group has a contractual right to retain at termination are included in the calculation of the acquisition cost.

2.12 ACCOUNTS RECEIVABLE

Accounts receivable are on initial recognition measured at fair value. For subsequent measurement, accounts receivable are measured at amortized cost determined using the effective interest method, and less provision for impairment. Provisions for impairment losses are recognized when there are objective indicators that the Group will not receive settlement in accordance with the original contract terms. Considerable financial difficulties on part of the customer, likelihood of bankruptcy on part of the customer and significant delays of payment, are all indicators of impairment for the accounts receivables. The losses arising from impairment are recognized in profit and losses operating expenses. Receivables in foreign currencies are converted to reporting currency at the exchange rate on the balance sheet date.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank deposits. Bank deposits in foreign currencies are converted to the reporting currency at the exchange rate on the balance sheet date. Withdrawals from the bank overdraft constitute part of current liabilities. Deposits and overdrafts are presented net if the bank has a legal/contractual right to offset the deposits and liabilities.

2.14 SHARE CAPITAL AND PREMIUM

Ordinary shares are classified as equity.

Expenses that are directly attributable to the issuance of new shares or options less taxes are recognized in equity as a reduction in proceeds.

When the company's own shares are purchased, the consideration, including any transaction costs less tax, is entered as a reduction of the equity (attributable to the company's shareholders). If the company's own shares are subsequently sold or reissued, the proceeds are entered as an increase in the equity attributable to the company's shareholders.

2.15 FINANCIAL LIABILITIES

The Group classifies financial liabilities at initial recognition into the following: non-derivative financial liabilities, loans and borrowings, payables, financial liabilities at fair value through profit or loss and derivatives designated as hedging instruments.

Non-derivative financial liabilities are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, liabilities are measured at amortized costs using the effective interest method.

Loans are classified as current liabilities unless there is an unconditional right to postpone payment of the debt by more than 12 months from the date of the balance sheet. The following year's payment is classified as short-term debt.

The Group initially recognizes the bond debt on the issue date. All other financial liabilities are initially recognized on the agreement date, when the Group becomes a party to the instrument's contractual provisions.

Convertible loans are divided into two components, a liability component and an equity component. The liability component is recognized initially at fair value of similar loans that does not have an equity conversion option. The equity component is recognized as the difference between the fair value of the liability component and the fair value of the convertible loan in its entirety. The equity component is recognized in profit or loss over the period of the borrowings on an effective interest basis.

The Group derecognizes a financial liability when the contractual obligations are satisfied or cancelled.

2.16 BORROWING COST

General and specific borrowing costs directly attributable to an acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.17 TAXES

Tax in the profit and loss accounts comprise both tax payable for the period and change in deferred tax. Tax payable for the period and deferred tax are recognized in the profit and loss accounts, with the exception of tax on items related to business combinations or taxes recognized directly in equity or comprehensive income.

Periodic tax is payable tax or tax receivables on taxable income or loss for the year, based on tax rates enacted or substantially enacted on the balance sheet date. Revision of the estimated periodic tax for previous years is included in the figures.

Deferred tax is calculated on all temporary differences between the tax and accounting values of assets and liabilities.

For the following temporary differences, no deferred tax is recognized:

- Initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or tax-based results upon inclusion,
- Differences related to investments in subsidiaries to the extent that it is likely that these differences will not be reversed in the foreseeable future, and
- Tax-increasing differences upon initial recognition of goodwill

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets are recognized when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The Group recognizes previously unrecognized deferred tax assets to the extent it has become probable that the company can utilize the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the Group no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax asset or liability is measured using tax rates and tax laws enacted or substantially enacted on the balance sheet date, and which presumably may be utilized when the deferred tax advantage is realized or when the deferred tax is settled.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet

2.18 PENSION OBLIGATIONS, BONUS SCHEMES AND OTHER COMPENSATION SCHEMES FOR EMPLOYEES

a) Pension obligations

The companies in the Group have different pension plans. The pension plans are in general financed by payments to insurance companies or pension funds. As of 2015 TTS Group has only defined contribution plans.

A defined contribution plan is a pension plan in which the Group pays fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay further contributions if the insurance company does not have sufficient assets to pay all employee benefits relating to employee service in current and prior periods. Contributions are recorded as payroll expense in the financial statements.

b) Share based payments

The Annual General Meeting of the Group has granted senior executives options to purchase shares in the parent company. The fair value of options granted is measured on the grant date. The cost is recognized as part of salary cost over the period in which the performance and/or service conditions are fulfilled, with a corresponding increase in equity. Fair value of allotted options is estimated on the date of allotment using the Black & Sholes option pricing model. Ref. note 16. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. Ref. note 17.

c) Group bonuses

The Group records a liability and a cost for Group bonuses if the Group has a legal- or constructive obligation and the size of the bonus can be reliably estimated. Whether a bonus will be paid, and the size of the bonus is dependent on the profit for the year and other criteria's.

2.19 PROVISIONS

The Group recognizes provisions for restructuring, legal requirements, etc., if:

- the Group has a legal or constructive obligation as a result of past events,
- it is probable that the obligation will be settled by a transfer of economic resources,
- and the size of the obligation can be estimated reliably.

The Group recognizes provisions for expected guarantee liabilities based on experience and contract. Guarantee liabilities are recognized when the underlying products or services are sold. Additionally, the Group recognizes provisions for remaining work or claims from the customer regarding long-term construction contracts.

Provisions are measured at current value of expected payments in order to fulfill the obligation. A pretax discount rate is utilized, reflecting the present market situation and risk specific to the obligation. An increase in the obligation due to the passage of time is recognized as a financial cost.

2.20 REVENUE RECOGNITION

The Group's revenue relates to long-term construction contracts (engineer-to-order), contracts for delivery of pre-designed products (configure-to-order), service contracts and after-sales.

Revenue from contracts for delivery of pre-designed products and revenue from sale of goods and services is recognized in the financial statements in accordance with IAS18, Revenue. Revenue is recognized at net fair value after the deduction of value added tax, returns, discounts and rebates. Revenue from the sale of pre-designed products and other goods is recognized when there is persuasive evidence, usually in the form of signed sales agreement, that the significant risks and benefits related to the goods are transferred to the buyer, it is likely that the payment will be received, related costs and possible return of goods can be estimated reliably, there is no remaining involvement in the goods normally associated with owning, and the revenue can be reliably measured. The date of transfer of risks and benefits varies depending on the conditions of the individual sales contract. Revenue from the sale of services is recognized at the time of delivery of the service.

Revenue from long-term construction contracts (engineer-to-order) is recognized in the financial statements in accordance with IAS 11, Construction contracts, using the percentage of completion method.

The Group's products are frequently sold with a warranty period of two years. Ref. information regarding guarantee liabilities in section 4 and Note 13.

Interest is recognized in the profit and loss account over time in accordance with the effective interest method.

2.21 CONSTRUCTION CONTRACTS

Construction contract revenues and costs are measured using the percentage of completion method. Degree of completion is determined by a method that measures the progress of the contract in a controllable and reliable way. Depending on type of contract, different methods can be used by TTS Group to measure the percentage of completion. The general applied method is measuring contract costs incurred to date compared to latest estimated total contract costs. In some cases the costs incurred to date compared to estimated total contract costs may give a misleading evaluation of completion. In these cases technical completion progress is considered to support the completion evaluation of the contract more reliably than measure degree of completeness based on costs.

When the final outcome is uncertain and the outcome cannot be reliably measured, revenue is recognized only to the expected recoverable level of costs. Losses on contracts are fully recognized when identified. The recognized revenue in one period consists of the revenue attributable to the period`s progress and any effect of changes in estimated outcome to date.

Revenue from construction contracts includes original contract amount, variation orders, disputed amounts and incentive bonuses to the extent that it is likely that the income will be realized and a reliable estimate is available. Contract costs include all costs attributable to the contract, both directly attributable to the specific contract and allocated costs attributable to general contract activity. Costs that cannot be attributed to a contract activity are expensed. Tender costs are expensed as incurred.

When estimating accrued cost for construction contracts, purchases relating to future activities of a contract will not be taken into account. If any, payments related to future activities are recognized as advance payments, other current assets or as inventories depending of origin of the cost base.

Incurred costs and revenue received relating to all construction contracts in progress, where the incurred costs and revenue received (less recognized losses) exceed the payments on-account invoiced, will be recorded on the balance sheet as an asset. The asset is classified as accrued, non-invoiced production. If on-account billings exceed costs incurred and recognized profits (less losses), this is recorded as received advance payments from customers as presented as current liabilities. The assessment is made for each contract at company level. There will be no other net allocation at corporate level.

For terminated contracts, any loss is accounted as an expense. In assessing actual loss, the values of the inventory of which the Group takes ownership, and received prepayments are taken into account.

2.22 NON-DERIVATIVE FINANCIAL ASSETS

On the reporting date, non-derivative financial assets that are not measured at fair value through profit and loss, are assessed with regard to whether there is objective evidence of impairment. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired may be customer breach, change of outstanding claims on terms that the Group would otherwise not have accepted, and indications that a borrower or issuer will enter bankruptcy or closure of an active market for the security. For equity instruments, objective evidence of impairment would include significant or prolonged decline in the fair value below its cost.

Impairment losses relating to a financial asset measured at amortized cost is the difference between the carrying value and the present value of estimated future cash flows discounted with the original effective interest rate. An impairment loss is recognized in the profit and loss accounts and the asset's carrying value is reduced by the use of an allowance account.

Non-financial assets

At the reporting date, the Group assesses whether there are indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. For goodwill and intangible assets not yet available for use, or with an indeterminable useful life, the recoverable amount is estimated at the same time each year. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In the assessment of value in use, the estimated future cash flow is discounted to net present value, with a pretax market-based discount rate. The rate takes into consideration the time value of money and asset-specific risk. With the purpose of testing for impairment, assets that have not been tested individually are grouped in the smallest identifiable group of assets that generate incoming cash flow which in all material aspects is independent of incoming cash flows from other assets or group of assets (cash generating units or CGU). Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

Impairment losses relating to goodwill cannot be reversed in future periods. For other assets, an assessment is made on each reporting date whether there are indications that previously recognized impairment losses no longer exist or have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2.23 CASH FLOW STATEMENT

The cash flow statement has been prepared based on the indirect method.

2.24 EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share are presented for ordinary shares. The basic earnings per share is calculated by dividing the period's earnings attributable to owners of the ordinary shares, with a weighted average number of ordinary shares in the period, adjusted for the number of own shares.

Diluted earnings per share are calculated by adjusting the earnings and the weighted average number of ordinary outstanding shares, adjusted for the number of own shares, for potential dilution effects. Dilution effects are a result of employee share options and the conversion rights related to a subordinated convertible bond facility issued by TTS Group ASA. The bondholders have a consecutive right to convert their nominal bond value into shares in TTS Group ASA. Pursuant to the agreement for the subordinated convertible bond facility the conversion price and how the conversion rights is adjusted.

2.25 EQUITY

Convertible bonds and similar instruments which contain both a liability and equity element are divided into two components when issued, and these are recognized separately as a liability or equity.

When change in effective terms of the convertible bond, the equity instrument is measured at carrying value of the liability and no gain or loss is recognized on reclassification.

Transaction costs directly related to an equity transaction are recognized directly in equity after deducting tax expenses.

2.26 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to incur.

Contingent assets are not recognized in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

2.27 EVENTS AFTER THE REPORTING PERIOD

The effect of new information on the Group's financial position at the end of the reporting period which becomes known after the reporting period is recorded in the financial statements. Events after the reporting period that do not affect the Group's financial position at the end of the reporting period but which will affect the Group's financial position in the future are disclosed if significant, ref. Note 31.

2.28 DISCONTINUED OPERATIONS / DISPOSAL GROUP HELD FOR SALE

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

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

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities entail various types of financial risk; market risk (including currency risk and interest rate risk), credit risk, liquidity risk and operational risk.

The Board of Directors has the primary responsibility for establishing and supervising the Group's framework for risk management. The principles of risk management have been established in order to identify and analyze the risk to which the Group is exposed. Principles and systems for risk management are regularly reviewed to reflect any changes in activities and market conditions.

The audit committee reviews management's monitoring of the Group's principles and procedures for risk management.

The Group's main risk management plan focuses on the unpredictability of the capital market, and attempts to minimize its potentially negative effects on the Group's financial results.

The Group engages in international operations and is especially exposed to currency risk. The Group makes use of hedging to reduce the risk of currency exposure.

The Group has a decentralized structure with operational supervision of the various business units, where the main management of financial risk is determined by the Board of Directors. This applies to areas such as currency risk, interest rate risk, credit risk and use of financial derivatives.

For the classification of financial assets and liabilities, reference is made to Note 26.

MARKET RISK

Market risk is the risk of changes to market prices, such as foreign exchange rates, interest and stock-exchange values, affecting the income or value of financial instruments. Management of market risk intends to monitor that risk exposure lies within a set framework.

The Group is particularly vulnerable to fluctuations in the price of steel. The Group monitors the development of steel prices on a continuous basis.

The companies of the Group buy and sell financial derivatives, and incur financial obligations to control market risk. Transactions are carried out within the guidelines issued by the Group. To control volatility in the reported result, hedge accounting is used whenever possible.

Further description of the Group's market risk can be found in the Directors' report.

a) Currency risk

The Group operates internationally and is exposed to currency risk in a number of foreign currencies. The consolidated financial statements are to a great extent affected by the exchange rate of NOK, SEK, USD, EUR CNY and KRW. Currency risk is to a large extent related to contracts for delivery that involve income and expenses in foreign currencies as well as currency risk related to the group's investments in subsidiaries. The Group endeavors to reduce the risk of exposure to exchange rate fluctuations for each functional currency by obtaining an optimal balance between incoming and outgoing payments in the same currency. Following contract signing, the guidelines are to sell and purchase foreign currencies with forward exchange contracts designated as hedges of firm commitments, to reduce the currency risk in cash flows. When necessary, forward exchange contracts are continued as they mature.

The current bank facilities with Nordea and DNB described in section "Liquidity risk" below do not explicitly define a maximum currency derivative exposure accepted by the banks. Increased currency volatility may affect the total exposure accepted by the banks for overdraft, bonding and currency exposure.

For other monetary assets and obligations in foreign currency, net exposure is monitored, and is adjusted by purchasing and selling foreign currency at spot prices whenever necessary.

The Group has investments in foreign subsidiaries where net assets are exposed to currency risk at conversion of currency. A more detailed description of currency conversion differences is presented in Note 25.

SIGNIFICANT CURRENCIES THROUGHOUT THE YEAR:

	Spot rate		Average exchange rates				Spot rate
	31.12.15	31.12.2016	Q1	Q2	Q3	Q4	31.12.2017
SEK	1.0475	0,9512	1.0211	1.0057	0.9782	0.9260	0,9996
EUR	9.6190	9.0863	8.9822	9.3565	9.3599	9.5939	9.8403
USD	8.8090	8.6200	8.4380	8.5262	7.9841	8.1492	8.2050
CNY	1.3565	1.2413	1.2249	1.2417	1.1957	1.2320	1.2609
KRW	0.00749	0.00716	0.007313	0.007504	0.007050	0.007362	0.007690

Sensitivity analysis

EUR

A 10% strengthening of EUR against NOK at year-end would have increased equity and result with the figures given below. The analysis is subject to other variables being constant.

	Equity	Result after tax
31 December 2017	-9 632	-5 764
31 December 2016	991	- 11 104

A 10% weakening of EUR against NOK would have the same effect as regards to amount, only with the opposite sign, subject to other variables being constant.

SEK

A 10% strengthening of SEK against NOK at year-end would have increased equity and result with the figures given below. The analysis is subject to other variables being constant.

	Equity	Result after tax
31 December 2017	37 837	994
31 December 2016	28 198	1 319

A 10% weakening of SEK against NOK would have the same effect as regards to amount, only with the opposite sign, subject to other variables being constant.

CNY

A 10% strengthening of CNY against NOK at year-end would have increased equity and result with the figures given below. The analysis is subject to other variables being constant.

	Equity	Result after tax
31 December 2017	36 988	4 413
31 December 2016	34 006	1 210

A 10% weakening of SEK against NOK would have the same effect as regards to amount, only with the opposite sign, subject to other variables being constant.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing liabilities with floating interest rates. This involves an interest rate risk for the Group's cash flow. The Group's surplus liquidity is in the form of bank deposits. Any divergence from the use of a floating rate of interest and placement of surplus liquidity shall be determined by the Board of Directors.

Items exposed to interest rate risk are bank deposits, bank overdrafts and other interest bearing liabilities.

Sensitivity analysis of cash flow for instruments of variable interest

Calculations take into account all interest-bearing items, except debt with fixed interest rate. All effects will be carried to the profit and loss, as the Group has no hedging instruments related to interest that will be directly charged against equity.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected trough the impact on floating rate debts as follows:

	Fluctuations in interest rate	Effect on net result after taxes	Effect on equity
2017	+ 1%-points	-4 569	-4 569
2016	+ 1%-points	- 4 964	- 4 964

Calculations are made on the basis of average net interest-bearing debt. A more detailed account of interest-bearing debt is presented in Note 12.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with bank and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk is handled at a corporate level. The credit risk is reduced through distribution on several counterparts. Requirements to credit ratings have been established toward counterparts, and new customers are subject to credit rating test. TTS Group applies comprehensive use of Letters of Credit toward its customers, in order to minimize the risk of losses.

Customer base are to a large extent located in Europe and Asia. TTS Group carries out assessment of credit risk to the political structure depending on the economic importance of the agreements based on assessments from the OECD and other equivalent factors.

Maximum risk exposure is represented by the extent of financial assets recognized in the balance sheet. Please find detailed information in Note 26.

The counterparties for derivatives are investment grade rated banks (Nordea and DNB), and the credit risk related to these is considered to be insignificant. The same applies to bank deposits.

As of 31.12, the Group had the following maturity distribution on its external customers):

	Total	Not due	0–3 months	3-6 months	> 6 months
31.12.2017	283	132	56	23	73
31.12.2016	483	271	132	14	65

For accounts receivable that are not yet due, the assessment is, based on previous experience, that there is no need to write down the value. These relate to independent customers who have no previous history of failing to fulfill their obligations to the Group. Invoicing is to a large extent carried out in accordance with milestone-based progress in each project. Due to delays in delivery, a considerable gap between due date and payment date may arise.

Accounts receivable are discussed in further detail in Note 11.

LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to fulfill its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and committed credit facilities for the Group to meet obligations as they mature for payment. As of December 2017, the Group's credit facilities is divided between three bank facilities (Nordea and DNB of totally MNOK 1150 of which MNOK 600 is allocated to guarantees, and a subordinated convertible bond with nominal value of MNOK 93 falling due in January 2019 (ref note 15 for additional information). The Bank facilities with Nordea and DNB is falling due 01.01.2019 (ref note 12 for additional information).

The credit facility agreement with Nordea and DNB has a cash covenant. Minimum available cash/overdraft facility in fully owned subsidiaries are required at minimum MNOK 50.

As of 31 December 2017, the Group has undrawn overdraft facilities of MNOK 122. Furthermore, the Group has available liquidity in the form of bank deposits in the amount of MNOK 175, of which MNOK 99 in held by 50/50 owned consolidated companies (reference to additional information in note 14).

TTS Group is continuously working with efficient management of working capital in order to further optimize cash flow from operations.

TTS Group ASA has established a joint cash pool arrangement that includes most of its subsidiaries. The joint cash pool arrangement improves accessibility and flexibility in the management of liquidity funds. As an effect of the transaction agreement with Cargotec Oyj, the cash pool arrangement will be dissolved. The balance numbers as per 12.2017 reflect the dissolvent of the cash pool.

The Group's liquidity development is continuously monitored based on liquidity forecasts from the Business units.

The Group's strategy is to have sufficient cash reserves or credit facilities available to be able to finance its operations and investments at all times.

The table below gives an overview of the structure of maturity of the Group's financial obligations: Remaining period:

2017	<6 months	6-12 months	1.5 years	More than 5 years	Total
Long-term financial obligations: 1)					
Current financial obligations:					
Interest-bearing non-current liabilities	26 663	313 182	-	-	339 845
FX-derivates	11 842	7 258	-	-	19 100
Accounts payable and other current liabilities	88 670	22 168			110 838
Liabilities held for sale 2)	-	1 251 241	-	-	1 251 241
Total financial obligations	**127 175**	**1 593 849**	**-**	**-**	**1 721 024**

1) All financial obligations is considered as short term debt based on the asset sale agreement between TTS Group and Cargotec Oyj and approval requirement from finance syndicate.

2) Allocation of held for sale timing are based on expected timing of the assets sale agreement.

2016	< 6 months	6-12 months	1-5 years	More than 5 years	Total
Long-term financial obligations:					
Interest-bearing non-current liabilities [1)]	-	-	271 750	-	271 750
Current financial obligations:					
First year's installment on non-current liabilities	95 345	102 962			198 307
Net derivatives	26 036	10 275	6 446		42 757
Accounts payable and other current liabilities	793 276	190 803			984 079
Total financial obligations	**914 657**	**304 040**	**278 196**	**-**	**1 496 893**

[1)] As per 31.12.2015 convertible bond debt of MNOK 95,345 is presented as a short term facility. Based on extension approved in the general assembly in TTS on the 5th January 2016, the bond debt is due for payment on April 18. 2017.

For further information on financial obligations, see Notes 12, 13, 14, 15, 19, 22, 24, 26, 27 and 32.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses as a result of a whole range of causes related to the Group's processes, personnel, technology and infrastructure, as well as external factors besides of credit risk, market risk and liquidity risk that follow from laws, rules and generally accepted principles for business conduct. Operational risk arises in all of the Group's business areas.

The Group's deliveries are primarily organized in the form of projects. The Group continuously strives to improve operations and projects implementation. This further includes credit rating of major sub-suppliers in order to ensure implementation of the projects.

The Group's aim is to deal with operational risk, so that a balance is reached between avoiding economic loss or damage to the Group's reputation, and general cost effectiveness, and to avoid control routines that limit initiative and creativity.

The main responsibility for development and implementation of controls designed to handle operational risk is allocated to the top management within each business area. This responsibility is supported by developing the overall Group standard for management of operational risk in various areas.

3.2 RISK RELATED TO INVESTMENT MANAGEMENT

The Group's aim with regard to investment management is to secure continued operations in order to ensure a return for the owners and other partners, and maintain an optimum capital structure, so as to reduce capital costs. To improve the capital structure, the Group may adjust the level of dividend payment to shareholders, issue new shares or sell assets to repay loans.

The company's gearing as of 31.12 is illustrated below:

	2017	2016
Interest bearing debt [1)]	339 845	470 057
- cash and cash equivalents [2)]	261 843	175 784
Net interest bearing debt	**78 002**	**294 273**
Interest bearing debt in companies classified held for sale	364 733	-
- cash and cash equivalents in companies classified held for sale	235 022	-
+ Net interest bearing debt in companies classified as held for sale	**129 711**	**-**
= Net interest bearing debt for TTS Group	**207 713**	**294 273**
+ Equity for TTS Group	607 460	616 426
Employed capital	**815 173**	**910 699**
Gearing (Net interest bearing debt/ employed capital)	25,5%	32,3%

[1)] Includes nominal value of convertible debt. Ref note 14

[2)] For further information on cash and cash equivalents, see Consolidated statement of cash flows

3.3 ESTIMATION OF FAIR VALUE

Fair value of financial instruments traded in an active market is based on the market value on the balance sheet date. Examples of this are forward contracts in foreign currencies where fair value is calculated by using a market rate on the balance sheet date.

Fair value of financial instruments not traded in an active market is estimated by the use of valuation techniques (primarily discounted future prospective cash flows) or other relevant information for giving a best estimate of fair value on the balance sheet date.

