ANNUAL REPORT 2016

TTS

TTS GROUP ASA

Key figures

	2016	2015 [4]	2014	2013	2012 restated [3]	2012 [1]
PROFIT AND LOSS ACCOUNT (NOK 1000)						
Turnover	3 087	3 051	2 453	2 693	2 370	2 929
Operating profit/loss before depreciation/ amortisation (EBITDA)	70	155	105	-130	157	159
Operating profit/loss (EBIT)	-72	32	61	-164	110	96
Pre-tax profit/loss [2]	-97	-15	63	-178	462	448
Net profit/loss [2]	-127	-40	18	-204	455	450
BALANCE SHEET (MNOK)						
Total assets	2 175	3 026	2 411	2 225	2 350	2 350
Total equity	616	855	610	567	795	856
- Shareholders part of Equity	472	635	610	567	795	856
Working capital	124	-91	-30	-195	-126	-126
Net interestbearing debt (NIBD)	294	108	262	92	-97	-97
NIBD/equity ratio	0,62	0,17	0,43	0,16	-0,12	-0,11
CAPEX - operational	12	5	46	36	22	22
Equity ratio (total equity/ total assets)	28,3 %	28,3 %	25,3 %	25,5 %	33,8 %	36,4 %
ALTERNATIVE PERFORMANCE MEASURES						
Operating profit/loss before depreciation/ amortisation (EBITDA)	70	155	105	-130	157	159
Orders received (MNOK) [4,5]	2 398	2 733	2 446	2 912	2 276	2 276
Order backlog (MNOK) [5]	2 722	4 015	3 627	2 971	2 783	2 783
KEY PERFORMANCE RATIOS						
EBITDA margin	3,7 %	5,1 %	4,3 %	-4,8 %	6,6 %	5,4 %
EBIT margin	-0,9 %	1,0 %	2,6 %	-6,1 %	4,6 %	3,3 %
Profit margin (pre-tax) [2]	-1,7 %	-0,5 %	2,6 %	-6,6 %	1,9 %	15,3 %
Profit margin (after-tax) [2]	-2,8 %	-1,3 %	0,7 %	-7,6 %	1,5 %	15,4 %
Net change in Cashflow (MNOK)	-221	266	-21	-127	-284	-284
Return on equity [2]	-15,7 %	-2,4 %	2,9 %	-36,1 %	5,4 %	54,1 %
Return on total capital	-5,8 %	-1,3 %	0,7 %	-7,2 %	1,5 %	3,3 %
KEY FIGURES SHARES						
Equity per share	5,44	7,32	7,05	6,52	9,14	9,84
Earnings per share (NOK)	-1,40	-0,55	0,21	-2,63	0,39	5,42
Dividend/ capital distribution per share (NOK)	0,00	0,00	0,00	1,00	5,77	5,77
Number of shares, end of year (MILL)	87	87	87	87	87	87
Average number of shares (MILL)	87	87	87	87	83	83
Market price per share 31.12. (NOK)	3,78	2,79	4,75	6,21	9,40	9,40
OTHER KEY FIGURES						
Orders received (MNOK) [4,5]	2 398	2 733	2 446	2 912	2 276	2 276
Order backlog (MNOK) [5]	2 722	4 015	3 627	2 971	2 783	2 783
Employees (31.12.)	1 013	1 093	1 053	1 100	970	970
Sick leave	3,3 %	2,6 %	2,6 %	3,0 %	2,5 %	2,5 %
LTIFR (Lost Time Insident Frequency Rate)	1,7	7,7	13,0	8,4	11,4	11,4

[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

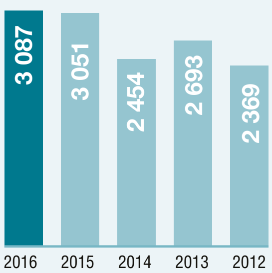
DEFINITIONS	
Earnings per share:	Profit after taxes divided on total number of shares at the end of the fiscal year
Return on equity	Profit before tax as a percentage of average equity
Return on total capital:	Operating profit as a percentage of average total capital
LTIFR	Number of lost time incident / Total numbers worked x 1.000.000

Content

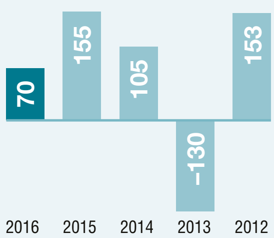
MNOK	2016	2015
TTS GROUP*)		
Turnover	3 087	3 051
EBITDA	70	155
EBITDA adjusted for one time effects [a]	133	89
Order backlog per 31.12	2 722	4 015
[a] One time effects 2016: Inventory impairment of MNOK + 20. Impairment of investment in Jiangnan TTS MNOK + 43. One time effects 2015: Change in consolidation method of TTS Hua Hai MNOK -104. Inventory impairment MNOK + 20, and a restructuring allocation MNOK + 18.		
RORO/CRUISE/NAVY		
Turnover	555	641
EBITDA	15	62
EBITDA adjusted for one time effects	15	62
Order backlog per 31.12	652	941
CONTAINER/BULK/TANK		
Turnover	1 138	973
EBITDA	21	141
EBITDA adjusted for one time effects [a]	64	37
Order backlog per 31.12	1 403	2 090
[a] One time effects 2016: Impairment of investment in Jiangnan TTS MNOK + 43. One time effects 2015: Change in consolidation method of TTS Hua Hai MNOK - 104.		
OFFSHORE		
Turnover	226	359
EBITDA	4	-102
EBITDA adjusted for one time effects [a]	4	-64
Order backlog per 31.12	150	219
[a] One time effects 2016: None. One time effects 2015: Inventory impairment of MNOK + 20. Restructuring allocation of MNOK + 18.		
MULTIPURPOSE/GENERAL CARGO		
Turnover	322	259
EBITDA	-24	-13
EBITDA adjusted for one time effects [a]	-4	-13
Order backlog per 31.12	205	573
[a] One time effects 2016: Inventory impairment of MNOK + 20. One time effects 2015: None		
SHIPYARD SOLUTIONS		
Turnover	298	216
EBITDA	36	17
EBITDA adjusted for one time effects	36	17
Order backlog per 31.12	335	204
SERVICES		
Turnover	533	591
EBITDA adjusted for one time effects	42	76
EBITDA	42	76

*) incl Corporate functions

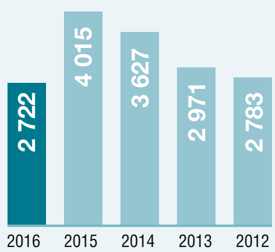
Consolidated Operating revenue (MNOK)



Consolidated EBITDA (MNOK)



Consolidated Order Backlog (MNOK)



TTS Organization

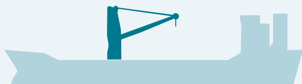
TTS is a leading global supplier of handling solutions and access systems for the marine and offshore industries. Headquartered in Bergen, Norway, TTS has subsidiaries in 14 countries and serves a global client base from strategic points in Europe, Asia and America. The organization has six business units.

RoRo, Cruise, Navy

TTS is the world's leading provider of specialised handling solutions for car carriers and in the forefront of developing eco-friendly solutions for the next generation of cruise ships. Building on a long history of supplying equipment for navies worldwide, TTS is also strengthening its focus on the naval market. The business unit RoRo, Cruise, Navy provides complete cargo handling solutions for car carriers and other RoRo vessels, cruise ships, passenger ferries and various navy vessels, as well as innovative systems for terminal loading and access systems. TTS' portfolio includes ramps of all kinds, covers and doors, hydraulic and electric drive systems and liftable decks as well as land-based logistic systems such as gangways and provision and luggage handling systems.

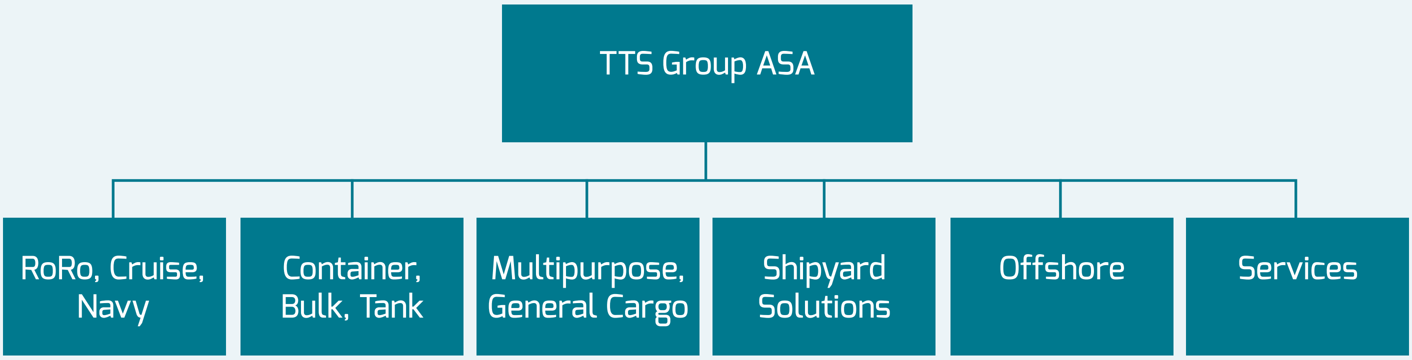
Container, Bulk, Tank

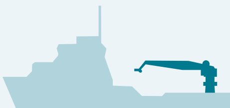
During five decades in business, TTS has developed a range of innovative products for the global container fleet. TTS is the global number one supplier of hose handling cranes for tankers and has developed state-of-the-art loading systems for bulk carriers – including solutions for a variety of self-discharge cargoes. The business unit Container, Bulk, Tank supplies complete cargo handling solutions for container ships, tankers and bulk carriers, with a product range encompassing davits, hatch covers, cranes and winches. The Chinese 50/50 companies TTS Hua Hai Ships Equipment – by far the market leader for hatch covers in China – and TTS Bohai Machinery are part of the Container, Bulk, Tank unit.