Accounts receivable and accounts payable are recognized at face value, less deductions for occurred or estimated losses on the balance sheet date, an amount presumed to be equal to the fair value of the item.

Fair value of employee share options is measured using the Black & Sholes formula. The data forming the basis for measurement includes the share price at the time of measurement, the option's exercise price, expected volatility, weighted average expected economic life for the instruments, expected return, as well as risk free interest rate. Service terms and non-market based terms are not considered in the calculation of fair value.

Fair value of customer relations and order backlog acquired in a business combination is determined using the multi-period excess earnings method. The value of the intangible asset is equal to the present value of the incremental after-tax cash flows attributable only to the subject intangible asset after deducting contributory asset charges.

Fair value of drawings/technology acquired in a business combination is determined using the relief of royalty method. The valuation is based on the concept that if the company owns a technology, it does not have to rent, and is then relieved from paying a royalty.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

4. USE OF JUDGEMENTS AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included below and in respective notes:

- Basis for consolidating JV companies – a critical judgement that forms the basis for the consolidated financial statement is whether the group de facto has control over an investee, so it qualifies for full consolidation for the group accounts. There has been no changes, nor indication of change from last year's financial statement. The judgement applies to the following investees:

  ** TTS Hua Hai Ships Equipment Co Ltd*
  ** Shanghai TTS Hua Hai International Trade Co., Ltd*
  ** TTS SCM Marine and Offshore Machinery Co. Ltd*
  ** TTS SCM International Trading Co. Ltd*

There has been no changes, nor indication of change from last year's financial statement. For further information see note 27 in 2016.

- Basis for classification as held for sale and discontinued operations – a critical judgement that forms the basis for the consolidated financial statement is whether the group has divestments that qualifies for classification as held for sale and discontinued operations under IFRS 5, please see note 29 and 32.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2017 is included below and in respective notes:

- Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts. For further description of assumptions and estimation uncertainties, please see note 7.

- Impairment related to disposal group held for sale: key assumption underlying carrying amount or fair value less cost to sell. For further description of assumptions and estimation uncertainties, please see note 32

- Revenue recognition of construction contracts: Recognition of income and appropriate contract costs from construction contracts is done in accordance with the percentage of completion method, ref. IAS 11. The assessment of project revenues and project costs is based on a number of estimates and assessments each which an inherent uncertainty. The percentage of completion method requires that the Group prepare reliable estimates for future revenue and costs for each project as well as degree of completion on the balance sheet date.

- Warranty liability: The Group customarily offers a warranty period of one/ two years on its delivered products. Management estimates accruals for future guarantee commitments based on information from historical guarantee claims, together with updated information of the quality of recent deliveries. Factors that may affect estimated obligations include the outcome of productivity and quality initiatives, as well as reference prices and labor costs.

- Deferred tax assets: The Group has recognized deferred tax assets primarily related to the Norwegian and German companies. The following criteria have been used to estimate whether it is probable that future taxable profit will be available against which unused tax losses can be utilized:

  ** The Group probably has sufficient future taxable profit available to utilize the benefits*
  ** The Group has sufficient temporary differences*
  ** Tax losses as a result of specific identifiable causes*

- Financial assets and liabilities: The Group's financial assets and obligation are further discussed in sections 2.8, 2.9, 2.10, 2.12, 2.13, 2.15 and 2.17. Risk related to currency, interest, credit and liquidity, as well as asset management is discussed in section 3. These days' unrest in the financial market could significantly affect the basis for valuation, estimated cash flow and liquidity in the course of the next accounting year. For further discussion of this, reference is made to section 3 and, for accounting values see Note 11, 12, 14, 15, 22, 24, and 26

- Fair value on shares: Fair value of shares not traded in an active market is estimated by the use of valuation techniques. The Group evaluates and chooses methods and assumptions that are based on market conditions on the balance sheet date. Changes to the market conditions may significantly affect the fair value of shares. The accounting value of shares is further discussed in Note 8.

- Inventory: Valuation of inventory is based on estimates on future selling prices in the ordinary course of business. Changes in market conditions may affect the value of inventory. See section 2.11 and accounting values in Note 3.

- Accounts receivables: Valuation of accounts receivable is based on amounts invoiced to customers adjusted for potential financial loss in the ordinary course of business. Changes in the finance market may affect the value of accounts receivable. See section 2.8 and accounting values in Note 11

c) Market risks
There are a number of risks related to the market development for TTS' products and services. TTS monitors these risks through its extensive sales network, through a number of enquiries, and by monitoring relevant available information on trends like the number of vessels contracted, shipyard utilization indicators, charter development, investment trends and oil prices.

Contracting of new vessels – both merchant vessels and specialized vessels – represents the most important market risk factor for the TTS Group. The level of contracting activity heavily influences both total business volume and margins for TTS' main products and solutions. Services and after sales are to a larger degree affected by the development in freight rates, legislative changes and the general development of demand and supply in the marine market, rather than the contracting activity.

Within BUSYS, the order backlog has improved during 2017, and still represents a sound operational foundation for the coming quarters. Future demand for the unit depends largely on the shipyards' need to implement more efficient production lines, and currently there are no signs that the yard industry's focus on restructuring and increased productivity will diminish. From the volume of the prospects we have identified, we believe there is potential for further growth in the segment.

Based on expected execution of the asset sale agreement with Cargotec markets risk and potential are terminated, however TTS continue to monitor and compete in the different markets to maintain its long term established relationship and market position.

Note 1 – Operating segments

(Amounts in NOK 1000)

Primary reporting format – business segments

From 2014, TTS Group's focus has been based on shiptype. The reclassification of accounts to IFRS 5 changes the segment reporting, which is divided into Continued and Discontinued Business. The business unit segments are retained for information.

The reported segments are as follows:

CONTINUED BUSINESS	
BU SYS	Shipyard Solutions segment
TTS Group ASA	Parent Company
DISCONTINUED BUSINESS	
BU RCN	RoRo/ Cruise/ Navy segment
BU CBT	Container/ Bulk/ Tank segment
BU MPG	Multipurpose/ General Cargo segment
BU OFF	Offshore segment
BU SER	Services segment
Other:	Other business, including HUBS

CONTINUED BUSINESS

Shipyard Solutions segment (BU SYS):
The BU SYS segment includes shiplift and docking systems for ship yards.

DISCONTINUED BUSINESS

RoRo/ Cruise/ Navy segment (BU RCN):
The BU RCN segment delivers complete cargo handling solutions to RoRo, PCTC, cruise and navy vessel, including terminal loading and passenger systems. Product range includes external and internal ramps, covers and doors, lifts and platforms, liftable decks, passenger gangways and link span systems

Container/ Bulk/ Tank segment (BUCBT):
The BU CBT segment delivers complete cargo handling solutions to the container, tanker and bulk vessels. The product range includes 10-40t winches, 15-50t cranes and specialized hatch covers designs. The business unit includes three fully owned subsidiaries in Bremen/Germany, Busan/ Korea and Dalian/China, as well as the 50% owned, fully consolidated TTS Hua Hai Ships Equipment Co (THH). Two of TTS' equity consolidated joint ventures in China are part of BUCBT. TTS owns 50% of TTS Bohai Machinery Co. Ltd. with partner Dalian Shipbuilding Industry Co. (DSIC). Through its control of the 50% owned subsidiary TTS Hua Hai Ships Equipment, TTS holds a 40% stake in Jiangnan (Nantong) TTS Ships Equipment Co. Ltd.

Multipurpose/ General Cargo segment (BU MPG):
The BU MPG segment delivers supporting solutions to the vessels which are designed to operate in the multipurpose or general cargo market, requiring specialized operating capabilities. The product range includes 40-2500 t heavy lift cranes, and LEC cranes. The business unit includes the fully owned TTS NMF GmbH in Hamburg/Germany and the 50% owned, fully consolidated TTS-SCM Marine and Offshore Machinery Co. Ltd. (TSG) in Guangzhou/China.

Offshore segment (BU OFF):
The BU OFF segment 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 heave compensated cranes, mooring winches, internal and external covers and doors.

Services segment (BU SER):
The BU SER segment 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.

Each segment is managed separately. Management monitors the operating results of its business separately for the purpose of making decisions about resource allocation and performance assessment. Information related to the divisions are shown below. Earnings are measured based on segment income before tax, as evidenced by internal management reports reviewed by the CEO and the Board of Directors.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. These are not recognized on a separate line, as the amounts are immaterial.

Inter-segment revenues are eliminated upon consolidation and reflected within the individual segments.

Total Group	2017			2016		
	Continued	Discontinued	Total	Continued	Discontinued	Total
External revenue	211 038	1 971 565	2 182 602	202 339	2 884 367	3 086 706
Group revenue	**211 038**	**1 971 565**	**2 182 602**	**202 339**	**2 884 367**	**3 086 706**
Income from JV and associated companies [1)]	-	6 264	6 264	-	60 872	60 872
Earnings before depreciation, finance and tax (EBITDA)	10 516	42 769	53 285	-13 966	84 096	70 130
Depreciation/amortisation	1 680	40 742	42 422	1 659	41 708	43 367
Impairments	-	-	-	-	98 724	98 724
Operating profit/loss	**8 835**	**2 028**	**10 863**	**-15 626**	**-56 335**	**-71 961**
Financial income	4 676	149 021	153 697	12 860	35 556	48 415
Financial cost	9 284	163 126	-172 409	14 296	58 845	73 141
Segment profit/loss before tax	**4 228**	**-12 077**	**-7 850**	**-17 061**	**-79 625**	**-96 687**
Assets	387 071	1 904 330	2 291 401	326 826	1 819 241	2 146 067
Joint ventures and associated companies	-	37 082	37 082	-	29 160	29 160
Total segment assets	**387 071**	**1 941 413**	**2 328 483**	**326 826**	**1 848 400**	**2 175 226**
Liabilities	**469 783**	**1 251 241**	**1 721 024**	**338 288**	**1 220 512**	**1 558 800**
This year's capital expenditures	3 449	3 551	7 000	1 890	4 444	6 334

Continued Business	2017			2016		
	BU SYS	Other	Continued	BU SYS	Other	Continued
External turnover	204 347	6 690	211 038	188 566	13 773	202 339
Group Turnover	**204 347**	**6 690**	**211 038**	**188 566**	**13 773**	**202 339**
Income from JV and associated companies [1)]	-	-	-	-	-	-
Earnings before depreciation, finance and tax (EBITDA)	31 300	-20 784	10 516	27 692	-41 657	-13 966
Depreciation/amortisation	962	719	1 680	981	678	1 659
Impairments						
Operating profit/loss	**30 339**	**-21 504**	**8 835**	**26 711**	**-42 337**	**-15 626**
Financial income	1 593	3 083	4 676	1 400	11 460	12 860
Financial cost	585	8 698	9 284	1 311	12 985	14 296
Segment profit/loss before tax	**31 346**	**-27 119**	**4 228**	**26 799**	**-43 861**	**-17 061**
Assets	159 203	227 868	387 071	214 252	112 574	326 826
Joint ventures and associated companies	-	-	-	-	-	-
Total segment assets	**159 203**	**227 868**	**387 071**	**214 252**	**112 574**	**326 826**
Liabilities	**88 186**	**381 597**	**469 783**	**121 683**	**216 604**	**338 288**
This year's capital expenditures	111	3 338	3 449	1 890	-	1 890

Discontinued Business	2017						
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	Discontinued
External turnover	298 425	894 233	126 870	142 238	507 879	1 920	1 971 565
Group Turnover	**298 425**	**894 233**	**126 870**	**142 238**	**507 879**	**1 920**	**1 971 565**
Income from JV and associated companies [1)]	-	6 264	-	-	-	-	6 264
Earnings before depreciation, finance and tax (EBITDA)	4 872	77 237	-62 449	-15 764	27 260	11 613	42 769
Depreciation/amortisation	1 385	20 022	6 033	6 000	4 875	2 427	40 742
Impairments	-	-	-	-	-	-	-
Operating profit/loss	**3 487**	**57 215**	**-68 482**	**-21 764**	**22 385**	**9 186**	**2 028**
Financial income	5 033	28 383	-896	17 791	18 828	79 883	149 021
Financial cost	1 286	35 318	10 459	24 810	21 040	70 214	163 126
Segment profit/loss before tax	**7 234**	**50 280**	**-79 837**	**-28 783**	**20 173**	**18 855**	**-12 077**
Assets	422 630	884 832	320 543	71 715	148 918	55 692	1 904 330
Joint ventures and associated companies	-	37 082	-	-	-	-	37 082
Total segment assets	**422 630**	**921 915**	**320 543**	**71 715**	**148 918**	**55 692**	**1 941 413**
Liabilities	**68 830**	**489 884**	**409 227**	**155 311**	**113 591**	**14 398**	**1 251 241**
This year's capital expenditures	-	1 798	74	-	1 678	-	3 551

Discontinued Business	2016						
	BU RCN	BU CBT	BU MPG	BU OFF	BU SER	Other	Discontinued
External turnover	555 330	1 137 417	321 766	226 313	534 126	109 415	2 884 367
Group Turnover	**555 330**	**1 137 417**	**321 766**	**226 313**	**534 126**	**109 415**	**2 884 367**
Income from JV and associated companies [1)]	-	60 872	-	-	-	-	60 872
Earnings before depreciation, finance and tax (EBITDA)	14 776	21 322	-24 391	4 150	42 116	26 122	84 096
Depreciation/amortisation	-3 480	20 558	10 934	8 717	4 402	578	41 708
Impairments	-	-	98 647	-	78	-	98 724
Operating profit/loss	**18 257**	**765**	**-133 972**	**-4 567**	**37 636**	**25 546**	**-56 335**
Financial income	8 669	23 050	884	5 510	18 989	-21 547	35 556
Financial cost	6 256	13 664	8 205	18 921	20 380	-8 580	58 845
Segment profit/loss before tax	**20 670**	**10 151**	**-141 293**	**-17 978**	**36 245**	**12 579**	**-79 625**
Assets	595 396	948 044	83 189	14 939	177 672	-	1 819 241
Joint ventures and associated companies	-	29 160	-	-	-	-	29 160
Total segment assets	**595 396**	**977 204**	**83 189**	**14 939**	**177 672**	**-**	**1 848 400**
Liabilities	**296 269**	**572 841**	**123 678**	**92 950**	**134 773**	**-**	**1 220 512**
This year's capital expenditures	207	794	619	-	2 824	-	4 444

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

INFORMATION ABOUT GEOGRAPHICAL AREAS

The Group's activities are primarily distributed in the following regions:

- Europe
- Asia
- USA/Canada
- Rest of the world

Sales revenue (external)	2017	2016
Europe	812 771	907 921
Asia	1 177 848	1 892 422
USA/Canada	119 761	255 701
Rest of the world	72 222	30 661
Total sales revenue	**2 182 602**	**3 086 706**

Sales are allocated based on the customer's country of domicile.

Total assets	2017	2016
Europe	1 367 352	1 301 752
Asia	930 952	848 374
USA/Canada	30 179	25 101
Rest of the world	-	0
Total assets	**2 328 483**	**2 175 226**

Assets are reported based on their location.

Note 2 – Revenue

(Amounts in NOK 1000)

	2017	2016
Revenue from construction contracts, continued operations	182 154	179 776
Sale of goods	-	-
Revenue from service contracts, continued operations	28 884	22 563
Total revenue from projects, continued operations1)	**211 038**	**202 339**
BALANCE SHEET ITEMS RELATED TO CONSTRUCTION CONTRACTS		
Current Assets		
Completed production	107 768	1 157 238
Invoiced production	74 520	855 085
Accrued, non-invoiced production	**33 247**	**302 153**
Prepayments to suppliers		71 629
Total current assets	**33 247**	**373 782**
Current liabilities		
Completed production	318 729	927 539
Invoiced production	377 198	1 176 735
Prepayments from customers	**-58 469**	**-249 196**
Non-invoiced production cost, suppliers	**-**	**-132 410**
Total current liabilities	**-58 469**	**-381 606**

[1)] Revenue from projects includes revenues from long-term construction contracts and revenues from service contracts.
Provisions for losses on contracts is recognized in the income statement when identified, see section 2.22 in Accounting principles.
Risks related to the estimation of the posted values are further discussed under accounting principles, in sections 2.22 and 4.

Note 3 –Inventories

(Amounts in NOK 1000)

	2017	2016
Inventories, incl. non-current	636	259 114
Obsolescence	-	-30 079
Total inventories	**636**	**229 035**
Inventories classified as held for sale - ref note 32	165 917	
Book value of inventories pledged as security for liabilities	60 497	40 335

Raw materials removed from storage for use in ongoing production is presented along with accrued, non-invoiced production.

Note 4 – Payroll expenses and employee information

(Amounts in NOK 1000)

Payroll expenses:	2017	2016
Salaries	33 535	42 395
Employer's social security contribution	5 482	4 649
Defined benefit pension costs (note 5)	-	-
Defined contribution pension costs (note 5)	3 004	2 867
Other benefits	4 405	4 932
Total payroll expenses continued operations	**46 426**	**54 843**
Number of employees at the end of the year	**38**	**40**

Board remunerations [1]		2017	2016
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2016 - 06.2018	400	400
Bjarne Skeie	Board member until 06.2017	230	230
Gisle Rike [2]	Board member since 06.2015. Elected for the period 06.2017 - 06.2019	280	280
Leif Haukom	Board member since 06.2017. Elected for the period 06.2017 - 06.2019	-	-
Toril Eidesvik	Board member until 05.2016	-	320
Marianne Sandal	Board member since 06.2014. Re-elected for the period 06.2016 - 06.2018	280	280
Britt Mjellem	Board member since 06.2016. Elected for the period 06.2016 - 06.2018	320	-
Anita Kråkenes	Board member since 07.2014, employee representative, re-elected for the period 07.2016 - 07.2018	115	115
Morten Aarvik	Board member since 07.2016, employee representative elected for the period 07.2016 - 07.2018	115	-
Ole Henrik Askvik	Board member until 07.2016, employee representative	-	105
Jan-Magnar Grøtte	Board member until 09.2015, employee representative	-	10
Magne Valle	Deputy Board member since 07.2016, employee representative	-	-
Jan Arne Opedal	Deputy Board member since 07.2016, employee representative	-	-
Lilly Bjørg Jegteberg Opsahl	Deputy Board member since 07.2016, employee representative	-	-
Jørn Olsen	Deputy Board member since 07.2016, employee representative	-	-
Total		**1 740**	**1 740**

[1] The Annual General Meeting determines the remuneration to the Board from one General Meeting to the next. For the financial year 2017, the reported remuneration is based on the remuneration paid in 2017 based on the amounts determined by the Board at the Annual General Meeting for 2017. The same applies to the nomination committee.

[2] Gisle Rike represents Rasmussengruppen and the board fee is paid to Rasmussengruppen.

The board has not received any remuneration beyond director`s fee. No loans or severance pay is given to the directors.

NOMINATION COMMITTEE REMUNERATION

The TTS nomination committee was comprised of the following members: Petter Sandtorv (Chairman), Kate Henriksen and Anders Nome Lepsøe.

The nomination committee remuneration for 2017 was TNOK 60 for the chairman and TNOK 35 for each of the members, a total of TNOK 130.

STATEMENT REGARDING THE STIPULATION OF REMUNERATION AND OTHER BENEFITS FOR THE PRESIDENT & CEO AND OTHER EXECUTIVES

Regarding Group management, TTS Group ASA's remuneration policy is based on offering competitive terms. Remunerations should reflect that TTS is a listed company with an international focus.

The annual remuneration is based on Group managements part-taking in the results generated by the company and the added value for shareholders through increased company value.

Remuneration consists of three main components; Base salary, bonus and a share option program.

- Base salaries is intented to be competetive and motivating, but in line with general market terms.
- Bonus for the President & CEO and other executives is determined on the basis of target results and on individual targets. Bonus targets are revised annually. Bonus is up to 50% of base salary for other executives. Bonus payment reported in 2017 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2016. Bonus payments are based on individual employment contracts.
- A share option program has been active for the Group management of TTS since 1998, the goal being that the Group management shall have the same incentive as the shareholders in respect of increasing company value over time. The Annual General Meeting has each year given the Board authority to establish a share portion option program with a two year term. Redemption price equals market price on allotment. First exercise is 50% after one year. Next 12.5% per quarter, in addition to options not previously utilized. Each option program expires after 2 years. Please refer to note 16 Share capital and shareholder information for further information regarding option program.

The President & CEO has a six month notice, with the addition of severance pay of 6 months. Other senior executives have notice six months, with the addition of severance pay up to 12 months.

The share option program is contingent on the Annual General Meeting's approval, based on the Board being granted authority to make such allotments. The President & CEO's remuneration is determined by the Board of TTS Group ASA. Remuneration to other executives is determined by the President & CEO.

As of 30th December 2014, TTS Group ASA and its Norwegian subsidiaries changed its pension scheme from defined pension benefit plan into a contribution based pension plan. The change affected all employees hired in the Norwegian companies. For employees hired in other countries, the prevailing schemes in the respective companies apply.

REMUNERATION AND OTHER BENEFITS FOR THE PRESIDENT & CEO AND OTHER SENIOR EXECUTIVES: 2017

(Amounts in NOK 1000)

Name	Position	Base salary	Other benefits	Bonus paid	Share options	Pension cost
Toril Eidesvik	President & CEO	2 684	-	-	300	94
Leiv Kallestad	CFO (from 01.08.17)	824	-	-	170	58
Henrik Solberg-Johansen	CFO (until 01.08.17)	1 119	723	-	-	80
Mark Bakelaar	CDO	1 074	-	-	80	139
Björn Rosén	EVP, Roro/Cruise/Navy	1 772	387	-	150	823
Holger Elies	EVP, Container /Bulk/Tank	2 334	466	-	150	-
Mette Harv	EVP, Offshore & Multipurpose/ General Cargo (from 01.04.17)	984	-	-	80	105
Rolf-Atle Tomassen	EVP, Shipyard Solutions	1 452	22	560	150	151
Trond Larsen	EVP, Services	1 457	-	-	150	139

Remunerations	Taxable remuneration
Other benefits	Car, group life insurance, taxable pension schemes, phone, newspaper, etc.
Bonus paid	Bonus paid in current year
Share options	Calculated option cost recognized in the income statement

Remuneration of Auditor:	2017	2016
Statutory audit	4 224	5 129
Other attestation services	1 068	89
Tax advisory	383	424
Other non-audit service	534	343
Total	**6 209**	**5 985**

Note 5 - Pensions

(Amounts in NOK 1000)

TTS Group companies have established pension plans in accordance with local practice and law regulations. In general TTS Group has set up defined contribution plans for all employees. Annual contribution paid during the year is expensed when incurred.