Multipurpose, General Cargo

In addition to providing a variety of handling equipment based on standardised building blocks, TTS has decades of experience of tailoring special solutions for particularly challenging project cargo. The business unit Multipurpose, General Cargo delivers handling systems for multipurpose vessels and cargo ships requiring special operating capabilities. The product portfolio ranges from heavy lift cranes and mooring winches to hatch covers and dedicated side-loading systems for various multipurpose vessels, cargo ships and heavy project cargo. The 50/50 company TTS-SCM Marine and Offshore Machinery, which provides heavy lift cranes for a steadily growing Chinese market, is part of this business unit.





Shipyard Solutions

TTS has continuously developed systems for handling, launching and docking purposes. Today the business unit Shipyard Solutions offer a wide range of products for efficient Block and Ship Transfer Systems, as well as shiplift and slipway systems. The transfer systems include rail trolleys, tyre wheel system and track/tyre-less systems. TTS has developed an ingenious fluid-bed system for weight distribution designed to ease landside operations as well as innovative solutions contributing to greener and safer ship recycling. TTS is the owner of the Syncrolift ® brand.

Offshore

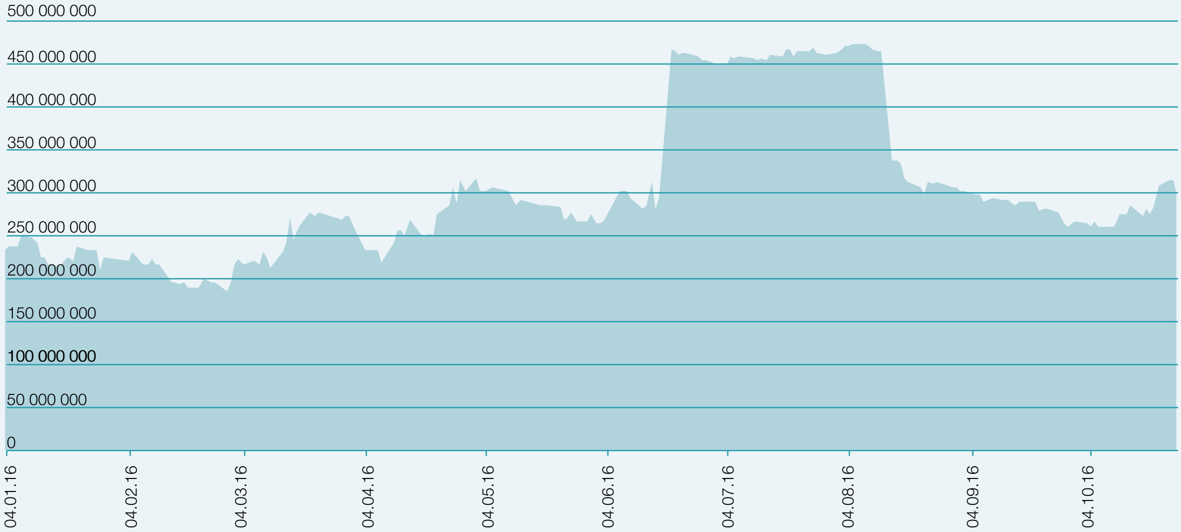
The Offshore business unit offers handling solutions to the traditional oil-related offshore market and its supporting services as well as to new segments targeted at exploiting renewable energy sources. TTS has developed advanced Active Heave Compensated (AHC) cranes enabling safer and more efficient subsea load handling in deep and rough waters. The product portfolio encompasses a range of cranes and winches as well as internal and external covers and doors. TTS supplies handling equipment for offshore construction and support vessels as well as for drill ships, rigs, accommodation and service units and heavy lift and utility ships.

Services

The business unit Services offers worldwide maintenance, repair services and aftersales for the full range of TTS' products, including spare parts, service interval arrangements and lifetime services. TTS provides a global network of 24/7 service operations centred on the busiest ports and offshore hubs. TTS has supplemented its already strong presence in Europe and the Far East with service stations in USA, Brazil, and the United Arab Emirates.

Shareholder information

MARKET CAPITAL DEVELOPMENT (NOK)



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
03.05.95	Introduced at Oslo Stock Exchange	53,00	-				1 911	101
31.12.95	Share split 1:2	25,24	-	0,05	14,68	1,72	3 822	96
31.12.96	Private placement	29,26	-	-2,64	12,50	2,34	4 292	126
31.12.97	Private placement	29,26	-	4,46	11,90	2,46	5 146	151
31.12.98	Private placement	10,97	-	0,02	11,98	0,92	5 361	59
31.12.99	Private placement	10,24	-	0,97	13,81	0,74	5 861	60
31.12.00	Private placement	17,92	-	-0,27	15,31	1,17	6 873	123
31.12.01	Private placement	12,44	-	0,60	15,05	0,83	6 988	87
31.12.02	Private placement,	5,67	-	0,83	15,64	0,36	14 846	84
31.12.03	Private placement	7,56	-	0,04	15,07	0,50	14 846	112
31.12.04	Private placement	14,13	-	0,70	17,05	0,83	16 315	231
31.12.05	Private placement	23,43	-	2,19	19,63	1,19	20 116	471
31.12.06	Private placement	52,90	-	2,92	26,58	1,99	22 493	1 190
31.12.07	Private placement	73,32	1,00	3,07	36,27	2,02	25 738	1 887
31.12.08	Private placement	12,47	1,25	1,41	38,18	0,33	25 908	323
31.12.09	Public placement, NOK 6.00 per share	5,70	-	-5,72	13,78	0,41	67 908	387
31.12.10	Private placement, NOK 6,00 per share	7,60	-	-2,76	10,76	0,71	74 631	567
31.12.11	Converted bond debt NOK 9,28 per share	9,47	-	0,30	11,10	0,85	75 691	717
31.12.12	Converted bond debt NOK 9,28 per share	9,40	5,77	5,47	9,89	0,95	86 606	814
31.12.13		6,21	1,00	-2,36	6,54	0,95	86 606	538
31.12.14		4,75	-	0,21	7,05	0,67	86 606	411
31.12.15		2,79	-	-0,55	7,32	0,38	86 606	242
31.12.16		3,78	-	-1,40	4,83	0,78	86 606	327

20 LARGEST SHAREHOLDERS*)

		Shares	%	Country
1	SKEIE TECHNOLOGY AS	22 655 763	26,16	NOR
2	RASMUSSENGRUPPEN AS	11 512 506	13,29	NOR
3	SKEIE CAPITAL INVEST	4 203 361	4,85	NOR
3	BARRUS CAPITAL AS	3 750 000	4,33	NOR
5	HOLBERG NORGE VERDIPAPIRFONDET V/HOLBERG FONDSFORVA	3 292 500	3,80	NOR
6	PIMA AS	2 499 914	2,89	NOR
7	SKAGEN VEKST	2 411 069	2,78	NOR
8	JP MORGAN CHASE BANK	1 790 048	2,07	GBR
9	MERTOUN CAPITAL AS	1 769 598	2,04	NOR
10	DANSKE BANK	1 480 846	1,71	NOR
11	ITLUTION AS	1 475 261	1,70	NOR
12	GMC KAPITAL AS	1 050 000	1,21	NOR
13	SKANDINAVISKA ENSKILDA	1 010 812	1,17	FIN
14	AVANT AS	1 000 000	1,15	NOR
15	AVANZA BANK AS	883 398	1,02	SWE
16	RBC INVESTOR SERVICE	800 000	0,92	LUX
17	KRISTIANRO AS	741 206	0,86	NOR
18	GLASTAD INVEST AS	668 000	0,77	NOR
19	PHAROS INVEST I AS	659 393	0,76	NOR
20	FIRST PARTNERS HOLDING	600 731	0,69	NOR
	Total, 20 largest shareholders	**64 254 406**	**74,17**	
	Other	22 351 254	25,77	
	Total	**86 605 660**	**100,00 %**	

*) As of 26 April 2017

TRADE IN TTS SHARES

	1.1.2016 - 31.12.2016	Average per trading day
Number of trades	8 577	34
Value (NOK 1000)	154 077	609
Number of shares	39 411	155
Average price	3,91	

FINANCIAL CALENDAR

1. Quarter 2017	10 May
Annual general meeting	1 June
2. Quarter 2017	17 August
3. Quarter 2017	8 November

The Board of Directors

TRYM SKEIE

Chairman of the Board

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 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

Mjellem (b. 1961) is an independent Director of Board and consultant. 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 Store Norske Spitsbergen Kulkompani AS.

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

GISLE RIKE

Director of the Board

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

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

MARIANNE SANDAL

Director of the Board

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 member Director of the Board of TTS Group ASA since 2014.

BJARNE SKEIE

Director of the Board

Skeie (b. 1945) is an engineer by education. He holds extensive expertise in founding and building up companies. He started his career as designer at Munck AS and Hydralift AS, Norwegian companies supplying cranes for the onshore and shipping industries. With the experience from these, Mr. Skeie founded Maritime Hydraulics ASA and built up a number of other companies within the offshore industry, including Sinvest ASA, DDI, Ocean Rig ASA, Maritime Well Service, including purchasing Hydralift (in1990) which is now a part of NOV. He is currently Chairman of Skeie Group AS which is a privately owned management company serving the three companies: Skeie Technology AS, Skeie Capital Investment AS and Skeie Eiendom AS.

Skeie has been member of the board of TTS Group ASA since 2008

ANITA KRÅKENES

Director of the Board
Employee elected

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

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

For TTS Group, the year 2016 has been influenced by a challenging merchant shipping market with a significant lower number of newbuild orders combined with a weak market for Multi-purpose/General Cargo- and Offshore. Consequently, the order backlog has been considerably reduced from last year for all business units except for Shipyard Solutions. The underlying operational profitability has improved through a combination of operational efficiency and headcount reductions, especially in the business unit Offshore, where significant losses are turned to yearend operational profit. However, the reported operating results have been negatively impacted by significant impairments and write-downs and shows a negative development compared to last year. Going forward, cost reductions and capacity measures will be taken to align the business units with the underlying market developments. The continuing focus on improvements, efficiency and cost competitiveness, combined with increased order activity within some merchant shipping segment and the energy sector, gives the Board of Directors a reason to believe that TTS Group will be able to regain industry profitability and sustain the overall global market position when the market improves.

Reported total group revenue was MNOK 3,087, on level with 2015. Compared to 2015, turnover increased in business units Shipyard Solutions and Multipurpose General Cargo. The underlying turnover for the business unit Container/Bulk/Tank was stable. However, the reported turnover in this business unit increased due to full four quarters effect of consolidation of TTS Hua Hai (THH) in 2016 vs 3 quarters in 2015.The increased turnover reported in these three business units was offset by reduced turnover in Offshore, RoRo/Cruise/Navy and Services.

The Group EBITDA for the year, excluding write-downs, amounted to MNOK 133, a significant improvement from the comparable EBITDA of MNOK 89 in 2015. The reported 2016 EBITDA was MNOK 70, including the impairment of BUCBT's investment in Jiangnan TTS (MNOK -43) and impairment of inventories in BUMPG (MNOK -20). The reported EBITDA in 2015 was MNOK 155, which included a non-recurring gain of MNOK 104 from the consolidation of THH from the 2nd quarter of 2015, and non-recurring costs in the Offshore segment of MNOK 37 from restructuring and inventory write-down.

The group reports a loss before tax of MNOK 97 in 2016, compared to a loss of MNOK 15 in 2015. The weakening of the result is explained by the above mentioned impairment of Jiangnan TTS and inventories, in addition to impairment of MNOK 89 of intangible and fixed assets related to business unit Multi Purpose/General Cargo.

The order backlog at the end of 2016 amounted to MNOK 2,722, down from MNOK 4,015 at the end of 2015. The figure includes 50% of the order backlog of TTS' joint venture in China, amounting to MNOK 138. The backlog at the end of 2016 extends into 2018 and beyond, and covers more than 80% of the expected 2017 new-build turnover.

In 2016, TTS continued its efforts to reduce cost through improving work processes, establishing cost-efficient value chains and utilizing synergies across the group. Several business units have adjusted the size of the workforce to adapt to the lower activity in the market. Further restructuring, including workforce adjustments has been initiated in business unit Multi Puropose/General Cargo in 2017, with an expected restructuring cost of MNOK 30, which will affect the 1st quarter 2017 EBITDA.

TTS Group has during 2016 used substantial time and resources on the strategic process initiated in 2015. The process came to an end in August 2016, after TTS Group announced that Palfinger Marine had decided not to complete the planned acquisition of TTS Group.

Target and strategy

The TTS Group's main objective is to design, develop and supply high-quality handling systems and services for the global maritime and offshore industries. TTS aims to create value and increase efficiency for our customers through a dedicated focus on product quality, efficient project execution and customer-oriented services, combined with an innovative approach towards utilizing new technology.

The long-term business target of TTS is to further grow, expand and develop its position as provider of high-quality handling systems and services for the global maritime and offshore industries. The group mainly pursues an organic growth strategy based on increased value of sales per contract and capture of market share, but also on broadening its product portfolio through partnerships, co-operations and acquisition of peripheral products in the ship value chain.

Important objectives include:

- To always be on the makers list as a potential supplier in all our targeted global markets to achieve a substantial market share.
- To have product technology among the top three in all segments where TTS competes.
- To be a provider of complete, full life-cycle handling solutions and services for our targeted markets.
- To establish a profitability level in line with the industry average.

In order to achieve these objectives, the TTS Group focuses on the following main strategic lines:

- Leverage the group's strong market and cost position in China, including further development of the strategic partnerships with the major state-owned shipbuilders and increased co-operation with Chinese partners within manufacturing
- Focus marketing on ship-type, including expanding the product portfolio per asset type and providing complete solutions and services for important vessel types within our targeted segments.
- Build a strong key account management structure around our key customers' needs and challenges.
- Increased focus on various product development programs.
- Enhanced services through strategic service hubs around major clusters of customer bases. Laying the foundation for long-term customer relationships through service interval and lifetime services agreements.
- Continued focus on cost reduction, by internal efficiency and structural changes in sourcing, workflow and integrated value chains.

Operations and business units

TTS Group runs a worldwide operation and in 2016 had subsidiaries or branch offices in 15 countries: Belgium, Brazil, China, Dubai, Finland, Germany, Greece, Italy, Norway, Poland, Singapore, South Korea, Sweden, USA and Vietnam. In addition, agents represent TTS in several other locations. The Finnish subsidiary was sold in February 2017.

TTS has organized its operations into six asset type-oriented business units. The units RoRo/Cruise/Navy, Container/Bulk/Tank and Multipurpose/General Cargo, address the main shipping segments, while the Offshore unit addresses the offshore vessel and rig market. The ship lift and transfer systems for shipyards are addressed by the business unit Shipyard Solutions. The Services unit offers worldwide services and after-sales for the complete range of TTS' products across all business units.

RORO/CRUISE/NAVY (BU RCN)

BU RCN provides complete cargo handling solutions for RoRo vessels, car carriers, cruise ships, passenger ferries and navy vessels, as well as systems for terminal loading and passenger access. The product portfolio includes external and internal ramps, covers and doors, hydraulic and electric drive systems, hoistable decks, passenger gangways and linkspan systems as well as systems for auto mooring.

CONTAINER/BULK/TANK (BU CBT)

BU CBT delivers complete cargo handling solutions for container ships, tankers and bulk carriers. The product range encompasses winches, davits, cranes and hatch covers. 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.

OFFSHORE (BU OFF)

BU OFF supplies handling systems to the offshore-based energy industry and its supporting service industry. The unit addresses handling equipment for offshore construction and support vessels, as well as drilling, accommodation and service units and heavy lift and utility ships. The product range includes offshore cranes, AHC cranes, mooring winches, internal and external covers and doors.

MULTIPURPOSE/GENERAL CARGO (BU MPG)
BU MPG delivers handling systems for multipurpose vessels and cargo ships requiring special operating capabilities. The products include heavy lift cranes, side-loading systems, hatch covers and mooring winches.

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.

SHIPYARD SOLUTIONS (BU SYS)
BU SYS provides ship lift and transfer systems, as well as complete production lines for shipyards and other industries.

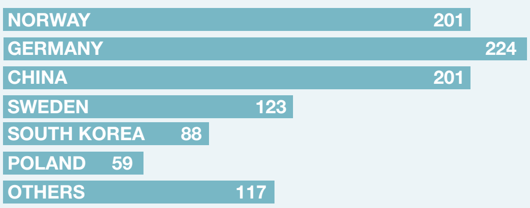
SERVICES (BU SER)
BU SER offers worldwide maintenance and repair services for the full range of TTS' products across all business units, including spare parts, service interval arrangements and lifetime services. TTS is strengthening its global service footprint by establishing new hubs near main container, shipping and offshore areas.

The 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 1013 (1093) employees at the end of 2016, in addition to a temporary staff of 39 (66). Throughout 2016, staff has been reduced in BU OFF and BU CBT due to the challenging market while the number of employees has increased in other business units.

GEOGRAPHICAL BREAKDOWN OF EMPLOYEES



TOTAL: 1013

Review of the annual accounts

ANNUAL RESULT FOR 2016

TTS GROUP	Full Year	
MNOK	2016	2015
Turnover	3 087	3 051
EBITDA **	70	155
Operating profit**	-72	32
Net financial items	-25	-47
Profit/loss before tax	-97	-15
Net result continued business	-127	-40
Total net result included divested business	-127	-40

** 2016 EBITDA includes a negative inventory impairment in the Multipurpose/General cargo segment of MNOK 20 , and impairment of shares in the associated company Jiangnan TTS MNOK 43

** 2015 EBITDA includes a positive one off effect from consolidating TTS Hua Hai of MNOK 104 (Q2/15), a negative inventory impairment in the Offshore segment of MNOK 20 (Q3/15), and a negative impact from restructuring allocation in Offshore of MNOK 18 (Q4/15).

Reported total group revenue was MNOK 3,087, on level with 2015. Compared to 2015, turnover increased in business units Shipyard Solutions and Multipurpose General Cargo. The underlying turnover for the business unit Container/Bulk/Tank was stable. However, the reported turnover in this business unit increased due to full four quarters effect of consolidation of TTS Hua Hai (THH) in 2016 vs 3 quarters in 2015. The increased turnover reported in these three business units was offset by reduced turnover in Offshore, RoRo/Cruise/Navy and Services.

Operational costs and losses were further reduced in 2016 compared to the previous years. Group EBITDA for the year amounted to MNOK 70. The EBITDA, excluding the MNOK 20 inventory impairment in BUMPG and the MNOK 43 impairment of Jiangnan TTS was MNOK 133, an improvement of MNOK 44 compared to the underlying 2015 EBITDA of MNOK 89.

Despite reduced result compared to 2015, business unit Services contributes positively to the result. Business unit Container/Bulk/Tank reports positive EBITDA, however impacted by the MNOK 43 impairment of Jiangnan TTS. In Multipurpose/General Cargo, impairment of inventories of MNOK 20 together with low utilization contribute negatively with a 2016 EBITDA of MNOK -24. Mainly explained by poor performance in some projects, business unit Roro/Cruise/Navy shows reduced EBITDA compared to the good 2015 performance. Business unit Offshore shows an improvement, with a 2016 EBITDA of MNOK 4, compared to MNOK -102 last year.

The Group's net finance cost in 2016 was MNOK 25, a decrease from MNOK 47 in 2015. The decrease in finance cost is mainly explained by exchange rate.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets at the end 2016 were MNOK 2,175, a decrease of MNOK 850 since 2015. The decrease is mainly due to reduced inventories and bank deposits in THH, and the effects of impairment and ordinary depreciation of fixed assets. The net working capital is MNOK 124, compared to MNOK -90 at the end of 2015.

In 2016, net interest-bearing debt (NIBD) increased by MNOK 185, from MNOK 109 to MNOK 294. The NIBD in the 100% owned subsidiaries has improved through 2016. Consolidation of the 50% owned subsidiaries THH and TTS SCM represents a reduction in the reported net interest-bearing debt of MNOK 99 compared to MNOK 336 at the end of 2015.

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 the 4th quarter of 2016, the TTS Group has available MNOK 122 which is not drawn from the MNOK 200 overdraft facility with Nordea. In addition to the MNOK 78 drawn from the overdraft facility, the group has term loan facilities with Nordea of MNOK 100, and with DNB of MNOK 172.