CONTINUED BUSINESS

Total pension cost		2017			2016		
		Insured	Uninsured	Total	Insured	Uninsured	Total
	Defined benefit plans		-	-	-	-	-
+	Defined contribution plan	3 004	-	3 004	2 867	-	2 867
=	**Total pension cost**	**3 004**	**-**	**3 004**	**2 867**	**-**	**2 867**
	- of which recognized as payroll cost	3 004		3 004	2 867		2 867
	- of which recognized as finance cost						

Discontinued business annual contribution for 2017 MNOK 33 908 and for 2016 MNOK 45 434

Note 6 - Fixed assets

(Amounts in NOK 1000)

	Property	Buildings	Machinery and vehicles	Furniture, office-equipment, etc.	Total
As of 1.1.2016					
Acquisition cost 1.1.	23 359	24 216	168 413	143 113	359 101
Accumulated depreciation as of 1.1.	-1 162	-11 014	-118 235	-94 169	-224 580
Book value as of 1.1.2016	**22 197**	**13 202**	**50 178**	**48 944**	**134 521**
2016 Financial year					
Book value as of 1.1.	22 197	13 202	50 178	48 944	134 521
Foreign currency differences	-1 624	-3 193	1 075	-4 264	-8 007
Acquisitions	-	-	-	-	-
Additions	-	88	2 918	7 456	10 463
Disposals	-180	-2 735	-467	-392	-3 773
Depreciation, amortization and impairments	-	378	-26 370	-12 874	-38 866
Book value as of 31.12.2016	**20 393**	**7 740**	**27 334**	**38 870**	**94 338**
	-				
As of 31.12.2016					
Acquisition cost 31.12.	21 555	19 176	178 432	148 207	367 370
Accumulated depreciation and impairments as of 31.12.	-1 162	-11 436	-151 098	-109 337	-273 033
Book value as of 31.12.2016	**20 393**	**7 740**	**27 334**	**38 870**	**94 338**
2017 Financial year					
Book value as of 1.1.	20 393	7 740	27 334	38 870	94 338
Foreign currency differences	1 707	2 061	-468	490	3 790
Acquisitions	-	-	-	-	-
Additions	-	-	2 544	7 876	10 420
Disposals	-180	-2 362	31	-725	-3 236
Depreciation, amortization and impairments	-	413	-5 346	-10 828	-15 761
Reclassified as held for sale (ref note 32)	-21 921	-7 852	-24 095	-28 362	-82 229
Book value as of 31.12.2017	**-**	**-**	**-**	**7 322**	**7 322**
As of 31.12.2017					
Acquisition cost 31.12.	23 083	19 575	180 112	147 649	370 419
Accumulated depreciation and impairments as of 31.12.	-1 162	-11 723	-156 018	-111 965	-280 868
Reclassified as held for sale (ref note 32)	-21 921	-7 852	-24 095	-28 362	-82 229
Book value as of 31.12.2017	**-**	**-**	**-**	**7 322**	**7 322**

Property in the Norwegian companies has been pledged as security for long-term and short-term debt to credit institutions, ref. Note 13.

LEASING

TTS Group has no leases classified as financial lease.

TTS Group has entered into different operating leases for offices and other facilities as well as for equipment and vehicles. Most of the leases contain an option for extension.

OPERATING LEASE CONTRACTS:

	Lease payments 2016	Lease payments 2017	Est. lease payment 2018	Est. Lease payments 2018-2021	Est. Lease payments > 2021	Est. Total future lease payments
Lease of premises	52 959	63 047	37 970	65 567	1 562	105 099
Lease of equipment and vehicles	4 736	4 702	3 681	3 104	-	6 785
Total [1)]	**57 695**	**67 749**	**41 651**	**68 670**	**1 562**	**111 884**

[1)] Operating lease estimates are based on active lease contracts as per 31.12.2016, and their set duration.

Continued	Lease payments 2016	Lease payments 2017	Est. lease payment 2018	Est. Lease payments 2018-2021	Est. Lease payments > 2021	Est. Total future lease payments
Lease of premises	13 755	10 354	9 546	1 578		11 124
Lease of equipment and vehicles		60	60	60		120
Total	**13 755**	**10 414**	**9 606**	**1 638**		**11 244**

Discontinued	Lease payments 2016	Lease payments 2017	Est. lease payment 2018	Est. Lease payments 2018-2021	Est. Lease payments > 2021	Est. Total future lease payments
Lease of premises	39 204	52 693	28 424	63 989	1 562	93 975
Lease of equipment and vehicles	4 736	4 642	3 621	3 044	-	6 665
Total	**43 940**	**57 335**	**32 045**	**67 033**	**1 562**	**100 640**

Note 7 – Intangible assets

(Amounts in NOK 1000)

	Customer portfolio	Patents, licences etc	R&D	Goodwill	Total
As of 1.1.2016					
Acquisition cost 31.12.	131 572	7 399	59 885	733 707	932 563
Accumulated depreciation and impairments as of 31.12.	-9 382	-4 277	-43 375	-31 900	-88 934
Book value as of 01.01.2016	**122 190**	**3 122**	**16 510**	**701 807**	**843 629**
2016 Financial year					
Book value 1.1.	122 190	3 122	16 510	701 807	843 628
Foreign currency effects	-21 846	348	535	-43 740	-64 703
Additions			2 033		2 033
Acquisitions					
Disposals					
Depreciation and amortization	-10 988	-963	-6 658		-18 609
Impairment				-82 269	-82 269
Book value as of 31.12.2016	**89 356**	**2 507**	**12 420**	**575 798**	**680 080**
As of 31.12.2016					
Acquisition cost 31.12.	109 726	7 747	62 453	689 967	869 893
Accumulated depreciation and impairments as of 31.12	-20 370	-5 240	-50 033	-114 169	-189 812
Book value as of 31.12.2016	**89 356**	**2 507**	**12 420**	**575 798**	**680 081**
2017 Financial year					
Book value 1.1.	89 356	2 507	12 420	575 798	680 082
Foreign currency effects	-680	489	270	29 983	30 062
Additions					-
Acquisitions					-
Disposals	-503		-253	-21 807	-22 563
Depreciation and amortization	-19 692	-587	-3 756		-24 035
Impairment					-
Reclassification to assets held for sale	-62 435	-1 982	-8 681	-583 974	-657 072
Book value as of 31.12.2017 from continued business	**6 046**	**427**	**-0**	**0**	**6 473**
As of 31.12.2017					
Acquisition cost 31.12.	108 543	8 236	62 470	698 143	877 392
Accumulated depreciation and impairments as of 31.12.	-40 062	-5 827	-53 789	-114 169	-213 847
Reclassification to assets held for sale	-62 435	-1 982	-8 681	-583 974	-657 072
Book value as of 31.12.2017	**6 046**	**427**	**-**	**-**	**6 473**

GOODWILL IMPAIRMENT ASSESSMENT

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. Prior to reclassification of assets and liabilities held for sale under IFRS 5, an impairment test in accordance with IAS 36 was performed.

The TTS Group has defined cash generating units (CGU) at the lowest level that generates cash inflows that are largely independent of those from other assets or groups of asset.

The recoverable amount of each CGU were based on an estimat on fair value less cost of disposal. Fair value less cost of disposal was estimated using the observable transaction price allocated to each CGU. The fair value measurements were categorised as Level 3 fair value based on non observable input behind the allocation of the overall transaction price. The allocation of transaction price was based on the expected market participants assessment on value. Main value drivers for the allocation of the transaction price was;

- Access to Chinese production capacity and established market access to China
- Install base for future service
- Access to heavy lift technology within the TTS NMF GmbH business.

Prior to reclassification to assets held for sale, the group had the following Goodwill in the group accounts:

CGU	Goodwill 31.12.17 (MNOK)	Goodwill 31.12.16 (MNOK)
TTS Marine AS	26	26
TTS Marine AB	204	194
TTS Marine GmbH [1)]	91	84
TTS Hua Hai [2)]	124	114
TTS Neuenfelder Maschinenfabrik GmbH [3)]	123	123
TTS Poland	15	13
TTS Liftec Oy		22
Total	**584**	**576**

[1)] The CGU includes the subsidiaries TTS Marine Korea Co. Ltd (Busan, Korea) and TTS Marine Equipment Co Ltd (Dalian, China)

[2)] The CGU includes the subsidiaries Shanghai TTS Hua Hai International Trading Co. Ltd (Shanghai, China) and JiangNan TTS Ships Equipment Manufacturing Co. Ltd (Jiangsu, China)

[3)] The CGU includes the TTS-SCM Marine and Offshore Machinery Co. Ltd and TTS SCM International Trading Co. Ltd.

The allocation of the transaction price in the impairment model resulted in no impairment for the identified CGUs. For impairment testing of the disposal group held for sale, please see note 32.

Sensitivity

Any changes in the transaction price, or changes in the allocation of the transaction price between the CGUs, would result in impairment of goodwill in one or more CGU’s.

Note 8 – Investments in other companies

(Amounts in NOK 1000)

TTS Group ASA sold its 16,1% share of Sigma Drilling AS to Skeie Technology AS, a company controlled by the Skeie familiy. The transaction price was USD 256.750, giving basis for a finance gain of USD 256.750 which has been recognized in the 2017 accounts. The transaction was approved by the general meeting at 01.06.2017.

Note 9 – Subsidiaries

Please note that any subsidiaries except TTS Syncrolift AS, are included as part of the assets sale transaction between TTS Group ASA and Cargotec Oyj.

The following subsidiaries are basis for the consolidated accounts:

TTS GROUP ASA:

Subsidiary	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
TTS Syncrolift AS	Drøbak, Norway	1994	100%	100%	NOK	950 000
Norlift AS	Bergen, Norway	1994	100%	100%	NOK	500 000
TTS Marine AB	Gothenburg, Sweden	2002	100%	100%	SEK	2 000 000
TTS Marine Shanghai Co Ltd	Shanghai, China	2002	100%	100%	CNY	47 093 503
Hydralift Marine AS	Kristiansand, Norway	2003	100%	100%	NOK	100 000
TTS Cranes Norway AS	Bergen, Norway	2007	100%	100%	NOK	500 000
TTS Marine AS	Bergen, Norway	2009	100%	100%	NOK	3 000 000
TTS Singapore Pte. Ltd.	Singapore	2009	100%	100%	SGD	1 141 813
TTS Greece Ltd.	Pireus, Greece	2009	100%	100%	EUR	200 000
TTS Offshore Solutions AS	Bergen, Norway	2012	100%	100%	NOK	2 112 500
TTS Neuenfelder Maschinenfabrik GmbH	Hamburg, Germany	2012	100%	100%	EUR	3 000 000
TTS Polen sp. z o o.	Gdansk, Poland	2013	100%	100%	PLZ	250 000

Joint venture	Registered office	Acquisition year	Ownership	Voting share
TTS BoHai Machinery Co., Ltd	Dalian, China	2005	50%	50%
TTS Bohai Trading (Dalian) Co., Ltd	Dalian, China	2014	50%	50%

Joint ventures are accounted for in accordance with the equity method, ref. note 10.

TTS MARINE AB HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary [1]	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
TTS Marine Inc.	Virginia, USA	1994	100%	100%	USD	190 000
TTS Marine GmbH	Bremen, Germany	1997	100%	100%	EUR	255 646
TTS Marine S.r.l	Genova, Italy	2006	100%	100%	EUR	10 400
TTS Vietnam Co. Ltd	Haiphong, Vietnam	2014	100%	100%	VND	10 000
TTS Hua Hai Ships Equipment Co Ltd [2]	Shanghai, China	2002	50%	100%	CNY	11 000 000
Shanghai TTS Hua Hai International Trade Co., Ltd [2]	Shanghai, China	2012	50%	100%	CNY	1 000 000

[1] TTS Liftec Oy have been sold in 2017.

[2] The governing documents of the companies were changed in April 2015, after which TTS Group has the ability to control the companies. Based on this, the company is considered as a subsidiary and fully consolidated into the TTS Group accounts as from 2nd quarter 2015.

Equity accounted associated companies	Registered office	Acquisition year	Ownership	Voting share
Jiangnan TTS Ships Equipment Manufaturing Co. LTD [3]	Jiangnan, China	2012	20%	40%

[3] TTS Hua Hai Equipment co. Ltd owns 40%. TTS Group indirectly controls 40% of the votes and is indirectly entiteled to 20% of the dividend payment.

Investements in associated companies are accounted in accordance with the equity method, ref. note 10.

TTS MARINE GMBH HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
TTS Marine GmbH Korea Co. Ltd	Korea	2007	100%	100%	KRW	1 513 390 000
TTS Marine Equipment Ltd.	Dalian, China	2008	100%	100%	RMB	15 728 611

TTS NEUENFELDER MASCHINENFABRIK GMBH HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
TTS SCM Marine and Offshore Machinery Co. Ltd [6]	Shenzhen, China	2014	50%	100%	RMB	32 000 000
TTS SCM International Trading Co. Ltd [6]	Shenzhen, China	2016	50%	100%	RMB	1 000 000

[6] Based on the governing documents of the company, TTS Group has the ability to control the company. Based on this, the company is considered as a subsidiary and fully consolidated into the TTS Group accounts.

TTS MARINE AS HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
TTS Brazil Services [7]	Rio de Janeiro, Brazil	2014	99%	100%	BRL	400 000

[7] TTS Group ASA holds the remaining 1%.

TTS HYDRALIFT MARINE AS HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
TTS Marine Services LLC (Dubai)	Dubai, United Arab Emirates	2016	100%	100%	AED	100 000
TTS Benelux NV (Rotterdam)	Rotterdam, Netherland	2016	100%	100%	EUR	62 000
TTS Energy AS	Kristiansand, Norway	2017	100%	100%	NOK	30 000

Note 10 – Equity accounted investments

(Amounts in NOK 1000)

The equity accounted investments are classified as assets held for sale. The profit/loss is presented as discontinued operations.

PER 31 DECEMBER TTS GROUP HOLDS THE FOLLOWING EQUITY-ACCOUNTED INVESTEES:

Company	Registered office	Acquisition date	Ownership	Voting share
TTS Bohai Machinery Co., Ltd	Dalian, China	2005	50%	50%
TTS Bohai Trading Co., Ltd	Dalian, China	2005	50%	50%
JiangNan TTS Ships Equipment Manufacturing Co.Ltd	JiangNan, China	04.2015	40%	40%

An impairment of MNOK 43,0 was recognised in 2016 related to the associate JiangNan TTS Ships Equipment Manufacturing Co.Ltd (JNTTS). The impairment is presented as part of operating expences – discontinued operations. THH have an operational obligation to use JNTTS as a sourcing partner, based on JNTTS being competitive on pricing and quality. TTS Group have no financial committment to support funding or financing of activities in JNTTS.

Equity accounted investments	TTS Bohai Machinery / Trading	JiangNan TTS Ships Equipment Manufacturing Co.Ltd	Total
Opening balance 1.1.2016	29 389	55 586	84 975
Share of profit/loss (net of witholding tax)	5 344	-23 315	-17 971
Dividends (net of witholding tax)	-2 002	-	-2 002
Impairment		-43 049	-43 049
Currency effect	-3 571	10 778	7 207
Closing balance 31.12.2016	**29 160**	**-**	**29 160**
Opening balance 1.1.2017	29 160	-	29 160
Share of profit/loss (net of witholding tax)	6 264	-	6 264
Currency effect	1 658	-	1 658
Reclassified as held for sale	-37 082	-	-37 082
Closing balance 31.12.2017	**-**	**-**	**-**

EQUITY ACCOUNTED INVESTMENTS TOTAL(100%) PROFIT/LOSS, ASSETS AND LIABILITIES PER 31.12.2017

	Long term assets	Current assets	Long term liabilities	Current liabilities	Revenue	Net Profit/(loss) after tax
TTS Bohai Machinery / TTS Bohai Trading	2 910	173 422	-	94 907	253 518	15 111
JiangNan TTS Ships Equipment Manufacturing Co.Ltd	343 213	240 186	-	528 677	139 706	-43 764
Total	**346 123**	**413 608**	**-**	**623 584**	**393 223**	**-28 653**

EQUITY ACCOUNTED INVESTMENTS TOTAL(100%) PROFIT/LOSS, ASSETS AND LIABILITIES PER 31.12.2016

	Long term assets	Current assets	Long term liabilities	Current liabilities	Income	Profit/loss
TTS Bohai Machinery Co., Ltd	3 122	205 010	-	141 955	300 705	12 708
JiangNan TTS Ships Equipment Manufacturing Co.Ltd	349 744	253 627	-	494 017	300 017	-56 567
Total	**352 866**	**458 638**	**-**	**635 972**	**600 722**	**-43 859**

Note 11 – Trade and other receivables

(Amounts in NOK 1000)

Trade receivables	2017	2016
Trade receivables	38 770	482 687
Loss provisions	-370	-19 329
Net trade receivables	**38 400**	**463 359**

For terms and conditions related to relating party receivables, ref. to Note 22.

Net trade receivables classified as held for sale - ref note 32	244 583	

Trade receivables (gross) per currency:	2017	2016
EUR	15 142	125 355
USD	11 199	242 870
NOK	11 969	78 230
Other currencies	460	36 232
Total	**38 770**	**482 687**

For additional information on accounts receivables and associated risks, see Accounting Principles and sections 2.12, 3.1 and 4 and Note 26.

Other receivables under short-term receivables:	2017	2016
VAT	171	9 138
Prepayments	5 979	9 161
Other receivables	11 153	66 194
Other short-term receivables	**17 304**	**84 493**

Other short-term receivables classified as held for sale - ref note 32	88 753	

Note 12 – Loans and non-current liabilities

(Amounts in NOK 1000)

SPECIFICATION OF LOANS:

	Loan type	Currency	Nominal interest rate	Limit 2017	Maturity	"Instalment terms"	"Nominal value 2017"	"Nominal value 2016"
TTS Group ASA								
Nordic Trustee ASA [1]	Convertible bond	NOK	Coupon - 10%	93 345	2019	Balloon	93 345	95 345
Nordea	Mortgage loan	NOK	Nibor + 3,75%	100 000	2019	Term loan	87 500	100 000
Nordea [2]	Drawdown facility, mortgage based	NOK	Nibor/Euribor/ Libor + 3,50%	200 000	2019	Balloon	72 591	77 902
DNB	Mortgage loan	NOK	Nibor + 3,50%	171 750	2019	Term loan	159 000	171 750
TTS Marine Korea Ltd.								
Kookmin Bank	Draw dawn facility	KRW	3,95%	30 760	2018	Balloon	27 622	21 481
Kookmin Bank	Mortgage loan	KRW	3,45%	3 076	2018	Balloon	3 076	3 579
Total loans				**598 931**			**443 134**	**470 057**

[1] Presentation in this note is based on allocation and information applicable as per 31.12.2017. On 22th March 2017 the interest rate of the Subordinated Boan Loan have been reduced from 12% p.a. to 10% p.a. Additional information available in note 15.

[2] NIBOR/EURIBOR/USDLIBOR + 3,5% based on the drawdown in different currencies

NET BOOK VALUE OF BOND DEBT AND OTHER DEBT TO FINANCIAL INSTITUTIONS:

	Cash	Bond loan	Morgage loan	Liability held for sale	Net
Bond loan		93 345			93 345
Mortgage loan			246 500	3 076	249 576
Drawdown facilities [1]	(260 892)			361 105	100 213
Total	**(260 892)**	**93 345**	**246 500**	**364 783**	**443 134**

[1] Due to the terms in the asset sale agreement, the group financing through the Cash Pool arrangement, Cash Pool balances has not been eliminated between continuing and discontinuing business. The basis for this is that each company will be responsible for refinancing the cash pool receivables/liabilities post transaction.

REPAYMENT PROFILE AND MATURITY:

	Nominal value 31.12.2017	2018	2019	2020	2021	2021 and later
Convertible Subordinated Bond Loan 2011/2019	93 345		93 345			-
Term based financial facilities	249 576	53 076	196 500		-	-
Drawdown facilities	100 213	100 213				
Total loans incl. first year instalment and short term loans [1]	**443 134**	**153 289**	**289 845**	**-**	**-**	**-**
- short term loans and second year instalment of non-current debt	-153 289	-153 289		-	-	-
Total non-current liabilities	289 845	-	289 845	-	-	-
Expected interest payments		**27 348**	**311**	**-**	**-**	**-**

[1] Presentation in this table is based on allocation and information applicable as per 31.12.2017. As an effect of the asset sale agreement with Cargotec Oyj any and all debt facilities in TTS Group are classified as short term debt.

Mandatory repayment
On the 8th of February 2018, TTS Group ASA signed an asset sale agreement with Cargotec Oyj, transfering the majority of the activity in TTS Group ASA to Cargotec Oyj. As a result of this, TTS Group ASA is required to repay all bank facilitites post transaction. In addition it is required that the Bond loan is repaid when the bank facilitites are settled.

RECOGNIZED NOMINAL VALUE OF THE GROUP'S NON-CURRENT LIABILITIES IN VARIOUS CURRENCIES ARE AS FOLLOWS:

(NOK 1000)	2017	2016
NOK	412 436	444 997
EUR	-	-
USD	-	-
RMB	-	-
KRW	30 698	25 060
Total	**443 134**	**470 057**

COVENANTS

TTS Group has loans, draw down facilities and guarantee limits with Nordea and DNB.

TTS Group have met the financial covenant requirements from Nordea and DNB as of 31.12.17.

On the 19th of December 2016 TTS Group ASA entered into a new agreement with Nordea and DNB, which represents an extension of the agreements the company had at the beginning of the prior fiscal year.

COVENANTS AS PER 31.12.2017

TTS Group have the following financial covenant requirements from Nordea and DNB end of 2017.

Equity covenant:
TTS Group's equity ratio shall at least be equal to 24,0%.
In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent. Nordea and DnB has accepted that the nominal value of the Subordinated Convertible Bond loan is included as part of the equity calculation. Including the added back nominal value of the Subordinated Convertible Bond, the relevant covenant equity measure basis as per 31.12.2017 is MNOK 701, which represents an equity ratio of 30.1%.

MINIMUM LIQUIDITY

Covenant related to minimum liquidty reserve is MNOK 50. As per 31.12.2017, based on the set calculation definitions, the liquidity reserve was MNOK 205,5.

OTHER

In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent.

COVENANTS IN 2018

On the 19th of December 2016 TTS Group ASA entered into a new agreement with Nordea and DNB, which represents an extension of the agreements the company had at the beginning of the prior fiscal year. As of 4Q-2017 the financial covenants are;

- Equity ratio min 25,0% in 1Q-4Q 2018 (inclusive nominal value of remaining bond-debt).
- Minimum liquidity reserve of MNOK 50 in fully owned subsidiaries.
- Maximum NIBD/ EBITDA:

  ** 1Q 2018-4Q 2018: 3,0*
- In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent.
- The agreements have a separate set of definitions on:

  ** NIBD; excluded convertible bond debt. Includes 50% of cash in 50/50 owned entitties*
  ** EBITDA; includes 100% of EBITDA from fully owned subsidiaries, and 50% of EBITDA from 50/50 owned companies.*
  ** EBITDA effects caused by restructuring/ impairment/ profits and accounting based one-offs are eliminated from the calculation"*

Note 13 – Assets pledged as security and guarantees

(Amounts in NOK 1000)

The major bank credit facility of TTS Group ASA is established with Nordea Norge ASA (Nordea) and DNB ASA (DNB).

TTS GROUP HAS THE FOLLOWING CREDIT FACILITIES THROUGH ITS FACILITATORS:

	2017		2016	
	Limit	Drawn	Limit	Drawn
Group cash pool overdraft facility	200 000	72 591	200 000	78 200
Drawdown facility, operations	271 750	246 500	271 750	271 750
Guarantee limit for Group	600 000	401 994	600 000	428 300

As per 31.12.2017 all Norwegian companies (ref Note 9), as well as TTS Marine AB, TTS NMF GmbH and TTS Marine GmbH are part of the Group cash pool arrangement with Nordea. The pledges will be released when the asset sale transaction with Cargotec Oyj is closed. However, Nekkar ASA might enter into agreements with banks which requires new pledges to be established.

All companies within TTS Group utilize the guarantee limit. The guarantee limit cover payment guarantee, performance bonds, advance payment bonds and tax guarantees.

On 19.12.2016 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 at 01.01.2019.

The credit facility in the agreement is MNOK 1.072, and consists of;

- MNOK 172, 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)

The agreement includes covenant requirements related to equity ratio, NIBD/EBITDA level and minimun liquidity reserve. The covnenants are described in note 12.
The new agreements include unchanged pledges of plant and machinery, inventory, accounts receivables in the major Norwegian companies. In addition shares in TTS Marine AB have been pledged. There is no change of assets pledged as securities compared to prior agreements.