Covenants for both equity ratio, NIBD/EBITDA and minimum liquidity related to the debt facilities with Nordea and DNB have been renegotiated in connection with the extension in the 4th quarter of 2016. Please refer to the section Risk factors and risk management/ Financial risks below.

There were no conversions in the subordinated convertible bond in 2016. In March 2017, the bondholders agreed to an extension of the subordinated convertible debt until 18 January 2019. As a part of the extension, MNOK 2 was deleted through a buy-back, and the extended bond loan is consequently reduced to MNOK 93. The TTS Group ASA Extraordinary General Assembly approved the extension on 30 March 2017.

Financial fixed assets were MNOK 29 at the end of 2016, compared to MNOK 85 at the end of 2015. The assets consist of the TTS Group's investments in the equity accounted investments in China, which is reduced mainly due to the MNOK 43 impairment of TTS Jiangnan.

The Group's net deferred tax liability was MNOK 17 at the end of 2016, consisting of gross deferred tax assets of MNOK 30 and gross deferred tax liability of MNOK 47.

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 2016. The Board of Directors is not aware of any unreported events occurring subsequent to the balance sheet date of 31 December 2016 that may be of material significance to the TTS Group, or to the annual accounts of 2016. See Note 31; Subsequent events, for further information.

At the end of 2016, 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 reported a negative cash flow of MNOK 221 in 2016, compared to a positive cash flow of MNOK 265 in 2015. The 50% owned subsidiaries THH and TTS SCM contributed negatively with a cash flow of MNOK -237 in 2016. In 2015, the consolidation of THH contributed with MNOK 220 to the positive cash flow.

Cash flow from operations was negative MNOK 96, an increase from MNOK 0 in 2015, reflecting the reduced financing from project pre-payments in 2016.

Net cash flow from investment activities in 2016 was positive MNOK 4, compared to MNOK 196 in 2015, which was significantly influenced by the THH consolidation effects.

Net cash flow from financing activities was negative MNOK 128, mainly from dividends paid to minority shareholders of the 50% owned companies MNOK 53, net interest paid MNOK 32 and reduced drawdown of bank overdrafts MNOK 43.

During 2016, the TTS Group has reduced the interest bearing debt by MNOK 53 and paid interest amounting to MNOK 35 (35).

At the end of 2016, TTS had a nominal net interest-bearing debt of MNOK 294 and unused available credit facilities of MNOK 122, in addition to a cash reserve of MNOK 176, of which MNOK 77 is in fully owned subsidiaries, and MNOK 99 is in 50% owned subsidiaries (THH and TTS SCM).

TTS Group ASA paid no dividends to its shareholders in 2016.

RESEARCH AND DEVELOPMENT

Total capitalized investment in R&D in 2016 was MNOK 2 (2015 MNOK 0). At the end of 2016, net R&D in the balance sheet was MNOK 12 (2015 MNOK 17). Product development within specific projects is charged to the P&L as project cost.

ORDER BACKLOG

The order backlog at the end of 2016 amounted to MNOK 2,722, down from MNOK 4,015 at the end of 2015. The figure includes 50% of the order backlog of TTS' joint ventures in China. The largest decrease in order backlog is in business units Roro/Cruise/Navy, Container/Bulk/Tank and Multipurpose/General Cargo.

CONTINUED OPERATION

As of 31 December 2016, TTS' equity ratio was 28.3 %, compared to 28.2% the previous year. When including the subordinated convertible loan, the equity ratio was 32.7% (2015: 31.4%). Net interest-bearing debt amounted to MNOK 294, including the nominal value of the convertible bond.

The Group's financial objective is to have sufficient cash reserves or credit lines at any time to be able to finance operations and investments throughout the year, in accordance with the Group's strategy plan. The Group has guarantee and overdraft facilities and currency lines with Nordea and DNB, which mature on 1 January 2019. The Group's bond loan was originally expiring on 18 April 2017. In March 2017, the bond-holders agreed to an extension of the subordinated convertible debt until 18 January 2019. As a part of the extension, MNOK 2 was deleted through a buy-back, and the extended bond loan is consequently reduced to MNOK 93. The TTS Group ASA Extraordinary General Assembly approved the extension on 30 March 2017.

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 continued operations are fulfilled.

Business units

The TTS Group reports its operations in six separate business segments: RoRo/Cruise/Navy, Container/Bulk/Tank, Offshore, Multipurpose/General Cargo, Shipyard Solutions and Services.

RORO/CRUISE/NAVY (BURCN)

RORO, CRUISE, NAVY	Full Year	
MNOK	2016	2015
Turnover	555	641
EBITDA	15	62
EBITDA margin (%)	2,7	9,7
Order backlog	652	941

The business unit reports a decrease in turnover and margin compared to last year. The reduction of margin is an effect of changes in the product mix, as well as losses on a few specific projects.

The order backlog at the end of 2016 was MNOK 652, a reduction of MNOK 289 from 2015. Going forward, the Group expects lower newbuild orders and risk of delays from the customer side on existing orders in the market for car carriers. Although this is replaced by higher activity in the market for RoPax and Cruise, we expect a significantly lower turnover in this segment in 2017

CONTAINER/BULK/TANK (BUCBT)

CONTAINER, BULK, TANK	Full Year	
MNOK	2016	2015
Turnover	1 138	973
EBITDA **	21	141
EBITDA margin (%)	1,9	14,5
Order backlog *	1 403	2 090

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

** One-off effect from impairment of shares in the associated company Jiangnan TTS MNOK 43 in 2016 and from consolidating TTS Hua Hai included in full year 2015 of MNOK 104

The 2016 turnover in the companies within the business unit is on level with last year. The fully owned companies within the business unit report an EBITDA of MNOK 3, an improvement of MNOK 18 compared to 2015, while the 50% owned THH reports an EBITDA on level with 2015. The change of consolidation method from the equity method to full consolidation of the 50% owned company THH from 2nd quarter 2015, explains the major part of the reported difference in revenue and margin when comparing 2016 with 2015. Consolidated turnover and EBITDA from THH 2016 (2015) represent MNOK 837 (MNOK

667) and MNOK 58 (MNOK 48) respectively. Reported EBITDA in Q2 2015 further included one-off effects of MNOK 104.

Reduced utilization of the Jiangnan steel fabrication plant in China (a company 40% owned by THH) continues to give negative contribution from equity-consolidated investments. Total 2016 (2015) contribution was MNOK -20 (MNOK 6). TTS expects a continuing weak performance of the Jiangnan plant, and reports an impairment of the investment by MNOK 43 which affects the EBITDA negatively. The remaining book value of Jiangnan TTS is zero.

The weak market for winches in South-Korea has led to a significantly reduced order intake of MNOK 169 in 2016 compared to MNOK 417 in 2015. In China however, THH had an order intake in 2016 of MNOK 710, which is the double of the 2015 order intake for THH.

The order backlog declined from MNOK 2,090 in 2015 to MNOK 1,403 at the end of 2016. This includes 50% of the order backlog from the Chinese joint ventures of MNOK 138.

Order backlog has decreased both in the fully owned companies and in the 50% owned companies within the business unit. TTS Bohai, which is owned 50% by TTS, and which is equity consolidated has the largest reduction of order backlog through the year. Also the 100% owned companies have experienced a reduction of order backlog, but still have an order backlog covering more than a year's turnover. The 50% owned THH has managed to maintain its strong order backlog despite the tough market.

THH and TBH hold solid market positions in China, with market shares exceeding 50 % for hatch covers and hose handling cranes, and a market position for winches and cargo cranes with potential for further growth.

Despite price pressure from Korean yards, the group's expectations are moderately positive. Mega size bulk continues, and the weak handy-bulk market show early signs of recovery. The activity within the container market is low.

OFFSHORE (BUOFF)

OFFSHORE	Full Year	
MNOK	2016	2015
Turnover	226	359
EBITDA *	4	-102
EBITDA margin (%)	1,8	-28,3
Order backlog	150	219

* 2015 EBITDA includes an inventory impairment of MNOK 20 (Q3/15) and a restructuring allocation of MNOK 18 (Q4/15).

The Offshore market is still slow with a low level of activity and visibility, and the pricing competition is fierce. As an effect of the weak market, the turnover has been reduced significantly over the last two years.

The unit recorded a turnover of MNOK 226, a significant reduction from MNOK 359 the previous year and MNOK 608 in 2014. The 2016 EBITDA was MNOK 4, an improvement compared to the 2015 loss of MNOK 102.

TTS has taken strong cost-reducing measures in order to adjust activities and capacity to the current offshore market. Several adjustments have been made from 2014 through 2016 in order to match capacity with the order backlog and market conditions. From the peak in 3rd quarter 2014, the number of full time employee equivalents has been reduced by around 70%. After the downsizing of the Business Unit, the cost base has come down.

We expect the Offshore market to remain challenging throughout 2017 and into 2018.

MULTIPURPOSE/GENERAL CARGO (BUMPG)

MULTIPURPOSE GENERAL CARGO	Full Year	
MNOK	2016	2015
Turnover	322	259
EBITDA *	-24	-13
EBITDA margin (%)	-7,6	-5,0
Order backlog	205	573

* 2016 EBITDA includes an inventory impairment of MNOK 20 (Q4/16).

The business unit's 2016 EBITDA is close to zero excluding impairments, a marginal improvement from the same quarter last year. The weak EBITDA margin is due to customer-initiated delays in project deliveries, combined with a slow market.

The 2016 order intake was low. The expected turnaround of the heavy lift market as well as the development of the offshore wind installation market will take longer time than previously expected. Due to this, the business unit has reported impairment of MNOK 118, of which inventories MNOK 20, fixed assets MNOK 16 and goodwill MNOK 82.

To reduce the cost base for the business unit and adapt the operations to the current market, a ramp down of the German manufacturing setup is planned. A restructuring program for the unit has been announced. This will add restructuring cost of around MNOK 30, which will affect the 1st quarter 2017 EBITDA

SHIPYARD SOLUTIONS (BUSYS)

SHIPYARD SOLUTIONS	Full Year	
MNOK	2016	2015
Turnover	298	216
EBITDA	36	17
EBITDA margin (%)	12,1	8,1
Order backlog	335	204

2016 EBITDA has improved both for Syncrolift, increased from MNOK 13 to MNOK 17 and for Liftec, increased from MNOK 4 to MNOK 8. This confirms a solid market position in the niche market for shiplifts, transfer systems and other logistics solutions for the production industry.

A profit of MNOK 9 from sale of the office/warehouse utilized by TTS Syncrolift AS in 2nd quarter is included in full year result.

TTS Syncrolift, which is a leading ship lift provider, continues its positive trend from previous quarters, with stable positive earnings and order intake.

In 1st quarter 2017, TTS signed an agreement to sell Liftec. The agreed value of the transaction is a gross base price of MEUR 5,8 including net cash, payable at closing, and an earn-out of maximum MEUR 1,8 over the next three years if specific targets are met. The transaction was completed in February 2017.

SERVICES (BUSER)

SERVICES	Full Year	
MNOK	2016	2015
Turnover	533	591
EBITDA	42	76
EBITDA margin (%)	7,9	12,8

Turnover and EBITDA for the business unit Services in 2016 are reduced compared to 2015, influenced by the low charter rates in several shipping markets.

Although the service market still remains influenced by low ship charter rates and increased competition, particularly within heavy lift equipment, we see a large potential for further development of both spare parts sales and servicing based on TTS' worldwide services network and the substantial installed base of TTS equipment.

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.

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, 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 important market risk factor for the TTS Group. The level of contracting activity heavily influences both the 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 supply and demand in the marine market, rather than the contracting activity.

At the beginning of 2017, the TTS Group has secured a sound order backlog for most of its new building business within the marine sector. 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 managing risks in the financial market. The aim of the group's financial strategy is to be sufficiently robust to withstand adverse conditions.

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 business specifically have so far resulted in only modest losses on accounts receivable. Yet, under the perception that there are substantial credit risks, 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 2016, the group meets both the covenants for the debt facilities with Nordea and DNB, equity >25%, 2016 EBITDA excl. one-offs > MNOK 100 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 renewing the credit, bonding and currency facilities in December 2016.

The 2017 covenants are:

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

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

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

*** Equity, including subordinated convertible bond loan

The liquidity risk is the risk that TTS may be unable to meet short-term financial demands and fulfil 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 2016, the TTS Group had utilized MNOK 78 of its total overdraft facility of MNOK 200.

The Group's bond loan expires on 18 April 2017. In March 2017, the bondholders agreed to an extension of the subordinated convertible debt until 18 January 2019. As a part of the extension. MNOK 2 was deleted through a buy-back, and the extended bond loan is consequently reduced to 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.

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 unsatisfactory project management, faulty calculations or inadequate technical execution.

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 are implemented to ensure that all projects are being satisfactorily assessed both prior to signing the contracts and during the execution. Amongst these are strengthening the bid review process, where all major risks are evaluated before a binding offer is sent to potential customers. The bid review process includes review by TTS Group management of bids above MNOK 25 and Board review of bids above MNOK 100.

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.

CORPORATE SOCIAL RESPONSIBILITY

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. 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 the Group operates. Our policies for corporate social responsibility encompass QHSE, business ethics, support for human and employee rights and anti-corruption measures.

The Group has enterprises in 15 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 behaviour. TTS stresses the importance of legal compliance at local, national and international levels. As a global corporation, TTS is committed to following OECD's Guidelines for Multinational Enterprises and contributing to the improvement of international business standards and practices, especially with regard to questions of corruption, labour 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.

Board of Directors 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 labour 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, the Group 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 2015, the Board of Directors initiated a revision of "The Spirit of TTS", still built around the core values integrity, openness and honesty, loyalty and initiative. The revised booklet has been distributed and presented to all employees throughout the Group. The company has additionally approved more spesific guidelines for Corporate Social Responsibility ("CSR") based on UN Global Compact's 10 principles for CSR related to human rights, employee rights, environment and anti-corruption.

The TTS Group has zero tolerance for corruption and encourages its employees to "blow the whistle" when suspecting infringements. Following a 2015 initiative, TTS established an internet based whistle-blower channel in 2016, lowering the threshold for reporting misconduct to a minimum.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

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.

The HR & HSE working group, with a mandate to contribute to increased efficiency and quality in the HR & HSE processes, continued its work in 2016 with a special focus on competence development, knowledge transfer, and general safety training and safe job analysis.

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. In 2016, QMG has continued the refining of the non-conformity reporting to achieve a common structure and process in TTS Group. Furthermore, Group KPIs based on the non-conformity reports have been defined and introduced. In cooperation with the TTS Strategic Sourcing Group (SSG), QMG has developed and implemented common Group processes for sourcing and supplier evaluation, and has started reporting and follow up of supplier-specific non-conformities. Finally, a common Group Quality policy as well as a Quality strategy have been developed.

Adherence to strict QHSE measures is an important criterion for TTS when selecting partners, sub-contractors and suppliers. Together, QMG and SSG have established common corporate procedures for monitoring and following up suppliers. This is to make sure that preferred suppliers at all times match TTS' demands regarding QHSE and possess an urge towards joint continuous improvement.

China becomes increasingly important as a manufacturing base for TTS. The Group has therefore established a hub in Shanghai aimed at ensuring efficient utilization and quality control of Group resources in China. Important focus areas for the Shanghai hub in 2016 were process and quality control of steel suppliers in China and training an internal team of quality control engineers.

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 great 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 in Germany, South Korea and China, 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 very 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

In April 2016, Toril Eidesvik took over as CEO of the TTS Group, as Björn Andersson stepped down to take the role as EVP Business Development. After Bjørn Olafsson's engagement as deputy CEO ended in June 2016, he has continued as a part time consultant for TTS. In September 2016, Per Croner resigned as EVP for business unit Roro/Cruise/Navy, replaced by Björn Rosén in March 2017. In business unit Container/Bulk/Tank, Holger Elies took over as EVP 1 January from Edgar Bethman, who continues in TTS as special advisor. In business unit Services, Trond Larsen took the role as EVP from 1 April 2017.

The different business units are currently led by the following EVPs:

RoRo/Cruise/Navy: Executive Vice President Björn Rosén

Container/Bulk/Tank: Executive Vice President Holger Elies

Offshore: Executive Vice President Lars Djupevåg

Multipurpose/General Cargo: General managers Andreas Harms and Bård Johansen

Shipyards Solutions: General manager Rolf-Atle Tomassen

Services: Executive Vice President Trond Larsen

The TTS Group had 1,013 employees at the end of 2016, in addition to a staff of 39 hired on a temporary basis. In order to adjust the workforce to the current difficult market conditions in the market, further workforce reductions were implemented in BU OFF and BU CBT in 2016. IN BU MPG, a restructuring was announced in February 2017, with expected restructuring cost of MNOK 30 to be reported in 1st quarter 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 2016.

TTS experienced 13 workplace incidents resulting in the need for medical treatment in 2016, up from 11 in 2015. 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 Incidentswas 3 in 2016, a significant reduction from 17 in 2015. Reported absence due to illness was 2.6 % in 2016, in line with the previous year.

TTS conduct semi-annual Global Employee Surveys encompassing all TTS entities in 15 countries. The purpose of the survey is to identify employee engagement and the underlying factors influencing the overall satisfaction with working for TTS. Last survey was conducted in 2015, and a new Global Employee Survey is planned for 2017.

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 nurture a 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 aim 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 20,5% of the workforce in 2016, in line with 2015. 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.

Two of the corporate management team's eleven members are female. Three of the seven members of the Board of Directors of the Group ASA are female; two elected by the shareholders and one by the employees.

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

Trym Skeie is Chairman of the Board of Directors of the TTS Group ASA, which in addition had the following directors at the end of 2016: Bjarne Skeie, Marianne Sandal, Britt Mjellem, Gisle Rike, Anita Kråkenes and Morten Aarvik.

At the Annual General Meeting held in June 2016, Britt Mjellem was appointed director, after Toril Eidesvik stepped down as director in April 2016 due to being engaged as CEO of TTS Group. In June 2016 Morten Aarvik was elected employee representative to the Board of TTS, replacing Ole Henrik Askvik. Anita Kråkenes was re-elected as employee representative.

AUDITORS

KPMG was re-elected as the TTS Group ASA's auditors for 2016.

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 conditioned upon the TTS Group ASA being listed at Oslo Stock Exchange.

Capital structure and parent company TTS Group ASA's financial position

Total group equity at the end of 2016 was MNOK 616, of which MNOK 472 was attributable to the majority and MNOK 144 was attributable to the non-controlling interests of partly owned subsidiaries.

The parent company, TTS Group ASA, reports a net loss of MNOK 240 and an operating loss of MNOK 35 for the year 2016. The main reason for the negative net result is impairment of shares in subsidiaries and joint ventures and loans to subsidiaries of MNOK 269, partly offset by dividends from subsidiaries of MNOK 75.

The equity in TTS Group ASA was MNOK 297 at the end of 2016, of which MNOK 159 was restricted capital and MNOK 138 other equity.

Due to the poor financial performance of the group, the Board of Directors will propose no dividend payment for the year 2016. The net result from the year is proposed to be transferred to other equity.

Future prospect

The TTS Group experiences a challenging market in several segments of the Marine market as well as in the Offshore market. The group is going through a major turnaround process in all of its business units, and has taken strong measures to reduce the cost base and risks for the business. The exposure in business unit Offshore has been significantly reduced over the last two years, and the business unit has turned the operating losses to a positive zero in 2016.

The Board of Directors expects a continuing challenging marine market in 2017, with reduced activity compared to the previous years. The offshore market is expected to remain weak. From 2018 and onwards, the expectations are cautiously positive for the marine business. The underlying merchant shipping exposure is diversified. Hence, segments are in different states of the market cycle.

BURCN expects lower new orders and risk of delays from the customer side on existing orders in the market for car carriers. Although this is replaced by higher activity in the market for RoPax and Cruise, a significantly lower turnover is expected in this segment in 2017.

BUMPG sees potential in the heavy lift market as well as the offshore wind installation market, however the turnaround of these market segments will take longer time than previously expected.

Although the service market still remains influenced by low ship charter rates and increased competition, particularly within heavy lift equipment, the group sees a large potential for further development of both spare parts sales and servicing based on TTS' worldwide services network and the substantial installed base of TTS equipment.