FOR THE ABOVE MENTIONED FACILITIES THE FOLLOWING ASSETS HAVE BEEN PLEDGED AS COLLATERAL TO NORDEA AND DNB:

Assets pledged as collateral for secured debt:	2017	2016
Shares in TTS Marine AB	430 036	304 782
Account/Group receivables	70 043	287 952
Inventory/Work in progress, including non-invoiced production	60 497	40 335
Property	-	-
Assets pledged as collateral	**560 577**	**633 069**

Other assets pledged as security and guarantees:

TTS MARINE AB

As pr 31.12.2017, guarantees of MSEK 203.0 (MNOK 202.9) were drawn. This amount is included in the total guarantees drawn with Nordea/DNB of MNOK 402.0 in the above table.

TTS MARINE GMBH

As per 31.12.2017, guarantees of MEUR 2.0 (MNOK 20.0) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 402.0 in the above table.

TTS NMF GMBH

As per 31.12.2017, guarantees of MEUR 0.2 (MNOK 2.3) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 402.0 in the above table.

TTS MARINE KOREA CO. LTD

TTS Marine Korea Co., Ltd has re-established a debt agreement of MKRW 400 (MNOK 3.1) with Kookmin Bank in Korea. The company also has a credit line of MKRW 4 000 (MNOK 30.8), of which 3 592 MKRW (MNOK 27.6) was drawn. The bank has security in the company's building and land. The building and land is valued to MKRW 3 332 (MNOK 25.6).

Note 14 – Net interest-bearing debt

(Amounts in NOK 1000)

	2017	2016
Bank deposits, cash etc. in fully owned subsidiaries (exclusive cash pool)	261 843	76 679
Bank deposits, cash etc. in consolidated 50/50 owned companies [1]		99 105
Deposits	**261 843**	**175 784**
Convertible Bond loan [2]	-93 345	-95 345
Non-current interest bearing debt	-246 500	-271 750
Drawdown Cash pool facility with Nordea as of 31.12.		-77 902
Other current interest bearing debt		-25 060
Interest-bearing debt	**-339 845**	**-470 057**
Nominal net interest-bearing debt continuing business	**-78 002**	**-294 273**

[1] Deposits reported from TTS Hua Hai, and TTS SCM.

[2] Convertible Bond loan included at nominal value as per 31.12. Please find additional information relating to the Convertible Bond loan in Note 15.

SPECIFICATION NET INTEREST-BEARING DEBT HELD FOR SALE

	2017	2016
Cash and banks classsified as held-for-sale	70 173	-
Bank deposits, cash etc. in consolidated 50/50 owned companies [1]	164 849	
Deposits, classified as held for sale	235 022	-
Drawdown Cash pool facility with Nordea as of 31.12.	-333 483	-
Other current interest bearing debt	-30 698	-
Interest-bearing debt classified as held for sale	-364 181	-
Nominal net interest-bearing debt held for sale	**-129 159**	**-**

Please find additional information on drawdown facilities, security and covenants in Note 12 and 13.

Note 15 – Convertible Bond loan

(Amounts in NOK 1000)

The Extraordinary General Meeting in TTS Group ASA on 10.1.2011 approved the establishment of a subordinated convertible bond facility of MNOK 200 with maturity date 18.01.2016, and a 8% annual coupon.

At yearend 2015 the remaining nominal value of the bond facility was MNOK 95,345, and conversions strike price at NOK 4,97 per share.

The Extraordinary General Assembly on 5.1.2016, approved a renewal of the subordinated convertible bond facility. New expire date was set at 18th April 2017, with an annual coupon of 12%. Nominal bond value reminded unchanged at MNOK 95,345, and conversions strike price was unchanged at NOK 4,97 per share. No debt conversions into equity were made during 2016.

At March 22th 2017 the bondholders of the Subordinated Convertible Bond Debt agreed to extend the repayment of the debt facility until 18. January 2019. As part of the prolongation initiative the bondholders were offered an option for partial repayment of nominal debt value, giving basis for a repayment of MNOK 2,0. The nominal bond value is MNOK 93,345, and expire at 18 January 2019. Interest until April 18 2017 is agreed to 12% annual coupon. As of April 19 th 2017 the annual coupon is set to 10%. Conversions strike price is unchanged at NOK 4,97 per share. The extension was approved in the Extraordinary General Assembly at TTS Group ASA at March 30th 2017.

No debt conversions into equity were made during 2017.

In first tertial of 2018 bonds with the nominal value of MNOK 1,5 have been converted into 301 810 new shares in TTS Group ASA. The nominal value of the bond debt following the conversion is MNOK 91 845, representing 18 479 879 conversion rights.

The bond holder has a consecutive right to convert their nominal bond value into shares in TTS Group ASA. Conversion price is fixed per share.

Conversion price is to be adjusted in several occurrences of which the major is;

i. consolidation or subdivisions of shares

ii. distribution of profits or reserves to shareholders by issue of new shares

iii. dividend payments to shareholders

iv. issue or grant shareholders rights, options, warrants or other subscription rights

DEVELOPMENT IN CONVERSION STRIKE PRICES

Initial conversion strike price was fixed at NOK 9.2839 per share as of 10.1.2011

The Extraordinary General Meeting on 15.8.2012 it was decided to pay an extraordinary dividend of NOK 1.56 per share, and a capital reduction of NOK 4,2147 per share. Conversion strike price was NOK set to 5.71, effective as of 26.10.2012.

The Annual General Meeting in 2013 decided on a dividend of NOK 1 per share. Based on the dividend, the conversion price was adjusted accordingly. The adjusted conversion strike price was set to NOK 4.97 per share, effective as of 11.06.2013.

The conversion strike price at yearend 2017 was NOK 4.97 per share.

The 17th December 2015, the bondholders agreed to a renewal of the Subordinated Convertible Bond Debt, which represented an extension of the repayment of the debt facility until 18 April 2017. At January 5th 2016 the Extraordinary General Assembly in TTS Group ASA approved the renewal. The renewed agreement represented a 15-month extension of the maturity date from 18th January 2016 to 18th April 2017, and a change of fixed coupon rate from 8% to 12% p.a. A new drag along conversion clause enabled both the Bond holder, and TTS the right to require a conversion of all outstanding bonds to shares in the case of an acquisition event at a price above or equal to the conversion price. A new drag along call option clause, in the case of an acquisition event at a price below the conversion price, enables TTS the right to redeem all outstanding bonds at a rate of 105% of par value. The options have not been exercised in 2016. Terms and conditions in the renewed agreement have been evaluated according to IAS 39. Changes in overall terms represent a change of less than 5% change to the overall agreement, and have been handled as a prolonging of the prior bond debt agreement.

The 22th March 2017, the bondholders agreed to renew the Subordinated Convertible Bond Debt, which represent an extension of the repayment of the debt facility until 18 January 2019. The Extraordinary General Assembly in TTS Group ASA approved the renewal at March 30th 2017. The renewed agreement represented a 21-month extension of the maturity date from 18th April 2017 to 18th January 2019, a reduction in fixed coupon rate from 12% to 10%p.a, a termination of a drag along call option clause and prolongation of the conversion rights to the bond holders unchanged at a conversion strike price at 4,97 per share. As part of the renewal agreement TTS group agreed to a MNOK 2,0 bond redemption.

The terms and conditions in the renewed agreement have been evaluated according to IAS 39. Changes in overall terms represent a change to the overall agreement which exceeds the IAS 39 thresholds for de-recognition and re-recognition. TTS Group find the effects from de-recognition and re-recognition to be immaterial, and have handled the renewal as a prolonging of the prior bond debt agreement. As such the debt facility is presented according to nominal values.

Re-recognition of the bond debt according to IAS 39 would, at the 30th March 2017, give basis for an equity recognition MNOK 4,5 corresponding to an effective interest rate of 13,8%. The effective value of the bond debt at 31.12.2017 would be MNOK 90,2 MNOK, and the interest in 2017 would be increased by MNOK 1,9.

	2017	2016
Subordinated convertible bond loan - nominal value at drawdown	200 000	200 000
Converted debt to shares in 2011	-7 500	-7 500
Converted debt to shares in 2012	-97 155	-97 155
Partial redemption in 2017	-2 000	-
Nominal debt value as per 31.12 [1]	93 345	95 345
Draw down cost	-14 262	-14 262
Derived equity portion from inherent put option at drawdown	-36 981	-36 981
Equity derived from converted subordinated convertible bond during 2011	1 387	1 387
Equity derived from converted subordinated convertible bond during 2012	17 964	17 964
Effective interest cost less paid interest - 2011	9 977	9 977
Effective interest cost less paid interest - 2012	1 900	1 900
Effective interest cost less paid interest - 2013	5 851	5 851
Effective interest cost less paid interest - 2014	6 961	6 961
Effective interest cost less paid interest - 2015	8 282	8 282
Effective interest cost less paid interest - 2016	-1 080	-1 080
Effective interest cost less paid interest - 2017	-	-
Effective debt value	**93 345**	**95 345**

[1] There was no conversions to shares in 2013, 2014, 2015, 2016 and 2017.

	Repayment profile and maturity:			
	2016	2017	2018	2019
Subordinated convertible bond loan - nominal value [1]	95 345	93 345		-93 345
Nominal interest cost	11 230	9 967	9 335	2 800
Calculated effective interest cost	12 310	9 967	9 335	2 800

[1] Cross default clause in bond agreement related to maturity. As debt agreements are affected by assets sale agreement, the bond debt fall due parallel with other financial debt, and have been presented as short term debt in the balance sheet.

Principal bondholders as of 31.12.2017:

Bondholder:		Conversion rights	Share portion if fully converted
MP PENSJON PK		6 639 839	6,3%
SKEIE TECHNOLOGY AS	[1]	3 912 474	3,7%
PONDERUS SECURITIES AB	Nominee	1 951 710	1,9%
SKEIE CONSULTANTS AS	[1]	1 207 243	1,1%
SKANDINAVISKE ENSKILDA BANKEN AB	Nominee	985 915	0,9%
SKEIE ALPHA EQUITY AS	[1]	804 828	0,8%
SKEIE CAPITAL INVESTMENT AS	[1]	704 225	0,7%
NORDA ASA		503 018	0,5%
TEAM ATLANTIC AS		382 293	0,4%
PIMA AS		326 961	0,3%
Other		1 363 170	1,3%
Total		**18 781 676**	**17,8%**

[1] Companies controlled by the Skeie family

Note 16 – Share capital and shareholder information

(Amounts in NOK)

Date	Number of shares	Nominal value	Share capital
31.12.2017	86 605 660	0.11	9 526 623
31.12.2016	86 605 660	0.11	9 526 623

There were no changes to the nominal share capital in 2017 or 2016.

In 2018 bond holders TTS Group have converted NOK 1 500 000,- into 301810 shares in TTS Group ASA. As pr. 27.04.18 the number of shares is 86 907 470.

DIVIDENDS PAID AND PROPOSED:

(NOK 1000)	2017	2016
Declared and paid during the year:	0	0
Dividends on ordinary shares	0	0

Dividend for shareholders proposed for 2017, to be paid in 2018: NOK 0 per share.
Total dividend amount proposed: NOK 0.

TREASURY SHARES:

	Number of shares	Share capital (NOK 1 000)
Treasury shares as of 01.01.2016	112 882	-12 417
Sale of treasury shares 2016		-
Treasury shares as of 31.12.2016	**112 882**	**-12 417**
Sale of treasury shares 2017	-	-
Treasury shares as of 31.12.2017	**112 882**	**-12 417**

PRINCIPAL SHAREHOLDERS OF TTS GROUP ASA AS OF 31.12.2017:

Shareholder	Number of shares	Ownership	Voting share [2]
SKEIE TECHNOLOGY AS [1]	22 655 763	26,16%	26,19%
RASMUSSENGRUPPEN AS	11 512 506	13,29%	13,31%
BARRUS CAPITAL AS	5 770 785	6,66%	6,67%
VINTERSTUA AS	4 595 000	5,31%	5,31%
SKEIE CAPITAL INVESTMENT AS [1]	4 203 361	4,85%	4,86%
PIMA AS	2 288 130	2,64%	2,65%
TRAPESA AS	1 771 735	2,05%	2,05%
TIGERSTADEN AS	1 668 250	1,93%	1,93%
ITLUTION AS	1 475 261	1,70%	1,71%
FIRST PARTNERS HOLDING 16 AS	1 455 237	1,68%	1,68%
DANSKE BANK AS	1 186 604	1,37%	1,37%
GMC JUNIOR INVEST AS	1 250 000	1,44%	1,45%
AVANZA BANK AB	1 168 831	1,35%	1,35%
AVANT AS	1 000 000	1,15%	1,16%
SALT VALUE AS	929 447	1,07%	1,07%
ESPEDAL & CO AS	743 557	0,86%	0,86%
PHAROS INVEST I AS	675 000	0,78%	0,78%
GLASTAD INVEST AS	668 000	0,77%	0,77%
WIECO AS	469 283	0,54%	0,54%
FLOSTA INVEST AS	410 800	0,47%	0,47%
Total, 20 largest shareholders	**65 897 550**	**76,09%**	**76,19%**
own shares	112 082	0,13%	0,00%
Total other	20 596 028	23,78%	23,81%
Total	**86 605 660**	**100,00%**	**100,00%**

[1] Trym Skeie holds 323.140 TTS shares in person and 250.000 via Skeie Alpha Invest AS, which is a 100% subsidiary of Skeie Alpha Equity AS, which is 100% owned by Trym Skeie. Skeie Alpha Equity also holds 23.5% stake in both Skeie Capital Invest and Skeie Technology, which subsequently holds 4,203,361 and 22,655,763 TTS shares.

[2] Voiting portion are calculated after eliminating shares held by TTS Group ASA

SHARES, SHARE OPTIONS AND CONVERTION RIGHTS OWNED OR CONTROLLED BY BOARD MEMBERS, GROUP EXECUTIVES AND THEIR RELATIVES:

	Shares			Share options			Conversion rights from subordinated convertible loan		
Board	27.04.2018	31.12.2017	31.12.2016	27.04.2018	31.12.2017	31.12.2016	27.04.2018	31.12.2017	31.12.2016
Trym Skeie [1), 2)]	573 140	573 140	573 140	-	-	-	804 829	804 829	804 829
Bjarne Skeie [2]	27 159 124	27 159 124	27 159 124	-	-	-	1 207 243	1 207 243	1 207 243
Anita Kråkenes	-	-	2 000	-	-	-	-	-	-
Group Executives									
Toril Eidesvik - CEO [3]	50 000	50 000	50 000	300 000	300 000	-	-	-	-
Leiv Kallestad - CFO	-	-	-	170 000	170 000	-	-	-	-

[1] Trym Skeie indirectly holds 23,5% of the voting shares and 23,5% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 250.000 shares through Skeie Alpha Invest AS. Trym Skeie further holds 323.140 shares.

[2] Per 27 April 2018 shares held and controlled by companies or members of the Skeie family is 27.732.264. The number of shares is unchanged from yearend 2015 to yearend 2016.

[3] Toril Eidesvik own 100% of the shares and voting shares in Zahlahuset AS.

On 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to issue a maximum of 8 600 000 shares against cash or non-monetary redemption including merger relating to acquistions of business or assets. The authority is valid until the next Annual General Meeting or latest 30.06.2018. No shares have been issued on the basis of this authorisation as of 27 April 2018.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to buy back a portion of the convertible callable unsecured subordinated bond 2011/2019 up to a total of NOK 150 000 000. The authoritiy is valid until the the next Annual General Meeting or latest 30.06.2018

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to buy a maximum number of 6 000 000 shares in TTS Group ASA within a price range from NOK 1 to NOK 25 for deletion. The authority is valid until the the next Annual General Meeting or latest 30.06.2018. No shares have been bought on the basis of this authorisation as of 27 April 2018.

On the 2 June 2016, the Annual General Meeting adopted a resolution to give the Board of Directors authority to issue a maximum of 675 000 shares against cash redemption for the benefit of the company's executive management. This authorisation is valid until 30.6.2018. As per 27.04.2018 a total of 0 shares have been issued in the form of options, with a possible first time exercise of options following the presentation of the first quarterly results for 2017, equivalent to a maximum of 50 percent of the allocated options. The number of shares for further exercise of options constitutes 12.5 percent following the presentation of the results for the second, third and fourth quarter of 2017 and the first quarter of 2018, in addition to options not previously exercised. Option granted to people leaving TTS Group are terminated.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to issue a maximum of 1 500 000 shares against cash redemption for the benefit of the company's executive management. This authorisation is valid until 30.6.2019. As per 27.04.2018 a total of 1 270 000 shares have been issued in the form of options, with a possible first time exercise of options following the presentation of the first quarterly results for 2018, equivalent to a maximum of 50 percent of the allocated options. The number of shares for further exercise of options constitutes 12.5 percent following the presentation of the results for the second, third and fourth quarter of 2018 and the first quarter of 2019, in addition to options not previously exercised. Options granted to people leaving TTS Group are terminated.

ALLOCATION OF OPTIONS AS PER 31.12.2017:

Name	Position	Company	Number of options exercisable until 08.06.2019	Exercise price	Total
Senior executives					
Toril Eidesvik	CEO	TTS Group ASA	300 000	3,43	300 000
Leiv Kallestad	CFO	TTS Group ASA	170 000	3,43	170 000
Mark Bakelaar	CDO	TTS Group ASA	80 000	3,43	80 000
Bjørn Rosen	EVP BU RCN	TTS Marine AB	150 000	3,43	150 000
Holger Elies	EVP BU CBT	TTS Marine GmbH	150 000	3,43	150 000
Mette Harv	EVP BU OFF	TTS Group ASA	80 000	3,43	80 000
Trond Larsen	EVP BU SER	TTS Marine AS	150 000	3,43	150 000
Rolf Atle Thomassen	EVP BU SYS	TTS Syncrolift AS	150 000	3,43	150 000
Lennart Svensson	SVP Sales	TTS Group ASA	40 000	3,43	40 000
Total number of options to executives			**1 270 000**		**1 270 000**

During 2016 and 2017 no share options have been exercised from Senior executives.

In accordance with authorities granted by the Annual General Meeting in 2016 and 2017, TTS Group ASA has issued a share option program to Senior Executive management.

Through the option program, Senior Executive management in the TTS Group has a future right to purchase a number of shares at an exercise price equal to the marked rate on the date that the share option program was initiated.

The option premium is estimated on the grant date using the Black & Scholes option pricing model (BS). The options have a maximum term of two years, with a possible first exercise after one year (50 percent), then 12.5 percent per quarter, giving a weighted average of 15 months maturity which is employed in BS. The option premium is distributed over the option's two-year term. Implied volatility is based on a combination of historic data and assumptions. Volatility used for options issued in 2016 and 2017 was 43% and 43% respectively. Risk-free interest rate applied for options issued in 2017 and 2016 was 0,70% and 1,16% respectively. For 2017 (2016), option premium of MNOK 0,6 (MNOK 0,6) has been charged as expenses classified as salary in the profit and loss statement. Payroll tax is charged if share options are redeemed.

SUBORDINATED CONVERTIBLE LOAN:

17 December 2015 TTS Group reached and agreed with it's bondholders to renew a subordinated convertible bond loan with a nominal value of MNOK 95,345. Formal renewal were approved in a extraordinary general meeting at 5th January 2016. Based on the renewed agreement the maturity date was set to 18.4.2017. Annual interest rate was set to 12%. Conversion strike price was set at 4,97 giving the maximum number of shares to be issued at full conversion was 19 184 104, equivalent to a dilution effect of 18,13%. There were no changes to the nominal debt amount, or conversion prices in 2016.

On March 22nd 2017 TTS Group ASA reached and agreed with it's bondholders to extend the subordinated convertible bond loan. Following a minor repayment of MNOK 2,0, the nominal value of the convertible bond were prolonged at MNOK 93,345. The bond renewal were approved in a extraordinary general meeting at 30th March 2017. The maturity date is agreed to 18.1.2019. Annual interest from 19.04.2017 until maturity date is set to 10%. Conversion strike price is continued at NOK 4,97.

The maximum number of shares to be issued at full conversion was 18 781 690, equivalent to a dilution effect of 17,82%. There have been no changes to the nominal debt amount, or conversion prices in 2017.

Please find additional information on the subordinated convertible loan in Note 15.

Note 17 - Earnings per share

(Amounts in NOK 1000)

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2017	2016
Net profit attributable to ordinary equity holders of the parent from continuing operations	8 197	-13 671
Net profit attributable to ordinary equity holders of the parent from discontinued operations	-41 738	-107 183
Net profit attributable to ordinary equity holders of the parent from total	-33 540	-120 854
Weighted average of issued shares excluding own shares	86 493	86 493
Earnings per share - continuing operation (NOK per share)	**0,09**	**-0,16**
Earnings per share - discontinued operation (NOK per share)	**-0,48**	**-1,24**
Earnings per share - total (NOK per share)	**-0,39**	**-1,40**

DILUTED EARNINGS PER SHARE:

In determining whether potential ordinary shares are dilutive or antidilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate.

CONVERTIBLE BOAND LOAN

When calculating the diluted result per share, the weighted average of the number of ordinary issued shares in circulation is adjusted for the conversion effect of all potential shares that can cause dilution.

The company has a convertible callable unsecured subordinated bond, ref Note 15. The conversion price is fixed, and was NOK 4.97 per share as per 31.12.2017. The remaining nominal convertible bond debt is MNOK 93.345, corresponding to 18.781.690 conversion rights based upon the fixed conversion price as per 31.12.2017.

SHARE OPTIONS

For the company's share options, a calculation is made to determine the number of shares which could have been acquired at market rate based on the money value of the subscription rights of the outstanding share options. The number of shares calculated is compared to the number of shares that would have been issued if all share options were exercised. The difference is attributed to the denominator in the fraction that issued the shares without compensation.

	2017	2016
Profit used to calculate diluted earnings per share - continuing operation	8 197	-13 671
Interest expense on convertible bond loan, net of tax [1]	-	-
Profit (loss) attributable to ordinary shareholders (diluted)	8 197	-13 671
Profit used to calculate diluted earnings per share - discontinued operation	-41 738	-107 183
Interest expense on convertible bond loan, net of tax	7 672	-
Profit (loss) attributable to ordinary shareholders (diluted)	-34 066	-107 183
Profit used to calculate diluted earnings per share - total	-33 540	-120 854
Interest expense on convertible bond loan, net of tax	7 672	-
Profit (loss) attributable to ordinary shareholders (diluted)	-25 868	-120 854
Average of ordinary issued shares excluding own shares	86 493	86 493
Adjustment for share options	-	-
Adjustment for average of coversion right in convertible bond	18 782	-
Average number of ordinary shares for calculation of diluted earnings per share	105 274	86 493
Diluted earnings per share - continuing operation (NOK per share)	**0,08**	**-0,16**
Diluted earnings per share - discontinued operation (NOK per share) [2]	**-0,32**	**-1,24**
Diluted earnings per share - total (NOK per share) [2]	**-0,25**	**-1,40**

[1] Interest expenses on the convertible bond loan is allocated to discontinued operations, hence has no effect for continuing operations. Please see further information in note 29 Discontinued operations.

[2] It is profit or loss form contiuing operations attributable to the parent entity that forms the basis to establish whether potential ordinary shares are dilutive or antidilutive.

For 2017, the incremental shares from assumed conversions are included in calculating the diluted per-share amounts, since they are considered dilutive for continuing operations. For assumed share options (1 270 000 for 2017), the effect is antidilutive, hence not included in diluted earnings per share. Because of this, the entity has included 18.872.000 convertion rights totalling 18.872.000 potential ordinary shares in the calculation of the diluted other earnings per share amounts, even though the resulting earnings per share amount are antidilutive to their comparable basic earnings per share amount for discontinued operations and for the profit or loss in total.

For 2016, the incremental shares from assumed share options and conversions are not included in calculating the diluted per-share amounts, since they are considered antidilutive for continuing operations. Because of this, the entity has not included 475 000 options and 19.292.784 conversion rights totalling 19.767.784 potential ordinary shares in the calculation of the other earnings per share amounts.

Share structure:	2017	2016
Issued shares	86 605 660	86 605 660
Own shares	112 882	112 882
Unused share options that can be settled by issue	1 270 000	475 000
Conversion right related to convertible bond loan	18 781 690	19 184 105

Note 18 – Tax

(Amounts in NOK 1000)

Income tax expense:	2017	2016
Payable tax	23 067	27 914
Not allocated tax losses	-	0
Change in deferred tax	-12 784	2 471
Impairment of tax assets	-	0
Taxes related to companies held for sale	-14 253	-33 775
Tax cost in the profit and loss statement	**-3 970**	**-3 390**

[1)] Payable tax is relating to the foreign subsidiaries' taxable profit that cannot be offset against tax losses carried forward in Norway or other countries with tax losses.

A RECONCILIATION OF THE EFFECTIVE TAX RATE IN TTS GROUP ASA'S COUNTRY OF REGISTRATION:

	2017	2016
Profit before tax (incl. Held for sale/ discontinued operations)	-7 850	-96 687
Expected income tax according to income tax rate in Norway (24 / 24%)	-1 962	-24 172
Prior period adjustment deferred taxes	-	-
Not allocated deferred tax losses	3 104	11 221
Profit from joint ventures	-9 665	-2 286
Permanent differences	21 910	46 146
Tax rate outside Norway, different from 24%	-3 104	-524
Impairment of tax assets	-	-
Taxes related to companies held for sale	-14 253	-33 775
Tax cost in the profit and loss statement	**-3 970**	**-3 390**

Deferred tax liabilities and deferred tax assets are netted if the Group has a legal right to offset deferred tax assets against deferred taxes in the balance sheet, and if the deferred taxes are owed to the same tax authorities.

	2017	2016
Deferred tax assets:		
Gross deferred tax assets [1)]	269 038	283 129
- Write down of deferred tax assets		
- Not allocated tax losses	-227 561	-253 449
- Offset deferred taxes		
Gross deferred tax asset	41 477	29 680
- Deferred tax assets to be recovered after 12 months	15 257	29 680
- Deferred tax assets to be recovered within 12 months	3 588	-
- Deferred tax asset related to companies held for sale	22 632	-
Total recognized deferred tax assets (gross)	**18 845**	**29 680**

[1)] Changes in tax rates in Norway from 24% to 23% have reduced the gross deferred tax assets per 01.01.2018. As deferred tax assets from Norwegian companies are not recognized, the change has no effect on the 2017 tax cost.

Deferred tax liabilities:	2017	2016
Gross deferred tax	- 42 583	-46 350
- Deferred tax to be recovered after 12 months	-	-46 350
- Deferred tax to be settled within 12 months	-	
- Taxes related to companies held for sale	42 583	
Total recognized deferred tax liabilities (gross)	**-**	**-46 350**
		-
Net deferred taxes in Group (asset=+, liability=-)	**-**	**-16 670**

CHANGE IN RECOGNIZED DEFERRED TAXES:

	2017	2016
Recognized value 1.1.	-16 670	-8 360
Deferred tax charged in the income statement	12 784	-2 471
Not allocated tax losses charged in the income statement	-	-
Impairment of tax assets	-	-
Change in deferred taxes related to convertible bond	-	-
Sale shares in subsidiaries	-	-
Net deferred tax related to business combinations	-	2 742
Prior period adjustment of deferred taxes including currency effects	99	-8 581
- deferred taxes related to companies held for sale	22632	-
Recognized value 31.12.	**18 845**	**-16 670**

CHANGE IN DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (EXCLUDING NETTING WITHIN THE SAME TAX REGIME):

	1.1.2016	Changes 2016	31.12.2016	Changes 2017	Effect from companies held for sale	31.12.2017
Deferred tax (asset = + / liability = -)						
Fixed assets	13 815	-5 262	8 553	-	-7 708	845
Current assets	-6 835	915	-5 920	-	5 920	-
Other temporary differences / provisions	-38 561	9 579	-28 982	-	28 982	-
Impairment deferred tax assets	-20 000	-	-20 000	-	20 000	-
Not allocated tax losses	-239 370	-14 079	-253 449	-6 179	206 106	-53 222
Tax losses to carry forward	282 591	538	283 129	18 000	-229 607	71 522
Net deferred tax (asset = + / liability = -) [1)]	**-8 360**	**-8 310**	**-16 670**	**11 821**	**23 693**	**18 845**

[1)] Deferred tax asset relating to tax losses carried forward have been recognized as deferred tax asset to the extent that it is probable that future profits will be available. Tax losses carried forward are related to losses in Norwegian. Tax losses carried forward representing a potential value of MNOK 55 have not been recognized as per 31.12.2017.

The following criteria have been applied to assess the likelihood of taxable income against which unused tax losses may be utilized:

- the Group has sufficient temporary differences
- the entities will have taxable profits before unused tax losses expire
- tax losses are induced by specific identifiable causes

TAX PAYABLE IN THE BALANCE SHEET

	2017	2016
Tax payable, (including withholding taxes)	23 067	27 914
Prepaid tax	-25 598	-32 572
Net tax payables related to companies held for sale	2 531	0
Total tax payable in balance sheet at year end	**0**	**-4 658**

ORIGIN OF TAX EXPENSE PAYABLE:

	2017	2016
Norway	4 430	275
Sweden	5 711	10 146
Germany	370	266
China	10 120	14 975
Rest of Europe	1 477	2 171
Rest of Asia	770	-14
North / South America	188	95
Gross tax expense payable	**23 067**	**27 914**
- tax paid from companies held for sale	-18 637	-27 689
Net tax paid from continued companies	**4 430**	**225**

SPECIFICATION OF DIFFERENCES BETWEEN THE FINANCIAL PROFIT BEFORE TAX AND THE TAX BASIS FOR THE YEAR:

	2017	2016
Pre-tax profit/ loss	-7 850	-96 687
Permanent differences	91 292	184 584
Changes in temporary differences	0	-20 925
Changes in tax losses carried forward	0	54 164
Profit related to companies held for sale	-83 442	-121 136
Tax basis for the year	**-**	**-**
Payable tax including witholding taxes	4 430	225
Effective tax rate	> 24%	> 25%

Note 19 – Other current liabilities

(Amounts in NOK 1000)

	2017	2016
Provisions for completed projects (ref Note 23)	-	54 510
Guarantee provisions (ref Note 23)	4 587	58 064
Other liability provisions (ref Note 23)	28 194	69 912
Other current liabilities	-	145 103
Total Other current liabilities	**32 781**	**327 589**

	2017	2016
Total Other current liabilities held for sale - ref note 32	296 698	-

Note 20 - Other operating expenses

(Amounts in NOK 1000)

	2017	2016
Premises and office expenses	3 061	847
Computer expenses	440	7 613
Marketing and travel expenses	6 950	6 566
Consultancy and external services	1 754	17 486
Other expenses	4 364	1 981
Total other operating expenses	**16 568**	**34 494**

Note 21 – Related parties

(Amounts in NOK 1000)

TTS Group ASA is the ultimate parent based and listed in Norway.

During 2017 TTS Group ASA sold its shares in Sigma Drilling AS to Skeie Technology AS. The transaction were approved in the general meeting at 1 June 2017. Additional information on the transaction have been included in Note 8.

There were not other transaction between the TTS Group (total) and the shareholders during 2017.

The subsidiaries (ref Note 9), Investments in equity accounted investments (ref Note 10), members of the Board (ref Note 4) and members of the Senior Executive Group (ref Note 4) are considered as related parties.

Transactions between subsidiaries have been eliminated in the consolidation process.

TTS Group has carried out various transactions with underlying companies and equity accounted investments. All the transactions have been carried out as part of the ordinary operations and at arm's length prices. For the year ended 2017, the Group has not recorded any impairment of receivables relating to the amounts owed by related parties (2016: MNOK 0).

In the TTS Group ASA accounts a prior year impairment of receivables from subsidiaries have been reversed by MNOK 108 (ref. note 16 to the TTS Group ASA accounts) (2016: MNOK -108). The effect is eliminated in the Group accounts. The reversal reflects the structure of the agreement between TTS Group ASA and Cargotec.

Impairment assessment is part of the annual examining of the financial position of the related party and the market in which the related party operates.

Transactions with equity accounted investments	2017	2016
Balance sheet items related to purchase and sale of goods and services:		
Receivables from equity accounted investments	-	42 769
Liabilities to equity accounted investments	-	876

Information regarding Board of Directors and Senior Executive Group's shares and options are included in Note 16.

Note 22 – Derivatives

(Amounts in NOK 1000)

Market value:	2017 Assets	2017 Liabilities	2017 Net market value	2016 Assets	2016 Liabilities	2016 Net market value
Forward currency contracts - effective hedging contracts	3 000	19 100	-16 100	15 541	58 314	-42 800
Forward currency contracts - effective hedging contracts - classified as held for sale	10 457	13 967	-3 510			
Forward currency contracts - ineffective hedging contracts - classified as other receivables	-	438	-438	-	8 692	-8 692
Forward currency contracts - ineffective hedging contracts - classified as held for sale		2 267	-2 267			
Currency option contracts not designated as hedging contracts - classified as other current liabilities	874	-	874	8 735	-	8 735
Currency option contracts not designated as hedging contracts - classified as held for sale	4 575		4 575			
Forward currency contracts - total	**18 906**	**35 772**	**-16 865**	**19 440**	**62 197**	**-42 757**

Matures:	Net market value 2017	Net market value 2016
Within 3 months	-15 105	-19 871
> 3 months, < 6 months	234	-6 165
> 6 months, < 9 months	634	-9 013
> 9 months, < 12 months	1 140	-1 262
> 12 months, < 24 months	-3 266	-6 054
> 24 Months	-502	-392
Total	**-16 865**	**-42 757**

Nominal value currency contracts, original currency	2017		2016	
(Amounts in currency*1000)	Sold	Bought	Sold	Bought
NOK	1 898		3 092	92 539
USD	7 150	83 318	56 823	75 168
EUR	3 908	78 737	19 564	34 807
SEK	-	-	-	-
KRW	-	-	-	-

FORWARD CURRENCY CONTRACTS:

The nominal value of the outstanding forward currency contracts on 31.12.2017 is MNOK 1 557 compared to MNOK 1 727 as of 31.12.16.

Derivatives are recognized at fair value on the contract date. The value is adjusted to fair value at the end of each balance sheet date. The value is set to observable market price, ref. note 26

TTS Group enters into hedging contracts that qualifies as fair value hedges. In addition to these, the Group may have hedging contracts that no longer meet the criteria for hedge accounting as the underlying delivery contract has been cancelled. These are recognized at fair value in the financial statement.

Changes to fair value that meet the criteria of an effective fair value hedge is recognized in the financial statement with the change in fair value of the assets or liabilities that are being hedged.

The ineffective portion of the recognized hedge relationships amounts to TNOK -2 745 and is recognized in P&L together with the changes in value of derivatives.

The asset or liability being hedged is contractual income or cost related to production cost. Hedged assets or liabilities are recognized in the balance sheet at actual value. The hedged asset or liability represents, among other things, the part of the contractual income or cost that has not been invoiced on the balance sheet date, or where invoices have not been received from the supplier. The asset or liability is included in Other current assets or Other current liabilities respectively. Additionally the hedged asset or liability for each contract is represented through bank, client or supplier.

For additional information on foreign currency and appurtenant risks, please refer to Accounting principles, and see section 2.10 and 3.1.

	Total	Nordea	DnB - Syncrolift	DnB - Marine AB	Korea - ShinHan I	Korea - KookMin	TSG
Within 3 months	-15 105	984 441	-17 217 774	255 301	1 059 505	-186 922	-
> 3 months, < 6 months	234	-2 008 291	-55 409	1 216 578	776 854	-129 030	433 258
> 6 months, < 9 months	634	-1 183 075	-215 026	1 076 419	987 706	-32 446	-
> 9 months, < 12 months	1 140	804 841	-86 723	-	327 025	95 174	-
> 12 months, < 24 months	-3 266	-2 196 181	-47 024	-	98 666	0	-1 121 385
> 24 Months	-502	-501 803	-	-	-	-	-
Total	**-16 865**	**-4 100 068**	**-17 621 956**	**2 548 298**	**3 249 757**	**-253 224**	**-688 127**

Note 23 – Provisions for liabilities

(Amounts in NOK 1000)

	Completed projects [1]	Guarantees	Other	Total
01.01.2016	86 553	41 597	112 118	240 267
Provisions for the year	64 805	31 564	71 818	168 187
Utilized provisions during the year	-90 855	-13 237	-109 289	-213 381
Currency exchange deviation	-5 993	-1 859	-4 735	-12 587
31.12.2016	**54 510**	**58 064**	**69 912**	**182 486**

	Completed projects *	Guarantees	Other	Total
01.01.2017	54 510	58 064	69 912	182 486
Provisions for the year	70 626	69 031	59 996	199 653
Utilized provisions during the year	-113 774	-47 924	-26 609	-188 308
Currency exchange deviation	3 006	2 527	1 527	7 059
Reclassified as held for sale	-14 368	-77 111	-76 631	-168 110
31.12.2017	**0**	**4 587**	**28 194**	**32 781**

Classification in the balance:	**2017**	**2016**
Presented as other current liabilities, ref. note 19	32 781	182 486

[1] Liabilities related to supplementary work and other demands from clients

Risk related to the estimates that form the basis for the book values are further described in Accounting principles, under sections 2.18 and 4.

Note 24 – Financial items and foreign currency gains/losses

(Amounts in NOK 1000)

	2017	2016
Other interest income	862	643
Net other financial income and expenses [1]	-5 477	-2 094
Other interest expenses [2]	8	15
Total financial items and foreign currency gains/losses continued operations	**-4 607**	**-1 436**

[1] Other financial income and expenses primarily consist of foreign currency gains and losses, as well as transaction cost from financial institutions.

[2] Interest expense related to bond loan and debt to financial institutions is classified as discontinued operations

Note 25 – Currency effects on equity

(Amounts in NOK 1000)

Translation differences consist of all currency differences that arise from translations of the financial statements of the foreign entities that are not an integrated part of the operation of the company. All currency effects relates to assets and liabilities held for sale, see further information in note 32.

Equity currency differences 2016:	
Group companies	(34 435)
Equity consolidated companies	(24 245)
Net changes 2016	**(58 680)**
Total equity currency effects per 31.12.2016	**146 294**

Equity currency differences 2017:	
Group companies	19820
Equity consolidated companies	670
Net changes 2017	**20 490**
Total equity currency effects per 31.12.2017	**166 784**

Note 26 – Financial risk management

(Amounts in NOK 1000)

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities are described in Accounting Principles, under sections 2.8, 2.10, 2.12, 2.13, 2.14 and 2.17.

Risks associated with the underlying estimates of the recognized values and financial risk management is described in Accounting Principles, ref section 3.

CLASSIFICATION OF FINANCIAL ASSETS:

2017	Financial derivative contracts not designated for hedgning	Financial derivative contracts designated for hedgning	Loans and receivables	Assets available for sale	Total
Non current financial assets:					
Shares available for sale				-	-
Other receivables					-
Financial current assets:					
Trade receivables			38 400		38 400
Other current receivables			17 304		17 304
Acquired, non-invoiced production			33 247		33 247
Derivatives	2 308	3 000			5 308
Prepayment to suppliers			-		-
Cash and cash equivalents			261 843		261 843
Total financial assets	**2 308**	**3 000**	**350 794**	**-**	**356 102**

2016	Financial derivative contracts not designated for hedgning	Financial derivative contracts designated for hedgning	Loans and receivables	Assets available for sale	Total
Non current financial assets:					
Shares available for sale				-	-
Other receivables					-
Financial current assets:					
Trade receivables			463 359		463 359
Other current receivables			84 493		84 493
Acquired, non-invoiced production			302 153		302 153
Derivatives [1)]	8 735	10 705			19 440
Prepayment to suppliers			71 629		71 629
Cash and cash equivalents			175 784		175 784
Total financial assets	**8 735**	**10 705**	**1 097 418**	**-**	**1 116 858**

CLASSIFICATION OF FINANCIAL LIABILITIES:

2017	Financial derivative contracts not designated for hedgning	Financial derivative contracts designated for hedgning	Other financial liabilities	Total
Non-current financial liabilities				
Interest-bearing non-current debt			-	-
Current financial liabilites				
First year installment of non-current debt			93 345	93 345
Interest-bearing current liabilities			246 500	246 500
Prepayments from customers			14	14
Cost related to facilities under construction			58 455	58 455
Derivatives [1)]		19 100		19 100
Accounts payable and other financial debt			52 367	52 367
Total financial liabilities	**-**	**19 100**	**450 681**	**469 781**

2016	Financial derivative contracts not designated for hedgning	Financial derivative contracts designated for hedgning	Other financial liabilities	Total
Non-current financial liabilities				
Interest-bearing non-current debt			271 750	271 750
Current financial liabilites				
First year installment of non-current debt			95 345	95 345
Interest-bearing current liabilities			102 962	102 962
Prepayments from customers			249 196	249 196
Cost related to facilities under construction			132 410	132 410
Derivatives [1)]	8 692	53 505		62 197
Accounts payable and other financial debt			602 473	602 473
Total financial liabilities	**8 692**	**53 505**	**1 454 136**	**1 516 333**

[1)] Fair value of financial liabilities:

The Group's derivatives consist of forward currency contracts. Fair value of forward currency contracts is determined by utilizing market-to-market rate on the balance-sheet date as stated by the Group's bank. Fair value relating to non-current debt is considered approximately equal to carrying value, as loans are given at market terms and with a floating rate.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	2017*	Level 1	Level 2	Level 3	2016	Level 1	Level 2	Level 3
Shares available for sale								
Foreign exchange contracts - hedging	3 000		3 000		10 705		10 705	
Foreign exchange contracts - non-hedging	2 308		2 308		8 735		8 735	
Liabilities measured at fair value	**2017 1)**	**Level 1**	**Level 2**	**Level 3**	**2016**	**Level 1**	**Level 2**	**Level 3**
Foreign exchange contracts - hedging	19 100		19 100		53 505	-	53 505	-
Foreign exchange contracts - non-hedging	-				8 692	-	8 692	-

1) The presentation of 2017 amounts includes the figures for continued and discontinued business. Please see Note 32 for further information relating to assets and liabilities held-for-sale.

Note 27 – Business combinations

(Amounts in NOK 1000)

ACQUISITION AND DIVESTMENTS IN 2017

Acquisitions
TTS Energy AS, a Norwegian based company was founded in june 2017. The company is owned 100% by Hydralift Marine AS. The company are reported as part of BU OFF. The company have had no operational activity during 2017. Expenses related to acquisition are marginal and have been charged to profit and loss on a running base.

Divestments
TTS Liftec Oy, a Finnish based company, was sold in February 2017. The divestment have contributed to an profit of MNOK 18,4, presented as discontinued operations. Expenses related to the divestement have been adjusted in the profit calculation.

Comparable financial numbers for 2016 have been adjusted to reflect the divestment.

During 2017 TTS Group liquidated TTS Marine Ostrava s.r.o, a minor Czech company. The company had no activity during 2017 or 2016.

On the 8th February 2018 TTS Group and Cargotec Oyj presented an assets sales agreement. TTS Group has prepared the annual financial statment in 2017 reflecting IFRS 5. As such the assets and liabilities included in the agreement have been presented as held for sale and the post-tax loss as a single amount reported to discontinued operation. Please find additional information in note 29. Expenses related to the agreement are allocated as prepaid expenses as per yearend 2017.

ACQUISITION AND DIVESTMENTS IN 2016

Acquisitions
There were no acqusitions during 2016.

Divestments
During 2016 TTS Group liquidated TTS Hua Hai AB, a minor Swedish company. The company had no activity during 2016 or 2015.

During 2016 TTS Group liquidated Jiangsu TTS Hua Hai Shipping Co.Ltd. a minor Chinese company. The company had no activity during 2016 or 2015.

Other information
TTS Brasil Service Ltd, a minor Brazilian based company being part of BU SER, are scheduled for formal closure in 1H 2018. The company have had minor activity in 1H 2017, however there are no activity as per 31.12.2017. The closing will not have any impact on the numbers in TTS Group.

Note 28 – Non controlling interest (NCI)

(Amounts in NOK 1000)

The following table summarizes the information relating to each of TTS Groups' subsidiaries that has material non controlling interest, before intra group eliminations. The Non-controlling interest (NCI) refers to discontinued business.

2017	TTS Hua Hai Ships Equipment (THH)	TTS-SCM International Trading Co.,Ltd	TTS SCM Marine and Offshore machinery Co .Ltd (TSG)	Total
Number presented on 100% basis				
Non current assets	185 756	0	409	186 166
Current assets	264 367	10 241	15 833	290 440
Cash and cash equivalents	116 493	2 442	45 914	164 849
Non current liabilities	-15 360	0	-	-15 360
Short term liabilities to financial institutions	-		-	-
Current liabilities	-293 409	-10 484	-19 437	-323 331
Net assets	**257 847**	**2 199**	**42 719**	**302 765**
Revenue	590 613	333 770	71 313	995 695
Profit after tax	30 821	936	-941	30 816
Other comprehensive income (OCI)	5 128	30	621	5 779
Total comprehensive income	**35 949**	**967**	**-320**	**36 595**
NCI percentage	**50%**	**50%**	**50%**	
Net assets attributable to NCI	128 923	1 099	21 359	151 382
Profit after tax allocated to NCI	15 410	468	-470	15 408
OCI allocated to NCI	3 045	15	310	3 371

2016	TTS Hua Hai Ships Equipment (THH)		TTS SCM Marine and Offshore machinery Co .Ltd (TSG)	Total
Number presented on 100% basis				
Non current assets	193 121		417	193 538
Current assets	220 513		67 889	288 401
Cash and cash equivalents	93 573		5 532	99 105
Non current liabilities	-17 832		-	-17 832
Short term liabilities to financial institutions	-		-	-
Current liabilities	-242 925		-31 328	-274 253
Net assets	**246 449**		**42 510**	**288 959**
Revenue	836 886		88 716	925 602
Profit after tax	-17 768		5 311	-12 456
Other comprehensive income (OCI)	-32 791		-2 189	-34 980
Total comprehensive income	**-50 558**		**3 122**	**-47 437**
NCI percentage	**50%**		**50%**	
Net assets attributable to NCI	123 225		21 255	144 479
Profit after tax allocated to NCI	-8 884		2 656	-6 228
OCI allocated to NCI	-16 395		-1 095	-17 490

Note 29 – Discontinued business

(Amounts in NOK 1000)

TTS Liftec transaction
TTS Liftec OY was sold during 1Q 2017. As the company represents a major line of business for the Group, the net profit is classified as discontinued operations.

Cargotec transaction
During the second half of 2017, the Group committed to a plan to sell a major part of its business (the "disposal group"), which resulted in signing an asset sale agreement on February 8th 2018 with Cargotec Oyj. The company qualified for reclassification of accounts as "assets held-for-sale" according to IFRS 5 in 4Q 2017. As it represents a major line of business for the Group, hence net profit is classified as discontinued business.

The transaction is expected to be completed during 3Q 2018. TTS Group ASA, as a company and separate entity, will continue, but in a new strategic direction, concentrating on the business around Business Unit Shipyard Solutions

The disposal group was not previously classified as held-for-sale or as a discontinued business. The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued business separately from continued business.