Expectations for BUCBT in the Chinese market are generally positive based on the solid market position THH and TBH hold in China. In the Korean market the group experience price pressure from the shipyards. Demand for mega size bulk continues, and the weak handy-bulk market show early signs of recovery. The activity within the container market is low.

TTS expects the offshore market to remain challenging throughout 2017 and into 2018.

In 2016, TTS Group has continued the measures to adapt the capacity to shifting demands through several cost improvement initiatives within process reengineering, sourcing and fabrication, as well as product standardization.

TTS Group continues its initiatives to provide ship-type solutions to key customers. The effects of the actions taken are expected to contribute positively in the years to come. TTS Group works actively to grow its product portfolio and service offering. Sales of larger bundled equipment packages and solutions are expected to improve efficiency for both shipyards and ship owners. Supported by the company's organization of its business units based on ship-type, the group aims to offer complete equipment packages for ship types to increase the order value per ship, and increase TTS' market position.

Bergen, 26 April 2017
THE BOARD AND MANAGEMENT OF TTS GROUP ASA

Trym Skeie
CHAIRMAN OF THE BOARD

Britt Mjellem
DIRECTOR

Gisle Rike
DIRECTOR

Marianne Sandal
DIRECTOR

Bjarne Skeie
DIRECTOR

Anita Kråkenes
DIRECTOR

Morten Aarvik
DIRECTOR

Toril Eidesvik
PRESIDENT & 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

The intent of TTS' principles of corporate governance is to clarify the roles of the shareholders, the Board of Directors and the management beyond what follows from the legislation. These principles constitute part of the company's annual report.

"The Spirit of TTS", revised in 2015, 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.

TTS Group ASA has approved and implemented a specific set of rules and procedures for the Board of Directors, with the purpose of laying down the rules for the work and administrative procedures of the Board of Directors.

As a global group with activities in 15 countries, it is important for the group to focus on core values and corporate social responsibility in order 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 all employees and the group's activities.

Through clearly defined core values, TTS wishes to contribute to developing the societies of the countries where we are present. 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 the 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 is 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

Total assets December 31st 2016 was MNOK 2,175 with an equity of MNOK 616, giving an equity-to-assets ratio of 28.3 percent. The company's solidity is continuously assessed on the basis of the company's goals, strategies and risk profile.

In 2011, TTS issued a subordinated convertible bond of MNOK 200. In the period 2011, 2012, 2013 and 2014 MNOK 105 was converted to 10,464,876 shares. The remaining part of this loan was around year-end 2015/2016 replaced by a new subordinated convertible bond with maturity on 18 April 2017. In March 2017, the bondholders agreed to an extension of the subordinated convertible debt until 18 January 2019. As a part of the extension MNOK 2 bonds was deleted through a buy back, and the extended bond loan is MNOK 93. The TTS Group ASA Extraordinary General Assembly approved the extension on 30 March 2017.

SHAREHOLDER POLICY

TTS aims to give our shareholders a competitive long-term return that reflects the risk inherent in the company's operations. Based on TTS' capital balance and growth strategy, the shareholders' return should be realized first and foremost through an increase in the value of their shares, but a combination with dividend may also be relevant in the future if and when circumstances permit it. Growth by means of acquisitions will be implemented through balanced financing from equity and debt.

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

The Board of TTS Group ASA will propose to the Annual General Meeting on June 1st 2017 that no dividends are paid out for the financial year 2016.

STRATEGY FOR FURTHER GROWTH

Since 1996, TTS has completed a number of acquisitions, establishing a leading position in the market segments for marine handling equipment. TTS has built a strong market position, based on a diversified product portfolio, in its core shipping markets. TTS has a strong focus on system development, and products and solutions that raise the efficiency for our end users. TTS believes that increased integration and automation of control systems on ships in order to reduce on/off loading times is a focus area for ship owners. TTS Group's strategy is to adapt to these requirements and to fill gaps in the product portfolio, and expand its services to clients in order to deliver more package sales. TTS is organized based on ship-type, to position TTS for higher order values per ship, and thus enable TTS to increase its market position in markets like China and Korea.

BOARD AUTHORIZATIONS VALID AS PER 20 APRIL 2017

- On 2 June 2016, the Annual General Meeting adopted a resolution to authorize the Board to issue a maximum of 8,600,000 shares against cash or non-monetary redemption, including mergers relating to acquistions of businesses or assets. The authorization has been given in order to enable the Board to increase the company's share capital in order to, among others, be able to further develop the company and/or quickly and efficiently use good business connections with regards to the acquisition of other business activities or assets within the same or similar industry as the company. The authority is valid until the next Annual General Meeting, but June 30th 2017 at the latest. No shares have been issued on the basis of this authorization as of 20 April, 2017.
- On 8 June 2015, 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. A total of 600,000 shares have been issued in the form of options, with a possible first-t ime exercise of options following the presentation of the first quarterly results for 2016, 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 2016 and the first quarter of 2017, in addition to options not previously exercised.
- 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. No shares have been issued in the form of options as of 20 April 2017.
- On 2 June 2016, the Annual General Meeting adopted a resolution to authorize the Board to buy up to 6,000,000 shares with the purpose of deletion. The authorization is valid until the Annual General meeting in 2017, but latest until 30 June 2017. As of 19 April 2016 this autorization has not been utilized.
- On 2 June 2016, the Annual General Meeting adopted a resolution to authorize the Board of Directors to buy back a portion of the convertible callable unsecured subordinated bond 2011/2016, up to a total of NOK 150,000,000. The authorization is valid to Annual General assembly in 2017, but latest until 30 June 2017. In March 2017, the Board of Directors bought back NOK 2,000,000 of the bond loan in conection with the extension of the loan.
- On 30 March 2017, the Extraordinary General Meeting adopted a resolution to renew and extend the subordinated convertible bond, including the conversion rights on same terms as the previous subordinated convertible bond loan. Furthermore, the Board of Directors was, in accordance with the provisions set out in the loan agreement, authorized to issue shares upon conversion of the bond loan at a strike price of NOK 4,97 per share with applicable adjustments according to the loan agreement. The authorization is, according to the loan agreement, applicable both on demand from bondholders, and on certain conditions, from the company. As of 20 April 2017 the authorization has not been utilized.

4. Equal treatment of shareholders and transactions with close associates

SHARE CAPITAL AND SHAREHOLDERS

On 31 December 2016 the share capital was NOK 9,526,623, divided into 86,605,660 shares at a nominal value of NOK 0.11 each. The company has only 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 April 20th 2017, 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 Goverance, 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 in 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 2016 will be held on June 1st 2017 in accordance with the financial calendar for 2017.

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

The notice includes sufficiently detailed and comprehensive information in order 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 Annual General Meeting is opened by the Chairman of the Board ("COB") and the COB is normally elected to chair the meeting.

Due to a low turnout for the general assemblies, 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 securing independent chairing of the Annual General Meeting. Should there be particular items on the agenda requiring such measures, this will be individually considered for each general meeting.

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

7. Nomination committee

At TTS, a nomination committee is statutory according to the Articles of Association. In accordance with the Annual General Meeting on June 2nd 2016, 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 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 members of the committee, the rules and procedures as well as information about the shareholders' right to submit proposals to the nomination committee is available on the company's website. Contact details to the election committee is 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 management model 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 June 2nd 2016, the shareholders elected the following members to the Board of Directors:

NAME	ELECTION PERIOD	POSITION
Trym Skeie	2016 - 2018	Chairman, Skagerak Capital AS
Marianne Sandal	2016 - 2018	Chief Operation Officer, Polight AS
Britt Mjellem	2016 - 2018	Self employed
Bjarne Skeie	2016 - 2018	Skeie Technology AS
Gisle Rike	2015 - 2017	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 two-year period. Time of service and CV for each member of the Board of Directors is available in the Annual Report.

Trym Skeie and Bjarne Skeie are both directly and indirectly major shareholders 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 have the ability to assess matters from different perspectives before reaching a final conclusion.

Per 20 April 2017 shares held and controlled by companies or members of the Skeie family is 27,732,64. The number of shares is unchanged from yearend 2015 to yearend 2016.

- 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.
- Bjarne Skeie indirectly holds 10% of the voting shares and 10% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 300,000 shares through Skeie Consultants AS.

In addition the following members of the Board of Directors holds shares: Anita Kråkenes 2000 shares. The other Directors of the Board do not hold 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 the 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 on the basis of 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 in order to ensure the coverage of all important issues and business areas, with particular emphasis on objectives, strategy and implementation.

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

The Board normally holds eight scheduled meetings annually, but due to the challenging situation within some of the business units, as well as the bid for the shares of TTS during spring and summer of 2016, both work sessions and extraordinary meetings with the Board of Directors have been held for the past few years. A total of 23 board meetings (e-mail, telephone and physical) were held in 2016. The attendence of the shareholder elected members of the Board of Directors were Trym Skeie 23 / 23, Bjarne Skeie 20 / 23, Gisle Rike 23 / 23, Marianne Sandal 21 / 23, Toril Eidesvik 8 / 8 and Britt Mjellem 12 / 12.

The Board of Directors issues instructions for its own work as well as for the executive management. The Board of Directors has in 2016 focused on the challenges of the group's activities within Offshore, RRO / Cruise / Navy, and Multi Purpose / General Cargo, where restructuring, downsizing and completion of projects with especially high risks have had special attention. Further, the Board had sevaral extraordinary meetings in connection with the bid for the shares of TTS during spring and summer of 2016. In the latter part of 2016, the Board of Directors worked with the renewal of the financing program for the company's debt.

The Board of Directors in TTS Group ASA has appointed an audit committee with the following composition during 2016 :

AUDIT COMMITTEE

Britt Mjellem (Chair) – from June 2016
Toril Eidesvik (Chair) – until April 2016
Marianne Sandal
Gisle Rike

The audit committee is selected on the basis of qualification and independence of 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 The Board of Directors discusses and assesses the group's risk exposures, systems, routines and internal control in order to mitigate these risks. Following the last years' losses and weak performance, internal control procedures have been tightened through the implemetation of new procedures, limitation of authorities, organizational changes, strengthened manning and increased reporting. The effect of these measures will gradually emerge due to the structure of the business model with 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 that uphold uniform reporting are prepared. The management prepares monthly financial reports, which are submitted to and reviewed by the members of the Board of Directors. In addition, more comprehensive quarterly financial reports are prepared, and reviewed at quarterly meetings in the Board of Directors.