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

- All revenue and expenses from legal entities included in the disposal group has been reclassified.
- Revenue and costs directly attributable to activities relating to the disposal group that is performed within legal entities that forms the basis for continued business are allocated to discontinued business.
- Revenue and costs directly attributable to activities relating to the continued business, that is performed within legal entities that forms the basis for the discontinued business, are allocated to continued business.
- Transactions between continuing business and discontinued business are expected to cease when the transaction with Cargotec Oyj is completed during 3Q 2018, therefore all intercompany transactions in 2017 are eliminated.
- Intercompany interest related to cash pool arrangement is not eliminated based on the accounting treatment of the cash pool arrangement. See further information under note 14.
- Interest from bank loans and bond loan have been allocated to discontinued business due to the fact that these loans have funded these businesses, and that the loans will be repaid as part of the transaction.

Results of discontinued business	2017	2016
Revenue	1 971 564	2 884 367
Elimination of inter-segment revenue		
External revenue	**1 971 564**	**2 884 367**
Expenses	1 969 537	2 940 704
Elimination of expenses related to inter-segment sales		
External expenses	**1 969 537**	**2 940 704**
Results from operating activities	**2 028**	**-56 337**
Net finance	-32 511	-23 290
Income tax	-14 253	-33 774
Gain on sale of discontinued operation (Liftec)	18 406	-
Income tax on gain on sale of discontinued operation	-	-
Profit (loss) from discontinued business, net of tax	**-26 330**	**-113 401**
Basic earning (loss) per share	-0,48	-1,24
Diluted earnings (loss) per share	-0,48	-1,24

Cash flow from (used in) discontinued operation	2017	2016
Net cash from operating activities	63 071	-38 760
Net cash from investing activities	-8 490	- 1 457
Net cash from financing activities	14 642	-180 362
Net cash flow from the year	**69 223**	**-220 578**

Cash flow from discontinued business is adjusted for cash flow from Syncrolift AS and TTS Group ASA. Please see Consolidated statement of cash flow for total Group cash flow.

Effect of disposal of TTS Liftec Oy on the financial position of the Group	2017	
Total intangible assets	22 563	
Property, plant and equipment	1 370	
Inventories	6 763	
Trade and other receivables	27 366	
Cash and cash equivalents	7 226	
Trade and other payables	-23 180	
Net assets and liabilities	**42 109**	
Consideration received, satisfied in cash	64 374	
Cash and cash equivalents disposed of	-7 226	
Net cash inflows	**57 148**	

Note 30 – Contingent liabilities / Material disputes

Regular claims are made against the Group as a result of its ordinary operations. These claims are part of ordinary business and are generally covered by provisions for guarantee costs and provisions for completed contracts, ref. note 23. TTS Group is in the opinion that already recognized provisions will cover regular claims resulting from ordinary business.

There are no other on-going cases that are expected to lead to significant commitments for the TTS Group.

Note 31 – Subsequent events

EVENTS REGARDING TTS GROUP ARE AS FOLLOWS:

TTS Group ASA (the "Company" or "TTS") signed on February 8th 2018 an asset sale agreement with Cargotec Oyj, which is a company listed on Nasdaq Helsinki Stock Exchange. The agreement implies a takeover of all of TTS' assets except for TTS Group ASA and its subsidiary TTS Syncrolift AS. Reference is made to extended notice to the Oslo Stock Exchange dated February 8th 2018.

TTS Group ASA held and extraordinary general meeting on 12 March 2018. All the proposals on the agenda were approved in accordance with the summons for the meeting, which were published at Oslo Stock Exchange 8 February 2018.

TTS Group ASA issued an investment memorandum on 21 March 2018 prepared in order to provide information about TTS Group ASA in connection with the asset sale agreement with Cargotec Oyj announced 8 February 2018.

The company has agreed to repay the term loans at the close of transaction.

One tranche of MNOK 1 for the convertible bond loan has been converted to shares in February and one tranche of MNOK 0,5 has been converted to shares in April.

NEW CONTRACTS IN THE PERIOD 01.01.2018 - 27.04.2018

TTS Group ASA has annnounced contracts awards for BU CBT and BU OFF with a value of MNOK 118 (discontinued business). Total order intake for 1Q 2018 will be presented in the 1Q 2018 Financial Report from TTS Group.

Note 32 - Disposal group held for sale

During 4Q 2017, the company committed to a plan to sell a major part of its business, which resulted in signing an asset sale agreement on February 8th 2018 with Cargotec Oyj.

The disposal group consist of the following group companies, reference is made to note 9.

TTS Marine AS	Hydralift Marine AS	TTS Marine Shanghai Co Ltd
TTS Offshore Solutions AS	TTS Marine AB	TTS Greece Ltd
TTS Cranes Norway AS	TTS Singapore Pte. Ltd.	TTS Polen SP. Z.O.O
Norlift AS	TTS NMF GmbH	TTS Brazil Service
TTS Marine Inc	TTS Marine GmbH Korea Co. Ltd	TTS Marine Services LLC (Dubai)
TTS Marine GmbH	TTS Marine Equipment Ltd	
TTS Marine S.r.l.	TTS SCM Marine and Offshore Machinery Co. Ltd	TTS Benelux NV (Rotterdam)
TTS Vietnam Co. Ltd		TTS Energy AS
TTS Hua Hai Ships Equipment Co. Ltd	TTS SCM Interantional Trading Co. Ltd.	
Shanghai TTS Hua Hai International Trade Co. Ltd.		

In addition the following equity accounted investments are included in the transaction;

TTS Bohai Machinery Co. Ltd.	TTS Bohai Trading Co. Ltd.	JiangNan TTS Ships Equipment Manufacturing Co. Ltd.

The disposal group includes the following business units; BU RCN, BU CBT, BU MPGC, BU OFF, BU SER and Other. For further segment information, reference is made to note 1 - Operating Segments.

For accounting purposes, the disposal group represented a major line of business for the Group, and qualified for reclassification as held-for-sale. Accordingly, the majority of the group's assets and liabilities is presented as a disposal group held for sale. The transaction is expected to be completed during 3Q 2018. TTS Group ASA will continue, but in a new strategic direction, concentrating on the operations around Business Unit Shipyard Solutions.

The principles used for reclassification to held-for-sale is as follows;

- All assets and liabilities from the legal entities included in the disposal group has been reclassified
- Since transactions between continuing business and discontinuing business are expected to cease when the transaction with Cargotec Oyj is completed, all intercompany balances are eliminated.
- Due to the terms in the asset sale agreement, the group financing through the Cash Pool arrangement, Cash pool balances has not been eliminated between continuing and discontinuing business. The basis for this is that each company will be responsible for refinancing the cash pool receivables/liabilities post transaction.
- Non controlling interest related to the disposal group continues to be presented within equity.

Assets and liabilities of disposal group held for sale

At December 31st 2017 the disposal group held for sale comprises the following assets and liabilities.

	2017	2016
Deferred tax assets	22 632	
Intangible assets and goodwill	657 072	
Property, plant and equipment	82 229	
Equity-accounted investees	37 198	
Inventories	165 917	
Trade and other receivables	741 343	
Bank deposits/cash	235 022	
Assets held for sale	**1 941 413**	
Provisions	4 717	
Deferred tax liabilities	42 583	
Long term interest bearing debt	343	
Current interest bearing debt	364 390	
Other Current liabilities	839 209	
Liabilities held for sale	**1 251 241**	
Net Assets held for sale	**690 171**	

Cumulative income or expenses included in OCI

There are cumulative income included in OCI relating to the disposal group that will be realized upon a final transaction with Cargotec. Reference is made to note 25 to the financial statement where it is stated that there are translation differences that consist of all currency differences that arise from the translation of the financial statement of the foreign entities. The total currency effect on equity as of 31.12.17 that will be realized as a result of the expected Cargotec transaction is NOK 166 784.

Measurement of fair value

During 4Q 2017, prior to the reclassification of assets and liabilities to disposal group held for sale, the company performed an impairment test based on fair value less cost of sales in accordance with IAS 36 for all CGUs, please see note 7.

The non recurring fair value measurement for the disposal group has been estimated to MNOK 700 based on the inputs described below. The carrying amount on the disposal group is MNOK 690, hence no impairment is recognized at year-end.

Fair value hierarchy

The fair value measurement was categorised as Level 3 fair value, based on non observable input related to the overall transaction price, the SPA adjustments, currency effects on carrying value, and cost to sell, to the overall transaction price. **aluation technique and significant unobservable inputs**

The fair value less cost of disposal was estimated using the transaction price from the expected transaction with Cargotec Oyj. Significant unobservable inputs used for estimating the transaction price is; net working capital adjustments, net interest bearing debt adjustments, and cost of sales.

The valuation technique used is the transaction price estimated based on the agreement with Cargotec Oyj. The transaction price is negotiated between independendt parties under arms length pricing, and Cargotec is seen as a general market participant. Based on this, it is considered that the transaction price does not deviate from the best estimate of fair value.

SENSITIVITY

Management has identified that a resonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. Hence, a net decrease in the transaction price of more than MNOK 10 would result in an impairment.

NOTE 33 - Alternative performance measures. Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)

(Amounts in NOK 1000)

1 January - 31 December

Continued Business	Note	2017	2016
Profit/loss from continued operations		**8 197**	**-13 671**
Income tax expenses		-3 970	3 390
Profit/loss from continued operations		**4 228**	**-17 061**
Adjustments for continued operations			
Net Finance costs		4 608	1 436
Depreciation		1 680	1 659
EBITDA Continued Business		**10 516**	**-13 966**
Adjusment items			
Restructuring charges		5 000	
Adjusted EBITDA Continued Business		**15 516**	**-13 966**
Profit/loss after tax from discontinued operations		**-26 330**	**-113 401**
Income tax expenses		14 253	33 775
Profit/loss before tax from discontinued operations		**-12 077**	**-79 626**
Adjustments for discontinued operations			
Net Finance costs		14 105	23 290
Depreciation		40 742	41 785
Other Impairment losses		-	98 647
EBITDA Discontinued Business		**42 769**	**84 096**
Adjusment items			
Inventory write down as part of restructuring			20 000
Impairment of investments in JV			43 000
Restructuring charges		46 000	
Loss on projects as part of restructuring		13 000	
Adjusted EBITDA Discontinued Business		**101 769**	**147 096**
EBITDA Group		**53 285**	**70 130**
Adjusted EBITDA Group/Operational EBITDA Group		**117 284**	**133 130**

The company has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level, and it believes this measure is relevant for the understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continued and discontinued operations to exclude the impact of taxation, net finance costs, depreciation, amortization, impairment losses/reversals and restructuring costs related to goodwill, intangible assets, property, plant & equipment and the remeasurement of disposal groups, and share of profit for equity accounted investees.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other enitites

Photo: World Dream of Dream Cruises

Profit and loss statement

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	NGAAP 2017	NGAAP 2016
OPERATING REVENUE			
Intra-Group operating revenue	15	4 517	11 465
Other operating revenue		2 174	2 308
Group service fee from TTS subsidiaries	15	39 200	39 632
Total operating revenue		**45 891**	**53 405**
OPERATING COSTS			
Personnel costs etc.	1, 2	45 799	37 466
Depreciation on tangible fixed assets	3	719	678
Other operating costs	1, 14	20 852	50 216
Total operating costs		**67 370**	**88 359**
Operating profit/loss		**-21 479**	**-34 954**
FINANCIAL INCOME AND EXPENSES			
Income from investments in subsidiaries	16	22 511	42 498
Income from investments in equity accounted investments	16	13	2 002
Interest received from group companies	16	20 947	16 230
Other interest income	16	534	254
Other financial income	16	60 537	47 072
Interest expenses to group companies	16	-3 706	-1 393
Other interest expenses	16	-28 274	-27 912
Other financial expenses	16	71 587	-314 185
Net financial items		**144 148**	**-205 434**
Profit/loss before tax		**122 669**	**-240 388**
Tax	11	-13 570	225
Profit/loss for the year		**136 239**	**-240 613**
Provision dividend	10	**-**	**-**
Transferred to other equity		**136 239**	**-240 613**

Balance sheet

1 JANUARY - 31 DECEMBER

(Amount in NOK 1000)

	Notes	NGAAP 2017	NGAAP 2016
ASSETS			
Non-current assets			
INTANGIBLE ASSETS			
Deferred tax assets	11	18 000	0
Total intangible assets		**18 000**	**0**
FIXED ASSETS			
Machinery and vehicles	3	-	66
Furniture, office and computer equipment	3	5 802	3 117
Total fixed assets		**5 802**	**3 183**
FINANCIAL FIXED ASSETS			
Shares in subsidiaries	5, 8	564 986	519 227
Investments in joint ventures	5	4 122	4 122
Loans to companies in the Group	6, 8, 15	65 429	18 336
Investments in shares and other financial instruments	4	-	-
Total financial fixed assets		**634 537**	**541 685**
Total non-current assets		**658 339**	**544 868**
Current assets			
CURRENT RECEIVABLES			
Trade debtors		-	-
Intra-group accounts receivable	6, 8, 15	6 685	15 049
Other receivables from equity accounted investments	6, 15	9 540	21 452
Other receivables	6	14 805	8 521
Other intra-group receivables	6, 8, 12,15	166 127	110 150
Total current receivables		**197 157**	**155 171**
Bank deposits, cash in hand etc.	12	401	297
Total current assets		**197 558**	**155 468**
Total assets		**855 898**	**700 336**

Balance sheet

1 JANUARY - 31 DECEMBER

(Amount in NOK 1000)

	Note	NGAAP 2017	NGAAP 2016
EQUITY AND LIABILITIES			
Equity			
PAID UP EQUITY			
Share capital	10	9 527	9 527
Treasury shares	10	-12	-12
Share premium		149 378	149 378
Total paid up equity		**158 893**	**158 893**
RETAINED EARNINGS			
Other equity		274 530	137 731
Total retained earnings		**274 530**	**137 731**
Total equity		**433 422**	**296 623**
Liabilities			
OTHER NON-CURRENT LIABILITIES			
Liabilities to financial institutions	7, 8	-	271 750
Total other non-current liabilities		**-**	**271 750**
CURRENT LIABILITIES			
Convertible subordinated bond loan	7, 9	93 345	95 345
Liabilities to financial institutions	7, 8	248 164	-
Bank overdraft	8, 12	-	-
Trade payables		3 372	3 107
Intra-group trade payables	15	4 285	24 864
Social security and employees` tax deduction		2 622	1 384
Payable coprporate tax	11	-	-
Other intra-group liabilities	15	55 359	175
Other current liabilities	13	15 328	7 091
Total current liabilities		**422 476**	**131 963**
Total liabilities		**422 476**	**403 713**
Total equity and liabilities		**855 898**	**700 336**

Bergen, 27 April 2018
TTS Group ASA

Trym Skeie
Chairman of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Anita Kråkenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Equity statement

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Share capital	Treasury shares	Share premium	Other equity	Total
Equity as of 31.12.2015	**9 527**	**-12**	**149 377**	**377 776**	**536 668**
Equity as of 1.1.2016	**9 527**	**-12**	**149 377**	**377 776**	**536 668**
Change in treasury shares	-	-	-	-	-
Option schemes				567	567
Provision for dividends			-	-	-
Net profit for the year			-	-240 613	-240 613
Equity as of 31.12.2016	**9 527**	**-12**	**149 377**	**137 731**	**296 623**
Equity as of 1.1.2017	**9 527**	**-12**	**149 377**	**137 731**	**296 623**
Change in treasury shares		-		-	-
Option schemes				559	559
Provision for dividends				-	-
Net profit for the year				136 240	136 240
Equity as of 31.12.2017	**9 527**	**-12**	**149 377**	**274 530**	**433 422**

Cash flow statement

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	2017	2016
Cash flow from operating activities		
Net profit before tax	122 669	-240 388
Dividend from investments in subsidiaries	-22 511	-72 498
Dividend from investment in joint ventures	-13	-2 002
Paid tax	-4 430	-225
Depreciation	719	678
Option cost without cash effect	559	567
Impairment on shares and receivables	-138 340	268 597
Net interest costs	10 499	12 821
Difference between pension charges and payments to/from pension scheme	-	-
Other receivables and other short term liabilities	9 904	-36 415
Net cash flow from operating activities	**-20 943**	**-68 865**
Cashflow from investments		
Disbursements on acquisitions of shares and other financial instruments	-	-
Acquisition of subsidiaries	-	-
Additional equity into subsidiaries	-	-50 471
Proceedes from sale shares in subsidiaries	-	-
Net contribution received from subsidiaries	-	-
Dividend from subsidiaries and equity accounted investments	22 524	74 500
Disbursements on acquisitions of tangible fixed assets	-3 338	-
Proceedes to and repayment from intra-group loans	58 054	-9 400
Net cashflow from investments	**77 240**	**14 618**
Cashflow from financing		
Repayment of convertible subordinated bond loan	-	-
Proceedes from liabilities to financial institutions	-	271 750
Repayment of bond loan	-2 000	
Repayment of liabilities to financial institutions	-25 250	-100 000
Net change overdraft facility	-18 443	-104 958
Disbursements of dividends	-	-
Repayment of capital to shareholders	-	-
Sale treasury shares	-	-
Interest costs	-10 499	-12 821
Paid in equity capital	-	-
Net cashflow from financing	**-56 192**	**53 971**
Effects of exchange-rate fluctuations on cash and cash equivalents		
Net change in cash and cash equivalents	104	-101
Cash and cash equivalents (opening balance)	297	398
Cash and cash equivalents (closing balance)	**401**	**297**
This consists of:		
Bank and cash pool deposits	401	297
Available unused overdraft facility	127 409	122 100

Accounting principles

The financial statements have been prepared in accordance with The Norwegian Accounting Act and generally accepted accounting principles in Norway.

SUBSIDIARIES, ASSOCIATED COMPANIES

Subsidiaries and associates are valuated at cost, less any impairment losses. Impairment losses are reversed if the reason for the impairment loss disappears in a later period. Dividends, contributions and other distributions from subsidiaries are recognized as financial income, unless distributions exceed withheld profit after the acquisition date. Any excess amount represents repayment of invested capital and is recognized as deduction of cost price.

OPERATING INCOME

Operating income includes income on delivered products and services granted over the year. The income is recognized once the delivery of services has taken place and most of the risk and return has been transferred.

Classification and valuation of balance sheet items

Current assets and short term liabilities include items which fall due within one year, and items related to the operating cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are posted in the balance sheet at the nominal value at the time of initial establishment.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are posted in the balance sheet at the nominal value at the time of the initial establishment.

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivable and other current receivables are recorded in the balance sheet at their nominal value less impairment provision for doubtful accounts. Provisions for doubtful accounts are made on the basis of an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

SHORT TERM INVESTMENTS

Short term investments are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends and other distributions are recognized as other financial income.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is capitalized and depreciated linearly over the asset's estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is greater of the net value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

PENSIONS

The companies in the Group have different pension plans. The pension plans are in general financed by payments to insurance companies or pension funds. TTS Group ASA has established a defined contribution plan for its employees.

A defined contribution plan is a pension plan in which the Group pays fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay further contributions if the insurance company does not have sufficient assets to pay all employee benefits relating to employee service in current and prior periods. Contributions are recorded as payroll expense in the financial statements.

The Group recognizes the service cost of the pension plan as a payroll expense in the statement of profit and loss.

TAXES

The tax expense in the profit and loss accounts consists of the current tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 23% of temporary differences and the tax effect of tax losses carried forward. Tax-increasing and tax-reducing temporary differences which are reversed, or could be reversed, during the same period are offset against each other and recorded as a net sum. Temporary changes are only assessed for the Norwegian companies. Deferred tax assets are recorded in the balance sheet when it is more likely than not that tax assets will be utilized.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

FOREIGN CURRENCY

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date.

Non-monetary items that are measured at their historical price expressed in foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date.

Changes to exchange rates are recognized in the income statements as they occur during the accounting period.

Currency rates on year end which is basis for revaluation of balance sheet items are:

Cur.rate	2017	2016
EUR	9,843	9,086
SEK	1,000	0,951
USD	8,205	8,620
CNY	1,261	1,241

CASH FLOW STATEMENT

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank deposits. Bank deposits in foreign currencies are translated into NOK using the exchange rate on the balance sheet date. Withdrawals from the bank overdraft facility constitute part of current liabilities.

USE OF ESTIMATES

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Note 1 – Personnel costs, number of employees, remunerations, loans to employees etc.

(Amounts in NOK 1000)

Payroll expense:	2017	2016
Salaries	38 407	32 712
Employer's social security contribution	3 018	2 371
Pension costs	1 502	1 478
Other benefits	2 871	904
Total payroll expenses	**45 799**	**37 466**
Number of employees at the end of the year	**11**	**15**

BOARD REMUNERATIONS[1)]

		2017	2016
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2016 - 06.2018	400	400
Bjarne Skeie	Board member until 06.2017	230	230
Gisle Rike [2)]	Board member since 06.2015. Elected for the period 06.2017 - 06.2019	280	280
Leif Haukom	Board memeber since 06.2017	-	-
Toril Eidesvik	Board member until 05.2016	-	320
Marianne Sandal	Board member since 06.2014. Re-elected for the period 06.2016 - 06.2018	280	280
Britt Mjellem	Board member since 06.2016. Elected for the period 06.2016 - 06.2018	320	-
Anita Kråkenes	Board member since 07.2014, employee representative, re-elected for the period 07.2016 - 07.2018	115	115
Morten Aarvik	Board member since 07.2016, employee representative elected for the period 07.2016 - 07.2018	115	-
Ole Henrik Askvik	Board member until 07.2016, employee representative	-	105
Jan-Magnar Grøtte	Board member until 09.2015, employee representative	-	10
Magne Valle	Deputy Board member since 06.2017, employee representative		
Jan Arne Opedal	Deputy Board member since 06.2017, employee representative		
Lilly Bjørg Jegteberg Opsahl	Deputy Board member since 06.2017, employee representative		
Jørn Olsen	Deputy Board member since 06.2017, employee representative		
Total		**1 740**	**1 740**

[1)] The Annual General Meeting determines the remuneration to the Board from one General Meeting to the next. For the financial year 2017, the reported remuneration is based on the remuneration paid in 2017 based on the amounts determined by the Board at the Annual General Meeting for 2017. The same applies to the nomination committee.

[2)] Gisle Rike represents Rasmussengruppen and the board fee is paid to Rasmussengruppen.

The board has not received any remuneration beyond director`s fee. No loans or severance pay is given to any directors.

NOMINATION COMMITTEE REMUNERATION

The TTS nomination committee was comprised of the following members: Petter Sandtorv (Chairman), Kate Henriksen and Anders Nome Lepsøe.

The nomination committee remuneration for 2017 was TNOK 60 for the chairman and TNOK 35 for each of the members, a total of TNOK 130.

Peter Sandtorv are both self-employed and receives remuneration by invoicing TTS.

STATEMENT REGARDING THE STIPULATION OF REMUNERATION AND OTHER BENEFITS FOR THE PRESIDENT & CEO AND OTHER EXECUTIVES

Regarding Group management, TTS Group ASA's remuneration policy is based on offering competitive terms. Remunerations should reflect that TTS is a listed company with an international focus.

The annual remuneration is based on Group managements part-taking in the results generated by the company and the added value for shareholders through increased company value.

Remuneration consists of three main components; Base salary, bonus and a share option program.

- Base salaries is intented to be competetive and motivating, but in line with general market terms.
- Bonus for other executives is determined on the basis of target results and on individual targets. Bonus targets are revised annually. Bonus is up to 50% of base salary for other executives. Bonus payment reported in 2017 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2016. Bonus payments are based on individual employment contracts.
- A share option program has been active for the Group management of TTS since 1998, the goal being that the Group management shall have the same incentive as the shareholders in respect of increasing company value over time. The Annual General Meeting has each year given the Board authority to establish share option program with a two year term. Redemption price equals market price on allotment. First exercise is 50% after one year. Next 12.5% per quarter, in addition to options not previously utilized. Each option program expires after 2 years. Please refer to note 10 Share capital and shareholder information for further information regarding option program.

The period of notice is 6 months with a severance pay of 6 months for the President & CEO. For other members of the Senior Executive Group, the period of notice is 6 months and a severance pay period of up to 12 months.

Subject to the approval of the agreement between TTS Group and Cargotec a stay on bonus of 3 months salary apply for the President & CEO. The bonus structure also apply for the Senior Executive Group.

The share option program is contingent on the Annual General Meeting's approval, based on the Board being granted authority to make such allotments. The President & CEO's remuneration is determined by the Board of TTS Group ASA. Remuneration to other executives is determined by the President & CEO.

RENUMERATION AND OTHER BENEFITS FOR THE PRESIDENT & CEO AND OTHER SENIOR EXECUTIVES: 2017

(Amounts in NOK 1000)

Name	Position	Base salary	Other benefits	Bonus paid	Share options	Pension cost
Toril Eidesvik	President & CEO	2 684	-	-	300	93
Leiv Kallestad	CFO (from 01.08.17)	824	-	-	170	58
Henrik Solberg-Johansen	CFO (until 01.08.17)	1 119	723	-	-	80

Remunerations	Taxable remuneration
Other benefits	Car, group life insurance, taxable pension schemes, phone, newspaper, etc.
Bonus paid	Bonus paid in current year
Share options	Calculated option cost recognized in the income statement

AUDITORS' FEES (EXCL. VAT)

Statutory audit		2 135	2 000
Other attestation services		40	-
Other assistance including tax advice		664	536
Total		**2 839**	**2 536**

Note 2 - Pensions

(Amounts in NOK 1000)

Norwegian companies within TTS Group have established defined contribution planes for all employees.

	Net pension costs from defined contribution plan.	2017	2016
	Service cost	1 502	1 478
+	Payroll tax of net pension cost	212	208
=	**Net periodic pension cost**	**1 714**	**1 687**

Note 3 Tangible fixed assets

(Amounts in NOK 1000)

	Machinery and vehicles	Furniture and office equip.	Total
Book value as of 31.12.2015	**109**	**3 741**	**3 850**
2016 Fiscal year			
Book value as of 1.1.	109	3 741	3 850
Additions	-	-	-
Disposals	-	-	-
Depreciation for the year	-43	-624	-678
Book value as of 31.12.2016	**66**	**3 117**	**3 183**
As of 31.12.2016			
Acquisition cost 31.12.	500	5 732	6 232
Accumulated depreciation as of 31.12.	-433	-2 615	-3 049
Book value as of 31.12.2016	**66**	**3 117**	**3 183**
2017 Fiscal year			
Book value as of 1.1.	66	3 117	3 183
Acquisitions	-	-	-
Additions	-	3 338	3 338
Disposals	-	-	-
Depreciation for the year	-66	-653	-719
Book value as of 31.12.2017	**-**	**5 802**	**5 802**
As of 31.12.2017			
Acquisition cost 31.12.	500	9 070	9 570
Accumulated depreciation as of 31.12.	-499	-3 268	-3 767
Book value as of 31.12.2017	**-**	**5 802**	**5 802**
Depreciation schedule	Linear	Linear	
Depreciation period	5 years	3-10 years	

The company has no leases classified as financial lease.

OPERATING LEASE AGREEMENTS:

TTS Group ASA has entered into a lease agreement for offices. The lease is classified as operational lease. The lease agreement for offices expires in Nov. 2018. Lease payment in 2017 is MNOK 9,8, including joint cost allocation of MNOK. Part of the offices are subleased to other companies, mostly subsidiaries. Net received from subleascontracts is MNOK 8,3. The lease agreement for offices expires in Nov. 2018. TTS Group ASA has an option to extend the lease agreement for 5+5 years at market term conditions.

Note 4 – Investments in other companies

(Amounts in NOK 1000)

TTS Group ASA sold its 16,1% share of Sigma Drilling AS to Skeie Technology AS, a company controlled by the Skeie familiy. The transaction price was USD 256.750, giving basis for a finance gain of USD 256.750 which has been recognized in the 2017 accounts. The transaction was approved by the general meeting at 01.06.2017.

Note 5 – Subsidiaries and joint ventures

(Amounts in NOK 1000)

Please note that any subsidiaries except TTS Syncrolift AS, are included as part of the assets sale transaction between TTS Group ASA and Cargotec Oyj.

TTS GROUP ASA: INVESTMENTS IN SUBSIDIARIES VALUED AT COST:

Subsidiary	Registered office	Acquisition date	Ownership	Voting share	Currency	
TTS Syncrolift AS	Drøbak, Norway	1994	100%	100%	NOK	
Norlift AS	Bergen, Norway	1994	100%	100%	NOK	
TTS Marine AB	Gothenburg, Sweden	2002	100%	100%	SEK	
TTS Marine Shanghai Co Ltd [1,3]	Shanghai, China	2002	100%	100%	CNY	
Hydralift Marine AS	Kristiansand, Norway	2003	100%	100%	NOK	
TTS Cranes Norway AS	Bergen, Norway	2007	100%	100%	NOK	
TTS Marine AS	Bergen, Norway	2009	100%	100%	NOK	
TTS Singapore Pte. Ltd.	Singapore	2009	100%	100%	SGD	
TTS Greece Ltd.	Pireus, Greece	2009	100%	100%	EUR	
TTS Offshore Solutions AS	Bergen, Norway	1996	100%	100%	NOK	
TTS NMF GmbH [3, 5]	Hamburg, Germany	2012	100%	100%	EUR	
TTS Polen sp. z o o.	Gdansk, Polen	2013	100%	100%	PLZ	
TTS Brazil Services [2]	Rio de Janeiro, Brazil	2014	100%	100%	BRL	
Total						

[1] Equity increased by MCNY 38,9 in May 2016

[2] TTS Marine AS own 99%, TTS Group ASA own 1%

[3] In 2016 book value of shares in TTS NMF Gmbh was impaired by TNOK 130.340 and shares in TTS Marine Shanghai Co.Ltd was impaired by TNOK 30.257, in total TNOK 160.597. Intercompany receivables on subsidiaries was impaired by TNOK 108.000, of which TNOK 58.000 related to TTS NMF.

[4] Based on estimates related to the terms set out in the assets agreement between TTS and Cargotec Oyj, the book value of shares in TTS Marine AS was impaired by TNOK 100.000.

[5] Furthermore prior year impairment on shares in TTS NMF was reversed by TNOK 130.340, and prior year impairment on intercompany receivables on subsidiaries was reversed by TNOK 108.000.

INVESTMENTS IN JOINT VENTURES, VALUED AT COST:

Joint venture	Registered office	Acquisition date	Ownership	Voting share	Currency	
TTS BoHai Machinery Co., Ltd	Dalian, China	2005	50%	50%	RMB	
TTS Bohai Trading (Dalian) Co., Ltd	Dalian, China	2014	50%	50%	RMB	

	Share capital	Number of shares	Equity 31.12.2017	Net Result 2017	Cost	Net book value 2017	Net book value 2016
	950 000	95 000	34 711	22 166	46 378	46 378	35 962
	500 000	500	11 634	-730	11 262	11 262	6 262
	2 000 000	2 000	192 057	45 126	295 816	295 816	295 816
	47 093 503	3 500	12 696	1 468	55 176	20 214	20 214
	100 000	1 000	-59	-31	115	115	115
	500 000	1 000	-5 871	-447	516	516	516
	3 000 000	1 000	86 729	-9 869	201 020	53 020	153 020
	1 141 813	1 141 813	2 262	195	5 064	5 064	5 064
	200 000	2 000	627	250	1 812	1 812	1 812
	2 112 500	100	-87 900	-27 513	280 040	-	-
	3 000 000	3 000	-19 636	-8 046	130 340	130 340	-
	250 000	250	4 137	332	436	436	436
	400 000	400	-778	-915	12	12	12
			230 608	**21 987**	**1 027 988**	**564 986**	**519 227**

	Share capital	Number of shares	TTS Part of Equity 31.12.2017	TTS part of net Result 2017	Cost	Net book value 2017	Net book value 2016
	22 000 000	2 200	37 082	7 667	8 683	4 122	4 122
	200 000	200	-	-	-	-	-

Note 6 - Trade and other receivables

(Amounts in NOK 1000)

	2017 [1]	2016 [2]
Customer receivables		-
Customer receivables within group	6 686	15 049
Customer receivables to Joint Ventures	9 540	21 452
Other receivables within group	238	21 158
VAT	-	605
Pension fund assets	-	-
Other receivables, including prepayments	14 565	7 915
Intragroup deposit on Cash pool arrangement	166 127	88 992
Short-term receivables	**197 156**	**155 171**
Receivables maturing at over one year:		
Other receivables	-	-
Loans to subsidiaries	65 429	18 336
Total	**65 429**	**18 336**

Receivables based on intercompany trade and group fees are settled on a regular basis.
Gross Intragroup deposits into the Cash Pool Arrangement from TTS Group ASA is MNOK 165,4.

[1] Based on estimates related to the terms set out in the assets agreement between TTS and Cargotec prior year impairment on intercompany receivables on subsidiaries was reversed by TNOK 108.000.

[2] A bad debt allowance of MNOK 58,0 related to the ability of TTS NMF to settle its debt to the Cash Pool have been allocated as per 12.2016. Credit risk of MNOK 50,0 related to the ability of other subisdiaries repayment of long term intercompany debt have been impaired as per 12.2016.

Note 7 – Loans and non-current liabilities

(Amounts in NOK 1000)

SPECIFICATION OF LOANS:

	Loan type	Currency	Nominal interest rate	Limit 2017	Maturity	Instalment terms	Nominal value 2017	Nominal value 2016
TTS Group ASA								
Nordic Trustee ASA [1]	Convertible bond	NOK	Coupon - 10%	93 345	2019	Balloon	93 345	95 345
Nordea	Mortgage loan	NOK	Nibor + 3,75%	100 000	2019	Term loan	87 500	100 000
Nordea [2] [3]	Drawdown facility, mortgage based	NOK	Nibor/Euribor/ Libor + 3,50%	200 000	2019	Balloon	-	-
DNB	Mortgage loan	NOK	Nibor + 3,50%	171 750	2019	Term loan	159 000	171 750
Total loans				**565 095**			**339 845**	**367 095**

[1] Presentation in this note is based on allocation and information applicable as per 31.12.2017. On 22th March 2017 the interest rate of the Subordinated Boan Loan have been reduced from 12% p.a. to 10% p.a. Additional information available in note 15.

[2] NIBOR/EURIBOR/USDLIBOR + 3,5% based on the drawdown in different currencies

[3] ASA does not have any drawdown in Nordea cash pool facility per 31.12.2017. Total drawn at group level is 72.6 MNOK. ASA has a positive cash position within the Nordea cash pool facility of 165.4 MNOK

NET BOOK VALUE OF BOND DEBT AND OTHER DEBT TO FINANCIAL INSTITUTIONS:

	Cash	Bond loan	Morgage loan	Liability held for sale	Net
Bond loan		93 345			93 345
Mortgage loan			248 100		248 100
Total	**-**	**93 345**	**248 100**	**-**	**341 445**

REPAYMENT PROFILE AND MATURITY:

	Nominal value 31.12.2017	2018	2019	2020	2021	2021 and later
Convertible Subordinated Bond Loan 2011/2019 [1)]	93 345		93 345			-
Term based financial facilities	246 500	50 000	196 500		-	-
Drawdown facilities	72 591	72 591				
Total loans incl. first year instalment and short term loans	**412 436**	**122 591**	**289 845**	**-**	**-**	**-**
- short term loans and second year instalment of non-current debt	-122 591	-122 591		-	-	-
Total non-current liabilities	289 845	-	289 845	-	-	-
Expected interest payments		**26 151**	**311**	**-**	**-**	**-**

[1)] Presentation in this note is based on allocation and information applicable as per 31.12.2017. On 22th March 2017 the expiry date of the Subordinated Boan Loan was moved from 18th April 2017 to 18th January 2019. Additional information available in note 15 (TTS Group).

MANDATORY REPAYMENT

On the 8th of February 2018, TTS Group ASA signed an asset sale agreement with Cargotec Oyj, transfering the majority of the activity in TTS Group ASA to Cargotec Oyj. As a result of this, TTS Group ASA is required to repay all bank facilitites post transaction. In addition it is required that the Bond loan is repaid when the bank facilitites are settled.

COVENANTS

TTS Group has loans, draw down facilities and guarantee limits with Nordea and DNB. TTS Group have met the following financial covenant requirements from Nordea and DNB end of 2017. On the 19th of December 2016 TTS Group ASA entered into a new agreement with Nordea and DNB, which represents an extension of the agreements the company had at the beginning of the prior fiscal year.

COVENANTS AS PER 31.12.2017

TTS Group have met the financial covenant requirements from Nordea and DNB at end of 2017.

EQUITY COVENANT:

TTS Group's equity ratio shall at least be equal to 24,0%.
In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent. Nordea and DnB has accepted that the nominal value of the Subordinated Convertible Bond loan is included as part of the equity calculation. Including the added back nominal value of the Subordinated Convertible Bond, the relevant covenant equity measure basis as per 31.12.2017 is MNOK 701, which represents an equity ratio of 30.1%.

MINIMUM LIQUIDITY

Covenant related to minimum liquidty reserve is MNOK 50. As per 31.12.2017, based on the set calculation definitions, the liquidity reserve was MNOK 205,5.

OTHER

In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent.

COVENANTS IN 2018

On the 19th of December 2016 TTS Group ASA entered into a new agreement with Nordea and DNB, which represents an extension of the agreements the company had at the beginning of the prior fiscal year. As of 4Q-2017 the financial covenants are;

- Equity ratio min 25,0% in 1Q-4Q 2018 (inclusive nominal value of remaining bond-debt).
- Minimum liquidity reserve of MNOK 50 in fully owned subsidiaries.
- Maximum NIBD/ EBITDA:

  **1Q 2018-4Q 2018: 3,0*
- In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent.
- The agreements have a separate set of definitions on:

  **NIBD; excluded convertible bond debt. Includes 50% of cash in 50/50 owned entitties*
  **EBITDA; includes 100% of EBITDA from fully owned subsidiaries, and 50% of EBITDA from 50/50 owned companies.*
  **EBITDA effects caused by restructuring/ impairment/ profits and accounting based one-offs are eliminated from the calculation*

Note 8 - Assets pledged as security and guarantees

(Amounts in NOK 1000)

The major bank credit facility of TTS Group ASA is established with Nordea Norge ASA (Nordea) and DNB ASA (DNB).

TTS GROUP HAS THE FOLLOWING CREDIT FACILITIES THROUGH ITS FACILITATORS:

	2017		2016	
	Limit	**Drawn**	**Limit**	**Drawn**
Group cash pool overdraft facility	200 000	72 591	200 000	78 200
Drawdown facility, operations	271 750	246 500	271 750	271 750
Guarantee limit for Group	600 000	401 994	600 000	428 300

As per 31.12.2017 all Norwegian companies (ref Note 9), as well as TTS Marine AB, TTS NMF GmbH and TTS Marine GmbH are part of the Group cash pool arrangement with Nordea. The pledges will be released when the asset sale transaction with Cargotec Oyj is closed. However, Nekkar ASA might enter into agreements with banks which requires new pledges to be established.

All companies within TTS Group utilize the guarantee limit. The guarantee limit cover payment guarantee, performance bonds, advance payment bonds and tax guarantees.

On 19.12.2016 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 at 01.01.2019, and are presented as long term debt.

The credit facility in the agreement is MNOK 1.072, and consists of;

- MNOK 172, 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)

The agreement includes covenant requirements related to equity ratio, NIBD/EBITDA level and minimun liquidity reserve. The covnenants are described in note 12.

The new agreements include unchanged pledges of plant and machinery, inventory, accounts receivables in the major Norwegian companies. In addition shares in TTS Marine AB have been pledged. There is no change of assets pledged as securities compared to prior agreements.

FOR THE ABOVE MENTIONED FACILITIES THE FOLLOWING ASSETS HAVE BEEN PLEDGED AS COLLATERAL TO NORDEA AND DNB:

Assets pledged as collateral for secured debt: [1]	2017	2016
Shares in TTS Marine AB	295 816	295 816
Account/Group receivables	70 043	287 952
Inventory/Work in progress, including non-invoiced production	60 497	40 335
Property	-	-
Assets pledged as collateral	**426 356**	**624 103**

[1] Group assets have been placed as collateral.

OTHER ASSETS PLEDGED AS SECURITY AND GUARANTEES:

TTS MARINE AB

As pr 31.12.2017, guarantees of MSEK 203.0 (MNOK 202.9) were drawn. This amount is included in the total guarantees drawn with Nordea/DNB of MNOK 402.0 in the above table.

TTS MARINE GMBH

As per 31.12.2017, guarantees of MEUR 2.0 (MNOK 20.0) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 402.0 in the above table.

TTS NMF GMBH

As per 31.12.2017, guarantees of MEUR 0.2 (MNOK 2,3) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 402.0 in the above table.

Note 9 – Convertible Bond loan

(Amounts in NOK 1000)

The Extraordinary General Meeting in TTS Group ASA on 10.1.2011 approved the establishment of a subordinated convertible bond facility of MNOK 200 with maturity date 18.01.2016, and a 8% annual coupon.

At yearend 2015 the remaining nominal value of the bond facility was MNOK 95,345, and conversions strike price at NOK 4,97 per share.

The Extraordinary General Assembly on 5.1.2016, approved a renewal of the subordinated convertible bond facility. New expire date was set at 18th April 2017, with an annual coupon of 12%. Nominal bond value reminded unchanged at MNOK 95,345, and conversions strike price was unchanged at NOK 4,97 per share. No debt conversions into equity were made during 2016.

At March 22th 2017 the bondholders of the Subordinated Convertible Bond Debt agreed to extend the repayment of the debt facility until 18. January 2019. As part of the prolongation initiative the bondholders were offered an option for partial repayment of nominal debt value, giving basis for a repayment of MNOK 2,0. The nominal bond value is MNOK 93,345, and expire at 18 January 2019. Interest until April 18 2017 is agreed to 12% annual coupon. As of April 19 th 2017 the annual coupon is set to 10%. Conversions strike price is unchanged at NOK 4,97 per share. The extension was approved in the Extraordinary General Assembly at TTS Group ASA at March 30th 2017.

No debt conversions into equity were made during 2017.

In first tertial 2018 bonds with the nominal value of MNOK 1,5 have been converted into 301 810 new shares in TTS Group ASA. The nominal value of the bond debt following the conversion is MNOK 91 845, representing 18 479 879 conversion rights.

The bond holder has a consecutive right to convert their nominal bond value into shares in TTS Group ASA. Conversion price is fixed per share.

Conversion price is to be adjusted in several occurrences of which the major is;

i. consolidation or subdivisions of shares

ii. distribution of profits or reserves to shareholders by issue of new shares

iii. dividend payments to shareholders

iv. issue or grant shareholders rights, options, warrants or other subscription rights

DEVELOPMENT IN CONVERSION STRIKE PRICES

Initial conversion strike price was fixed at NOK 9.2839 per share as of 10.1.2011

The Extraordinary General Meeting on 15.8.2012 it was decided to pay an extraordinary dividend of NOK 1.56 per share, and a capital reduction of NOK 4,2147 per share. Conversion strike price was NOK set to 5.71, effective as of 26.10.2012.

The Annual General Meeting in 2013 decided on a dividend of NOK 1 per share. Based on the dividend, the conversion price was adjusted accordingly. The adjusted conversion strike price was set to NOK 4.97 per share, effective as of 11.06.2013.

The conversion strike price at yearend 2017 was NOK 4.97 per share.

The 17th December 2015, the bondholders agreed to a renewal of the Subordinated Convertible Bond Debt, which represented an extension of the repayment of the debt facility until 18 April 2017. At January 5th 2016 the Extraordinary General Assembly in TTS Group ASA approved the renewal. The renewed agreement represented a 15-month extension of the maturity date from 18th January 2016 to 18th April 2017, and a change of fixed coupon rate from 8% to 12% p.a. A new drag along conversion clause enabled both the Bond holder, and TTS the right to require a conversion of all outstanding bonds to shares in the case of an acquisition event at a price above or equal to the conversion price. A new drag along call option clause, in the case of an acquisition event at a price below the conversion price, enables TTS the right to redeem all outstanding bonds at a rate of 105% of par value. The options have not been exercised in 2016. Terms and conditions in the renewed agreement have been evaluated according to IAS 39. Changes in overall terms represent a change of less than 5% change to the overall agreement, and have been handled as a prolonging of the prior bond debt agreement.

The 22th March 2017, the bondholders agreed to renew the Subordinated Convertible Bond Debt, which represent an extension of the repayment of the debt facility until 18 January 2019. The Extraordinary General Assembly in TTS Group ASA approved the renewal at March 30th 2017. The renewed agreement represented a 21-month extension of the maturity date from 18th April 2017 to 18th January 2019, a reduction in fixed coupon rate from 12% to 10%p.a, a termination of a drag along call option clause and prolongation of the conversion rights to the bond holders unchanged at a conversion strike price at 4,97 per share. As part of the renewal agreement TTS group agreed to a MNOK 2,0 bond redemption.

The terms and conditions in the renewed agreement have been evaluated according to IAS 39. Changes in overall terms represent a change to the overall agreement which exceeds the IAS 39 thresholds for de-recognition and re-recognition. TTS Group find the effects from de-recognition and re-recognition to be immaterial, and have handled the renewal as a prolonging of the prior bond debt agreement. As such the debt facility is presented according to nominal values.

Re-recognition of the bond debt according to IAS 39 would, at the 30th March 2017, give basis for an equity recognition MNOK 4,5 corresponding to an effective interest rate of 13,8%. The effective value of the bond debt at 31.12.2017 would be MNOK 90,2 MNOK, and the interest in 2017 would be increased by MNOK 1,9.

		2017	2016
Subordinated convertible bond loan - nominal value at drawdown		200 000	200 000
Converted debt to shares in 2011		-7 500	-7 500
Converted debt to shares in 2012		-97 155	-97 155
Partial redemption in 2017		-2 000	-
Nominal debt value as per 31.12 [1)]		93 345	95 345
Draw down cost		-14 262	-14 262
Derived equity portion from inherent put option at drawdown		-36 981	-36 981
Equity derived from converted subordinated convertible bond during 2011		1 387	1 387
Equity derived from converted subordinated convertible bond during 2012		17 964	17 964
Effective interest cost less paid interest - 2011		9 977	9 977
Effective interest cost less paid interest - 2012		1 900	1 900
Effective interest cost less paid interest - 2013		5 851	5 851
Effective interest cost less paid interest - 2014		6 961	6 961
Effective interest cost less paid interest - 2015		8 282	8 282
Effective interest cost less paid interest - 2016		-1 080	-1 080
Effective interest cost less paid interest - 2017		-	-
Effective debt value		**93 345**	**95 345**

[1)] There was no conversions to shares in 2013, 2014, 2015, 2016 and 2017.

	Repayment profile and maturity:			
	2016	**2017**	**2018**	**2019**
Subordinated convertible bond loan - nominal value [1]	95 345	93 345		-93 345
Nominal interest cost	11 230	9 967	9 335	2 800
Calculated effective interest cost	12 310	9 967	9 335	2 800

[1] Cross default clause in bond agreement related to maturity. As debt agreements are affected by assets sale agreement, the bond debt fall due parallel with other financial debt, and have been presented as short term debt in the balance sheet.