As part of an ongoing risk management effort, the Board and management undertake 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 undertakes a thorough review of the company's financial status in the Directors' Report. This review also includes a 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 recommendation of the nomination committee, the Annual General Meeting determines the remuneration of the Board of Directors.The nomination committee's recommendation of remuneration is normally based on the Board of Directors' responsibilities, competence and time commitment, taking into consideration the company's size and complexity, but also referencing 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, should such tasks be assigned, this will be based on the approval of the Board of Directors. There were no such assignments in 2016.

The nomination committee's proposal for remuneration of the Board of Directors will be presented in the call for the Annual General Meeting in 2017.

12. Remuneration of executive management

The Board of Directors has issued guidelines for salaries and other remunerations for executive management. The President and CEO's terms are decided by the Board of Directors. The guidelines are communicated yearly to the Annual General Meeting, where the Board of Directors so far 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. The bonuses are calculated according to specific targets, hereunder result targets that are annually determined by the Board. Bonus schemes are limited to a portion of the salary, increasing with regards to the position category and maximized up to 50 % of ordinary annual salary. Guidelines are outlined in note 4.

As presented in note 4, in the period 2 June 2016 - 20 April, 2017, no options were issued to executive management under the two authorizations to the Board of Directors mentioned under Item 3.

DISTRIBUTION OF OPTIONS 20TH APRIL 2017

Name	Position	Company	Number of options exercisable until 08.06.2017	Exercise price	Total
Senior executives					
Toril Eidesvik	President & CEO	TTS Group ASA	-		-
Henrik Solberg-Johansen	CFO	TTS Group ASA	50 000	4,75	50 000
Holger Elies	EVP BUCBT	TTS Marine GmbH	25 000	4,75	25 000
Tor Henning Ramfjord	EVP BURCN	TTS Group ASA	-		-
Lars Ragnar Djupevåg	EVP BUOFF	TTS Offshore Solutions AS	12 500	4,75	12 500
Frank Rudnik	EVP BUSER	TTS Marine GmbH	-		-
Bjørn Andersson	EVP Business development and improvement	TTS Group ASA	75 000	4,75	75 000
Edgar Bethmann	EVP Business development	TTS Marine GmbH	50 000	4,75	50 000
Other executives	various	various	262 500	4,75	262 500
Total number of options to executives			**475 000**		**475 000**

13. Information and communication

The company has established guidelines for handling information and communication. These guidelines also address the contact with shareholders apart from 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 in 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 at the same time distributed to the shareholders per post.

14. Company takeover

The company's Articles of Association do not include mechanisms aimed towards preventing takeover, nor are other hindrances in effect in order to reduce the transfer 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 minimum two meetings a 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 goes through the yearly audit plan with the auditor. Any identified weaknesses and suggestions for improvements of the company's internal control are reviewed with the audit committee, normally in the autumn when summarising the interim audit.

The auditor is present at meetings in the Board of Directors as 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 in this meeting a separate session with the auditors without the management present.

Remuneration payable to the auditor, specifying the division between auditing and other services, is outlined in Note 4. 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.

In the Annual General Meeting, the Board of Directors annually 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 2016	IFRS 2015
Continuing operations			
OPERATING REVENUE			
Project revenue	2, 21	3 086 706	3 051 243
Other income		-	-
Total revenue and income	**1**	**3 086 706**	**3 051 243**
OPERATING EXPENSES			
Cost of sales	3, 21	1 955 972	1 939 679
Personnel costs	4, 5	670 935	699 224
Losses on accounts receivable		12 101	12 600
Income from investments in equity consolidated companies (profit = -)	10	60 872	-115 889
Other operating expenses	4, 20	316 696	360 645
Depreciation of fixed assets	6, 7	43 367	58 134
Other impairments/ amortisation	6, 7, 8	98 724	64 843
Total operating expenses		**3 158 668**	**3 019 236**
Operating profit/loss		**-71 961**	**32 007**
FINANCIAL INCOME AND EXPENSES			
Other interest income	24	4 219	6 250
Other financial income	24	59 594	31 924
Other interest expenses	24	-40 235	-47 809
Other financial expenses	24	-48 304	-37 694
Net financial items		**-24 726**	**-47 329**
Profit before tax from continuing operations	**1**	**-96 687**	**-15 322**
Income tax expenses	18	-30 385	-24 841
Profit for the period from continuing operations		**-127 072**	**-40 163**
Profit for the period		**-127 072**	**-40 163**
Attributable to equity holders of the company		-120 854	-48 674
Attributable to non-controlling interests	28	-6 218	8 511
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 DECEMBER			
Items that are not reclassified subseqently to profit or loss			
Foreign currency differences for foreign operations	25	-58 680	102 983
Other comprehensive income for the period		**-58 680**	**102 983**
Total comprehensive income for the period		**-185 752**	**62 820**
Attributable to equity holders of the company		-162 044	23 228
Attributable to non-controlling interests		-23 708	39 592
Earnings per share - continuing operation (NOK per share)	17	-1,40	-0,55
Diluted earnings per share - continuing operation (NOK per share)	17	-1,40	-0,55

Consolidated statement of financial position

1 JANUARY - 31 DECEMBER

ASSETS
(Amounts in NOK 1000)

	Notes	IFRS 2016	IFRS 2015
Non-current assets			
NON-CURRENT INTANGIBLE ASSETS			
Deferred tax assets	18	29 680	43 221
Research and development	7	12 420	16 510
Licences and patents	7	2 507	3 122
Other intangible assets	7	89 356	122 190
Goodwill	7	575 799	701 807
Total non-current intangible assets		**709 762**	**886 850**
NON-CURRENT FIXED ASSETS			
Property	6, 13	20 393	22 197
Buildings	6, 13	7 740	13 202
Machinery and vehicles	6	27 334	50 178
Furniture, office-, and computer equipment	6, 13	38 870	48 944
Total non-current fixed assets		**94 338**	**134 521**
FINANCIAL NON-CURRENT ASSETS			
Investments in equity accounted investments	10, 21	29 160	84 975
Investments in other companies	8	-	-
Total financial non-current assets		**29 160**	**84 975**
Total non-current assets		**833 260**	**1 106 346**
Current assets			
Inventories	3, 13	229 034	414 157
Total inventories		**229 034**	**414 157**
CURRENT RECEIVABLES			
Trade receivables	11, 13, 21	463 359	361 307
Other receivables	11, 13	84 493	73 236
Accrued, non-invoiced production	2, 3, 13	302 153	560 762
Derivative financial instruments	22	15 514	16 075
Prepayments to suppliers	2,13	71 629	80 411
Total current receivables		**937 148**	**1 091 790**
Bank deposits, cash in hand, etc.	14	175 784	413 210
Total current assets		**1 341 967**	**1 919 157**
Total assets	**1**	**2 175 226**	**3 025 503**

EQUITY AND LIABILTIES

(Amounts in NOK 1000)

	Notes	IFRS 2016	IFRS 2015
Equity			
EQUITY			
Issued share capital	16	9 527	9 527
Treasury shares	16	-12	-12
Share premium	16	149 378	149 378
Other equity	16	313 045	475 615
Shareholders equity		**471 937**	**634 507**
Equity allocated to non-controlling interests	28	144 489	220 059
Total equity		**616 426**	**854 566**
LIABILITIES			
PROVISIONS FOR LIABILITIES			
Deferred tax	18	46 350	51 581
Total provisions for liabilites		**46 350**	**51 581**
OTHER NON-CURRENT LIABILITIES			
Debt to financial institutions	12, 13, 14	271 750	-
Other long-term liabilities	12, 13	-	-
Total other non-current liabilities		**271 750**	**-**
CURRENT LIABILITIES			
Convertible Callable Unsecured Subordinated Bond	12, 14, 15, 31	95 345	96 425
Debt to financial institutions	12, 13, 14	102 962	426 387
Payables to suppliers	21	257 318	285 861
Income tax payable	18	-4 658	11 387
Other taxes payable		22 224	27 104
Prepayments from customers	2	249 196	633 979
Non-invoiced production costs, suppliers	2	132 410	40 643
Derivative financial instruments	22	58 314	199 141
Other current liabilities	19, 23	327 589	398 430
Total current liabilities		**1 240 700**	**2 119 357**
Total liabilities	1	1 558 800	2 170 938
Total equity and liabilities		**2 175 226**	**3 025 503**

Bergen, 26 April 2017
THE BOARD AND MANAGEMENT OF TTS GROUP ASA

Trym Skeie
CHAIRMAN OF THE BOARD

Britt Mjellem
DIRECTOR

Gisle Rike
DIRECTOR

Marianne Sandal
DIRECTOR

Bjarne Skeie
DIRECTOR

Anita Kråkenes
DIRECTOR

Morten Aarvik
DIRECTOR

Toril Eidesvik
PRESIDENT & CEO

Consolidated statement of changes in equity

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Note	Share capital	Treasury shares	Share premium	Other equity	Shareholders equity	Non-controlling interests	Total equity
Equity as of 1.1.2015		**9 526**	**-12**	**149 378**	**451 469**	**610 362**	**-**	**610 362**
Profit /(loss) for the period		-	-	-	-48 674	-48 674	8 511	-40 163
Other comprehensive income	25	-	-	-	71 902	71 902	31 081	102 983
Total comprehensive income	28	-	-	-	23 228	23 228	39 592	62 820
Equity transactions with non-controlling interests	28	-	-	-	-	-	211 718	211 718
Treasury shares	16	-	-	-	-	-	-	-
Share based payment	16	-	-	-	915	915	-	915
Dividend paid	28	-	-	-	-	-	-31 250	-31 250
Equity as of 31.12.2015		**9 526**	**-12**	**149 378**	**475 612**	**634 505**	**220 060**	**854 566**
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	28	-	-	-	-162 044	-162 044	-23 708	-185 752
Equity transactions with non-controlling interests	28	-	-	-	-	-	-	-
Treasury shares	16	-	-	-	-	-	-	-
Share based payment	16	-	-	-	-526	-526	-	-526
Dividend paid	28	-	-	-	-	-	-51 863	-51 863
Equity as of 31.12.2016		**9 526**	**-12**	**149 378**	**313 042**	**471 935**	**144 489**	**616 426**