PRINCIPAL BONDHOLDERS AS OF 31.12.2017:

Bondholder:		Conversion rights	Share portion if fully converted
MP PENSJON PK		6 639 839	6,3%
SKEIE TECHNOLOGY AS	[1]	3 912 474	3,7%
PONDERUS SECURITIES AB	Nominee	1 951 710	1,9%
SKEIE ALPHA EQUITY AS	[1]	1 207 243	1,1%
SKANDINAVISKE ENSKILDA BANKEN AB	Nominee	985 915	0,9%
SKEIE ALPHA EQUITY AS	[1]	804 828	0,8%
SKEIE CAPITAL INVESTMENT AS	1)	704 225	0,7%
NORDA ASA		503 018	0,5%
TEAM ATLANTIC AS		382 293	0,4%
PIMA AS		326 961	0,3%
Other		1 363 170	1,3%
Total		**18 781 676**	**17,8%**

[1] Companies controlled by the Skeie family

Note 10 – Share capital and shareholder information

(Amounts in NOK)

Date	Number of shares	Nominal value	Share capital
31.12.2017	86 605 660	0.11	9 526 623
31.12.2016	86 605 660	0.11	9 526 623

There were no changes to the nominal share capital in 2017 or 2016.

In 2018 bond holders TTS Group have converted NOK 1 500 000 into 301 810 shares in TTS Group ASA. As pr. 27.04.18 the number of shares is 86 907 470.

DIVIDENDS PAID AND PROPOSED:

(NOK 1000)	2017	2016
Declared and paid during the year:	0	0
Dividends on ordinary shares	0	0

Dividend for shareholders proposed for 2017, to be paid in 2018: NOK 0 per share.
Total dividend amount proposed: NOK 0.

TREASURY SHARES:

	Number of shares	Share capital (NOK 1 000)
Treasury shares as of 01.01.2016	112 882	-12 417
Sale of treasury shares 2016		-
Treasury shares as of 31.12.2016	**112 882**	**-12 417**
Sale of treasury shares 2017	-	-
Treasury shares as of 31.12.2017	**112 882**	**-12 417**

PRINCIPAL SHAREHOLDERS OF TTS GROUP ASA AS OF 31.12.2017:

Shareholder	Number of shares	Ownership	Voting share [2]
SKEIE TECHNOLOGY AS [1]	22 655 763	26,16%	26,19%
RASMUSSENGRUPPEN AS	11 512 506	13,29%	13,31%
BARRUS CAPITAL AS	5 770 785	6,66%	6,67%
VINTERSTUA AS	4 595 000	5,31%	5,31%
SKEIE CAPITAL INVESTMENT AS [1]	4 203 361	4,85%	4,86%
PIMA AS	2 288 130	2,64%	2,65%
TRAPESA AS	1 771 735	2,05%	2,05%
TIGERSTADEN AS	1 668 250	1,93%	1,93%
ITLUTION AS	1 475 261	1,70%	1,71%
FIRST PARTNERS HOLDING 16 AS	1 455 237	1,68%	1,68%
DANSKE BANK AS	1 186 604	1,37%	1,37%
GMC JUNIOR INVEST AS	1 250 000	1,44%	1,45%
AVANZA BANK AB	1 168 831	1,35%	1,35%
AVANT AS	1 000 000	1,15%	1,16%
SALT VALUE AS	929 447	1,07%	1,07%
ESPEDAL & CO AS	743 557	0,86%	0,86%
PHAROS INVEST I AS	675 000	0,78%	0,78%
GLASTAD INVEST AS	668 000	0,77%	0,77%
WIECO AS	469 283	0,54%	0,54%
FLOSTA INVEST AS	410 800	0,47%	0,47%
Total, 20 largest shareholders	**65 897 550**	**76,09%**	**76,19%**
own shares	112 082	0,13%	0,00%
Total other	20 596 028	23,78%	23,81%
Total	**86 605 660**	**100,00%**	**100,00%**

[1] Trym Skeie holds 323.140 TTS shares in person and 250.000 via Skeie Alpha Invest AS, which is a 100% subsidiary of Skeie Alpha Equity AS, which is 100% owned by Trym Skeie. Skeie Alpha Equity also holds 23.5% stake in both Skeie Capital Invest and Skeie Technology, which subsequently holds 4,203,361 and 22,655,763 TTS shares.

[2] Voiting portion are calculated after eliminating shares held by TTS Group ASA

SHARES, SHARE OPTIONS AND CONVERTION RIGHTS OWNED OR CONTROLLED BY BOARD MEMBERS, GROUP EXECUTIVES AND THEIR RELATIVES:

	Shares			Share options			Conversion rights from subordinated convertible loan		
Board	**27.04.2018**	**31.12.2017**	**31.12.2016**	**27.04.2018**	**31.12.2017**	**31.12.2016**	**27.04.2018**	**31.12.2017**	**31.12.2016**
Trym Skeie [1), 2)]	573 140	573 140	573 140	-	-	-	804 829	804 829	804 829
Bjarne Skeie [2)]	27 159 124	27 159 124	27 159 124	-	-	-	1 207 243	1 207 243	1 207 243
Anita Kråkenes	-	-	2 000	-	-	-	-	-	-
Group Executives									
Toril Eidesvik - CEO [3)]	50 000	50 000	50 000	300 000	300 000	-	-	-	-
Leiv Kallestad - CFO	-	-	-	170 000	170 000	-	-	-	-

[1)] Trym Skeie indirectly holds 23,5% of the voting shares and 23,5% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 250.000 shares through Skeie Alpha Invest AS. Trym Skeie further holds 323.140 shares.

[2)] Per 27.04.2018 shares held and controlled by companies or members of the Skeie family is 27.732.264. The number of shares is unchanged from yearend 2015 to yearend 2016.

[3)] Toril Eidesvik own 100% of the shares and voting shares in Zahlahuset AS.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to issue a maximum of 8 600 000 shares against cash or non-monetary redemption including merger relating to acquistions of business or assets. The authority is valid until the the next Annual General Meeting or latest 30.06.2018. No shares have been issued on the basis of this authorisation as of 27 April 2018.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to buy back a portion of the convertible callable unsecured subordinated bond 2011/2019 up to a total of NOK 150 000 000. The authoritiy is valid until the the next Annual General Meeting or latest 30.06.2018

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to buy a maximum number of 6 000 000 shares in TTS Group ASA within a price range from NOK 1 to NOK 25 for deletion. The authority is valid until the the next Annual General Meeting or latest 30.06.2018. No shares have been bought on the basis of this authorisation as of 27 April 2018.

On the 2 June 2016, the Annual General Meeting adopted a resolution to give the Board of Directors authority to issue a maximum of 675 000 shares against cash redemption for the benefit of the company's executive management. This authorisation is valid until 30.6.2018. As per 27.04.2018 a total of 0 shares have been issued in the form of options, with a possible first time exercise of options following the presentation of the first quarterly results for 2017, equivalent to a maximum of 50 percent of the allocated options. The number of shares for further exercise of options constitutes 12.5 percent following the presentation of the results for the second, third and fourth quarter of 2017 and the first quarter of 2018, in addition to options not previously exercised. Option granted to people leaving TTS Group are terminated.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board of Directors authority to issue a maximum of 1 500 000 shares against cash redemption for the benefit of the company's executive management. This authorisation is valid until 30.6.2019. As per 27.04.2018 a total of 1 270 000 shares have been issued in the form of options, with a possible first time exercise of options following the presentation of the first quarterly results for 2018, equivalent to a maximum of 50 percent of the allocated options. The number of shares for further exercise of options constitutes 12.5 percent following the presentation of the results for the second, third and fourth quarter of 2018 and the first quarter of 2019, in addition to options not previously exercised. Options granted to people leaving TTS Group are terminated.

ALLOCATION OF OPTIONS AS PER 31.12.2017:

Name	Position	Company	Number of options exercisable until 08.06.2019	Exercise price	Total
Senior executives					
Toril Eidesvik	CEO	TTS Group ASA	300 000	3,43	300 000
Leiv Kallestad	CFO	TTS Group ASA	170 000	3,43	170 000
Mark Bakelaar	CDO	TTS Group ASA	80 000	3,43	80 000
Bjørn Rosen	EVP BU RCN	TTS Marine AB	150 000	3,43	150 000
Holger Elies	EVP BU CBT	TTS Marine GmbH	150 000	3,43	150 000
Mette Harv	EVP BU OFF	TTS Group ASA	80 000	3,43	80 000
Trond Larsen	EVP BU SER	TTS Marine AS	150 000	3,43	150 000
Rolf Atle Thomassen	EVP BU SYS	TTS Syncrolift AS	150 000	3,43	150 000
Lennart Svensson	SVP Sales	TTS Group ASA	40 000	3,43	40 000
Total number of options to executives			**1 270 000**		**1 270 000**

During 2016 and 2017 no share options have been exercised from Senior executives.

In accordance with authorities granted by the Annual General Meeting in 2016 and 2017, TTS Group ASA has issued a share option programes to Senior Executive management.

Through these programs, Senior Executive management in the TTS Group has a future right to purchase a number of shares at an exercise price equal to the marked rate on the date that the share option program was initiated.

The option premium is estimated on the grant date using the Black & Scholes option pricing model (BS). The options have a maximum term of two years, with a possible first exercise after one year (50 percent), then 12.5 percent per quarter, giving a weighted average of 15 months maturity which is employed in BS. The option premium is distributed over the option's two-year term. Implied volatility is based on a combination of historic data and assumptions. Volatility used for options issued 2016 and 2017 was 43% and 43% respecitvely. Risk-free interest rate applied for options issued in 2017 and 2016 was 0,70% and 1,16% resepectively. For 2017 (2016), option premium of MNOK 0,6 (MNOK 0,6) has been charged as expenses classified as salary in the profit and loss statement. Payroll tax is charged if share options are redeemed.

SUBORDINATED CONVERTIBLE LOAN:

The 17. December 2015 TTS Group reached an agreed with it's bondholders to renew a subordinated convertible bond loan with a nominal value of MNOK 95,345. Formal renewal were approved in a extraordinary general meeting at 5th January 2016. Based on the renewed agreement the maturity date was set to 18.4.2017. Annual interest rate was set to 12%. Conversion strike price was set at 4,97 giving the maximum number of shares to be issued at full conversion was 19 184 104, equivalent to a dilution effect of 18,13%.
There were no changes to the nominal debt amount, or conversion prices in 2016.

On March 22nd 2017 TTS Group ASA reached an agreed with it's bondholders to extend the subordinated convertible bond loan. Following a minor repayment of MNOK 2,0, the nominal value of the convertible bond were prolonged at MNOK 93,345. The bond renewal were approved in a extraordinary general meeting at 30th March 2017. The maturity date is agreed to 18.1.2019. Annual interest from 19.04.2017 until maturity date is set to 10%. Conversion strike price is continued at NOK 4,97.

The maximum number of shares to be issued at full conversion was 18 781 690, equivalent to a dilution effect of 17,82%. There have been no changes to the nominal debt amount, or conversion prices in 2017.

Please find additional information on the subordinated convertible loan in Note 9.

Note 11 - Tax

(Amounts in NOK 1000)

CHANGE IN DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES :

	1.1.2016	Changes 2016	31.12.2016	Changes 2017	31.12.2017
Deferred tax					
Fixed assets	650	-	650	23	673
Pension fund / liabilities	-	-	-	-	-
Credit deduction carried forward	-10 028	10 028	-	-	-
Allowance carried forward	-		-		-
Convertible debt	-		-		-
Tax loss carry forward	-55 729	-3 972	-59 701	-12 495	-72 196
Net deferred tax (assets = - / liabilities = +)	**-65 106**	**6 056**	**-59 050**	**-12 472**	**-71 522**
Unrecognized deferred tax assets related tax losses	55 729	3 972	59 701	-6 179	53 522
Unrecognized deferred tax assets related to other temp. differences	9 377	-10 028	-651	651	-
Net deferred tax reported (assets = - / liabilities = +)	**-**	**-**	**-**	**-18 000**	**-18 000**

Deferred tax assets related to losses which can be carried forward for tax purposes are reported if the management believes it is likely that the company can use these against future taxable income. Due to the tax exemption method related to share dividends from subsidiaries, and tax exemption method on profit from shares sale, tax assets was impaired as per 31.12.2014. Considered the expected effect of the planned sale asset sale in 2018, and utilisation of Norwegian Tax contribution a tax asset recogniotion of MNOK 18 have been recognized as per 31.12.2017.

BREAKDOWN OF DIFFERENCES BETWEEN PROFIT BEFORE TAX AS PER THE ACCOUNTS AND TAX BASIS FOR YEAR:

	2017	2016
Result before tax	122 669	-240 388
Permanent differences	117	101
Change to temporary profit/loss differences	-	-
Reversed share of profits/losses in subsidiaries and joint ventures	-163 025	183 857
Application of loss to be carried forward	-	-
Tax basis for year	**-40 238**	**-56 430**

BREAKDOWN OF TAX COSTS:

	2017	2016
Tax payable	-	-
Withholding tax from activities outside Norway	4 430	225
Changes to deferred tax	-18 000	-
Tax cost	**-13 570**	**225**

EXPLANATION AS TO WHY THIS YEAR'S TAX COSTS ARE NOT 23% / 24% OF PROFIT BEFORE TAX:

	2017	2016
23% / (24%) of profit before tax	29 441	-57 693
Permanent differences	-39 098	44 150
Allocated profit from subsidiaries and joint ventures	-	-
Allocated reduction of deferred tax asset from group	-8 746	13 543
Effect on change on tax rate on this years tax basis	402	
Withholding taxes	4 430	225
Estimated tax cost	**-13 570**	**225**

Note 12 – Cash and cash equivalents

(Amounts in NOK 1000)

	2017	2016
Bank deposits, cash etc. as per 31.12.1)	401	297
Deposits (+)/withdrawals (-) from cash pool account system as at 31.12.	165 803	146 991

[1] Restricted bank deposits per 31.12.2017 were TNOK 0. TTS Group ASA has a bank guarantee for employees 'tax withholdings of TNOK 1250.

TTS Group ASA operates a cash pool account system. TTS Group has been granted a group cash pool overdraft facility of MNOK 200. Net drawn at the Group cash pool system as per 31.12.2017 was MNOK 72,6 and MNOK 77,9 as per 31.12.2016. Net deposits from TTS Group ASA was MNOK 165,8. Amount classified as intercompany asset in 2017 is MNOK 165,8 and intercompany asset of MNOK 147,0 in 2016. Drawdown facilities, security and covenants are described in Note 7 and 8. An impairment of MNOK 108,0 related to the TTS subsidiaries ability to repay its ICP dept was allocated as per 31.12.2016. This impairment have been reversed in 2017 following the sale with Cargotec Oyj.

Note 13 - Other current liabilities

(Amounts in NOK 1000)

	2017	2016
Provision for holiday pay	1 453	1 289
Other provisions for costs	13 875	5 802
Total other current liabilities	**15 328**	**7 091**

Note 14 - Other operating costs

(Amounts in NOK 1000)

	2017 [1]	2016
Building lease, cost of premises	4 069	4 924
IT costs	1 159	1 746
Marketing, travel	7 186	8 008
External services	6 716	32 814
Other	1 721	2 724
Total other operating costs	**20 852**	**50 216**

[1] Transaction cost related to the agreement between TTS and Cargotec Oyj have been allocated as an prepayment of MNOK 9,1 as per 12.2017.

Note 15 - Related parties

(Amounts in NOK 1000)

During 2017 TTS Group ASA sold its shares in Sigma Drilling AS to Skeie Technology AS. The transaction were approved in the general meeting at June 1. 2017. Additional information on the transaction have been included in Note 4.
There were no transactions between the Group and the shareholders during the financial years 2016 .

The subsidiaries (ref Note 5), Investments in joint ventures (ref Note 5), members of the Board (ref Note 1) and members of the Senior Executive Group are considered as related parties. The Group has engaged in many different transactions with subsidiaries and joint ventures.

All transactions were made in the normal course of business at arm's length prices.

	2017	2016
Sales, Royalties, Sales fees, Group fee:		
Subsidiaries	39 200	39 632
Joint ventures	4 517	11 385
Cost of sales:		
Subsidiaries	-	-
Joint ventures	-	-
Balance sheet items related to purchase and sale of goods and services:		
Receivables		
Loans to group companies	65 429	18 336
Subsidiaries accounts receivables	6 648	15 049
Subsidiaries other short term receivables	730	-
Deposit in cash pool [1]	165 434	146 992
Joint ventures	9 540	21 452
Current liabilities		
Accounts payable to subsidiaries	4 285	24 864
Other short term payables to subsidiaries	55 359	175
Short term payables to Joint ventures	-	-

[1] 2016 numbers are presented on gross basis, imparement of intercompany receivables would reduce the 2016 number to 88 992, (ref note 6).

Information on the Board and Senior Executive Group's shares and options are stated in Note 10.

In addition to the above mentioned transactions and Note 10, there are no further agreements or commitments between the Group and the related parties.

Note 16 - Financial items and exchange rate gains/losses

(Amounts in NOK 1000)

	2017 [1]	2016 [2]
Dividend from subsidiaries and equity consolidated companies	22 524	74 501
Contribution from subsidiaries	-	-
Gain from sale of subsidiaries / shares in financial investments	2 173	-
Interest income from companies in same group	20 947	16 230
Other financial income	534	12 497
Interest paid to companies in same group	-3 706	-1 393
Interest paid to financial institutions	-28 267	-27 897
Impairment shares in subsidiaries	30 340	-160 597
Impairment financial receivables from subsidiaries	108 000	-108 000
Other financial costs	-5 142	-8 705
Net exchange rate gains (losses)	-3 254	-2 067
Total	**144 148**	**-205 433**

[1] Based on estimates related to the terms set out in the assets agreement between TTS and Cargotec Oyj, the book value of shares in TTS Marine AS was impaired by TNOK 100.000.
Furthermore prior year impairment on shares in TTS NMF was reversed by TNOK 130.340, and prior year impairment on intercompany receivables on subsidiaries was reversed by TNOK 108.000.

[2] Shares in TTS NMF has been impaired by MNOK 130,240. Shares in TTS Marine Shanghai has been impaired by MNOK 30,357
Furthermore intercompany receivables has been impaired by MNOK 108, of which MNOK 50 relates to TTS NMF, MNOK 30 to TTS Offshore Solutions AS, MNOK 18 to TTS Marine Inc. and MNOK 7 to TTS Cranes Norway.

EXCHANGE RATE GAINS/LOSSES:

Currency differences booked to income and costs in the profit and loss account are as follows:	2017	2016
Currency exchange income	58 363	34 830
Currency exchange costs	-61 618	-36 898
Total	**-3 254**	**-2 067**

Currency income and costs are net and shown as other financial costs.

Note 17 - Subsequent events

Events regarding the TTS Group are listed in notes for TTS Group, ref note 31.

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To the General Meeting of TTS Group ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TTS Group ASA. The financial statements comprise:

- The financial statements of the parent company TTS Group ASA (the Company), which comprise the balance sheet as at 31 December 2017, and the profit and loss statement, equity statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of TTS Group ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Accounting for disposal group held for sale and discontinued operations

Reference is made to the section Accounting principles, note 29 Discontinued operations and note 32 Assets and liabilities held for sale.

The Key Audit Matter	*How the matter was addressed in our audit*
In 2017, the Group committed to a plan to sell a major part of its business, which resulted in signing an asset sale agreement in February 2018. The transaction is expected to close in the second half of 2018. Management has assessed that the related activities should be presented as Held for sale and Discontinued operations in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The key audit matter in this regard pertains to the appropriate application of IFRS 5, in particular: - Whether the transaction meets the criteria for separate presentation of assets and liabilities classified as held for sale. - Whether the business covered by the sales agreement represents a separate major line of business or geographical area of operations resulting in the presentation of a discontinued operation. - Whether the assets and liabilities reflected as held-for-sale and the results presented as discontinued operations fairly present the financial position and results of the business covered by the sales agreement. - Whether the assets and liabilities are measured at the lower of the fair value less costs to sell or their carrying amounts.	Our audit procedures included, among others; - Assessing the signed share purchase agreement, examining minutes from the directors' board meetings, and holding discussions with Group management to determine whether the assets and liabilities should be classified as held for sale and whether it represents a discontinued operation. - Reconciling the reclassified assets and liabilities and results to the business unit reporting available in the Group's financial reporting system to determine whether the assets and liabilities reflected as held for sale and the results presented as discontinued operations fairly present the financial position and results of the business covered by the sales agreement. - Testing the Group's restatement of the comparative numbers and associated disclosures to assess whether the allocation of the prior year results between continuing and discontinued operations are reasonable and in accordance with IFRS 5. - Considering and challenging management's preliminary estimate of the transaction price, including the key assumptions net working capital adjustments and net interest bearing dept adjustments, and disposal gain to assess whether the assets and liabilities are measured at the lower of the fair value less costs to sell or their carrying amounts. - Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

2. Impairment testing of goodwill before classification as assets held for sale

Reference is made to the section Accounting principles and note 7 Intangibles.

The Key Audit Matter	*How the matter was addressed in our audit*
Goodwill, has a carrying value of TNOK 583.974, and is classified as assets held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Before goodwill was classified as held for sale, management tested the goodwill for impairment in accordance with IAS 36. The impairment test was performed by allocating	Our audit procedures included, among others; - Assessing the appropriateness of Management's identification of cash generating units in light of our knowledge of the business. - Challenging the appropriateness of the assumptions applied to key inputs such as the allocations of the transaction price included in the sales agreement to the different CGU's, and adjustment in the

the transaction price to the Group's cash generating units (CGUs). The allocated transaction price was then used as a key input to estimate the fair value less cost of sale for the respective CGU's. Due to the significant carrying amounts of the goodwill and the judgement required in determining the assumptions to be used to estimate the fair value less cost of sale, we considered this to be a key audit matter.	transaction price due to changes in net working capital and net interest bearing debt. - Assessing the Group's sensitivity analysis for changes in key assumptions, and performing our own sensitivity analysis - Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

3. Revenue recognition

Reference is made to the section Accounting principles

The Key Audit Matter	*How the matter was addressed in our audit*
The group has significant revenue from long-term construction contracts.. Revenue related to these construction contracts is recognized using the percentage of completion method, where progress is determined by comparing actual costs incurred to date, with the total estimated costs of the project Revenue recognition for construction contracts includes judgments and estimates applied by management, These management estimates and judgments are often complex and involve assumptions regarding future events for which there may be little or no external corroborative evidence available . The most important judgment relates to the estimated total costs of the project. Revenue recognition of long-term construction contracts is a key audit matter as it requires significant attention during the audit and is subject to a high degree of auditor judgment.	Our audit procedures included, among others; - Assessing the group's internal guidelines and instructions relating to revenue recognition of construction contracts against IAS 11. - Evaluating the routines and obtaining an understanding relevant controls relating to revenue recognition. - For certain projects, agreeing the total project revenue estimates to sales agreements, including amendments as appropriate - Assessing the reliability of management's estimates by comparing the actual results of delivered projects to previous estimates. - Holding discussions with project leaders, project controllers and management to identify and assess specific risk factors related to the different contracts. - Challenging management 's estimates and assumptions in projects that include specific risk factors. - For ongoing projects, comparing actual costs to the estimated total costs of the projects and recalculating the revenue based on the stage of completion of the projects. - Evaluating the adequacy and appropriateness of the disclosures in the financial statements.

Other information

Management is responsible for the other information. The other information comprises information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 30 April 2018
KPMG AS

Ståle Christensen
State Authorised Public Accountant

STATEMENT ON COMPLIANCE

Today, the Board of Directors and the President & CEO has reviewed and approved the Board of Directors report and the consolidated and separate financial statements related to TTS Group ASA as of 31 December 2017.

This statement is based on reports, information and statements from the group's CEO, CFO and other administration, on the results of the group's relevant activities, and on other information which is essential to assess the position of the group and parent company.

To the best of our knowledge we confirm that;

- the Board of Directors report for the group and the parent company is in accordance with the Norwegian Accounting Act and relevant Norwegian Accounting Standards
- the Board of Directors report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the company and the group
- the consolidated annual financial statements for 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 separate financial statement for TTS Group ASA for 2017 have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards
- the information presented in the 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

Bergen, 27 April 2018
TTS Group ASA

Trym Skeie
Chairman of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Anita Kråkenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

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