Consolidated statement of cash flows

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Note	2016	2015
Cash flow from operating activities			
Profit/loss before tax continuing operations		-96 687	-15 322
Profit/loss before tax discontinuing operations		-	-
Profit before tax		-96 687	-15 322
Adjustments to reconcile profit before tax to net cash flows			
Gain related to change of control	27	-	-104370
Depreciation of fixed assets	6	43 367	58 134
Depreciation/writedown on non-current assets/goodwill	7	98 724	64 843
Interest expense		40 235	47 809
Interest income		-4 219	-6 250
Profit/loss from joint ventures		60 872	-14 325
Gain from sale of subsidiaries		-	-
Gain from sale of fixed assets		-9 680	-
Share based payment		526	915
Difference between pension charges and payments to/from pension schemes		-	-
Change in inventories, customers and suppliers		63 311	5 165
Change in other receivables and other short term liabilities		-258 389	-23 856
Income tax paid		-32 146	-12 911
Net cash flow from operating activities		**-94 086**	**-169**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		-	-
Proceeds from change of control in THH (ref note 27) [1]		-	220 112
Proceeds from sale of fixed assets	6	12 120	-
Disbursements from acquisition of fixed assets	6	-12 496	-24 131
Disbursements on own developement		-	-
Dividend received from investments in Joint Ventures		-	-
Proceedes from sale of subsidiaries		-	180
Changes net investment in discontinued business		-	-
Investment in shares sale/ (purchase)		-	-
Net cash flow from investment activities		-376	196 162
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of short-term/long-term debt	12	171 750	0
Disbursement on short-term/ long-term debt	12	-74 571	-3 000
Net change in bank overdraft facility	12	-140 098	125 931
Dividends paid		-51 863	-
Interest received		4 219	6 250
Interest paid		-35 828	-59 815
Sale / (purchase) treasury shares		-	-
Repayment of capital to shareholders		-	-
Proceeds from issued new share capital		-	-
Net cash flow from financing activities		**-126 391**	**69 366**
Net change in cash and cash equivalents		-220 854	265 358
Cash and cash equivalents at the start of the period		413 210	130 602
Foreign currency gains/loss on cash and cash equivalents		-16 572	17 250
Cash and cash equivalents at the end of the period		**175 784**	**413 210**
Net cash discontinued business		-	-
Cash and cash equivalents at the end of the period		**175 784**	**413 210**
NET AVAILABLE CASH:			
Bank deposits etc.		175 784	413 210
Unused overdraft facility		125 553	82 000
Total available cash and cash equivalents at the end of the period		**301 337**	**495 210**

[1] 2015 change of control in TTS Hua Hai (ref note 27) had a positive cash effect of MNOK 220 in the 2015 consolidated accounts

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. The Group has subsidiaries in Norway, Sweden, Germany, Finland, China, USA, Italy, Singapore, Korea, Greece, Brazil and Vietnam.

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. The Group reported on six segments in 2016: BURCN (RoRo/ Cruise/ Navy), BUCBT (Container/Bulk/Tank), BUMPG (Multi purpose/General Cargo), BUOFF(Offshore), BUSYS (Shipyard Solutions) and BUSER (Services). 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.

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 2017 have not been applied in preparing these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2016 were approved by the Board of Directors on 20 April 2017.

The consolidated financial statements have been prepared on the basis of historic cost, with the following modifications: Shares 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 underlying 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.

These consolidated financial statements are presented in NOK, which is the groups reporting currency. All 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, except for the following amendments to IFRS which have been implemented by the Group effective as of January 2016. 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 2016. 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 ADOPTED BY TTS GROUP FROM 2016

TTS Group has adopted the following standards for the first time for the financial year beginning on or after 1 January 2016:

Annual Improvements to IFRSs 2012–2014 Cycle

In September 2014, the IASB issued "Annual Improvements to IFRSs 2012–2014 Cycle," which amended four standards. The improvements primarily aim to provide clarifications. The amendments were endorsed by the European Union in January 2016.

The amendments do not have any material impact on the presentation of TTS Groups' results from operations, financial position, or cash flows.

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. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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.

Possible impact on consolidated financial statements:
The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Preliminary assessment indicates no major change or impact to the principles applied as per 12.2016.

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

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

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

IFRS 15 will supersede all current revenue recognition requirements under IFRS. The effective date of the standard is annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The standard can be adopted applying a full retrospective method, or a modified retrospective method. The Group plans to adopt IFRS 15 on the required effective date. The Group has not yet decided which transition method to apply.

Possible impact on consolidated financial statements:
The Group has performed a preliminary assessment of the consequences of IFRS 15 based on its existing contracts and assessed that the amount of revenue recognized would not be impacted by IFRS 15. Based on information currently available, the main impact of the new standard (if any) relates to whether revenue from the Group's projects should be recognized at a point in time or over time. General principles for determining timing of revenue (currently over time (POC) for "engineer to order" and point of time for "configure to order") may not be applied under IFRS 15, as the timing of revenue may be subject to assessments of individual contracts.

For 2016, revenue recognized on an "engineer to order" basis represents 45% of the Turnover, and 44% of the EBITDA. If revenue from a significant part of the group's portfolio of "engineer to order" projects from 2018 can't be recognized over time, the impact on timing of revenue and margins is expected to represent a significant delay in revenue and margin recognition.

The assessment is subject to changes arising from a more detailed ongoing analysis in 2017. The majority of the contracts entered into as of 31 December 2016 will be fulfilled before the adoption of IFRS 15 and future contracts may be entered into at different terms. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments including industry specific developments.

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

IFRS 16 Leases
Summary of the requirements: IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. Going forward, lessees will therefore no longer be required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. For all leases, the lessee will recognize a lease liability in its statement of financial position for the obligation to make future lease payments. At the same time, the lessee will capitalize a right of use to the underlying asset which is generally equivalent to the present value of the future lease payments plus directly attributable expenditure. Similar to the guidance on finance leases

in IAS 17, the lease liability will be adjusted over the lease term for any 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 2016 were MNOK 194. 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 140.

b) Current versus non-current classification
The Group presents assets and liabilities in 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 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 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 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 lowest 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 2016.

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 as:

- The fair value of the consideration transferred,
- The recognized amount of any non-controlling interests in the acquire,
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire, less
- The net recognized amount of the identifiable as sets acquired and liabilities assumed.

Goodwill is tested at least annually for impairment. Goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to get benefits from the business acquisition. See section 2.7.

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.

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.

The Group had six segments in 2016. These are BURCN (RoRo/ Cruise/ Navy), BUCBT (Container/ Bulk/Tank), BUMPG (Multi purpose/General Cargo), BUOFF (Offshore), BUSYS (Shipyard Solutions) and BUSER (Services).

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 requirements is monitored continuously. When the carrying value of the fixed asset is higher than the estimated recoverable amount, the value is written down to the 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 each balance sheet date and adjusted if 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 allocated acquisition cost. 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 normally expensed as incurred. Project development related to sales contracts is charged as cost directly to the individual projects. Other development expenditure is recognized as an expense when incurred.

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

2.7 BUSINESS COMBINATIONS AND GOODWILL

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 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.

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 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.

When 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 acquire 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 cancelled 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.

Prior to 2015 companies within TTS also set up defined benefit plans. A defined benefit plan is typically a pension plan defining the pension payments which employees will receive upon retirement. Pension payments are normally dependent on one or more factors such as age, years of service for the company and salary level.

b) Share based payments

MNOK 50 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 production 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 IMPAIRMENT OF ASSETS

On the reporting date, 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 FINANCIAL INCOME AND COST

Financial income consists of capital gains on financial investments and changes to fair value of financial assets to fair value in profit and loss. Interest income is recognized in profit and loss using the effective interest method.

Financial costs comprise interest costs on loans, the effect of interest in discounted accruals, changes to the fair value of financial assets to fair value in profit and loss, and impairment of financial assets. Borrowing costs not directly attributable to acquisition, processing or production of a qualifying asset, are included in profit and loss using the effective interest rate method.

Foreign currency gains and losses are reported net.

2.26 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.

2.27 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.

2.28 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.

2.29 DISCONTINUED OPERATIONS

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.

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 RMB 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
	31.12.14	31.12.2015	Q1	Q2	Q3	Q4	31.12.2016
SEK	0.9597	1.0475	1.0211	1.0057	0.9782	0.9260	0,9512
EUR	9.0365	9.6190	9.5272	9.3231	9.2960	9.0368	9.0863
USD	7.4332	8.8090	8.6588	8.2489	8.3269	8.3677	8.6200
CNY	1.1977	1.3565	1.3228	1.2635	1.2497	1.2257	1.2413
KRW	0.00682	0.00749	0.00719	0.00709	0.00742	0.00723	0.00716

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 2016	991	- 11 104
31 December 2015	14 391	4 833

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 2016	28 198	1 319
31 December 2015	28 342	3 663

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 2016	34 006	1 210
31 December 2015	9 751	- 2 645

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
2016	+ 1 %-points	- 4 964	- 4 964
2015	+ 1 %-points	- 4 580	- 4 580

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, specially Scandinavia and Germany, and Asia, particularly China. 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, DNB and Kookmin Bank), 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 (including receivable from the joint venture companies):

	Total	Not due	0–3 months	3-6 months	> 6 months
31.12.2016	483	271	132	14	65
31.12.2015	392	187	103	61	41

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 2016, the Group's credit facilities is divided between three bank facilities (Nordea, DNB and Kookmin Bank of totally MNOK 1150 of which MNOK 600 is allocated to guarantees, and a subordinated convertible bond with nominal value of MNOK 95 falling due in April 2017 (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), and the facilities with Kookmin Bank is falling due at 31.12.2017.

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 2016, 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.

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:

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 31.12.2016 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 30th January 2017, the bond debt is due for payment on January 18. 2019.

2015	< 6 months	6-12 months	1-5 years	More than 5 years	Total
Long-term financial obligations:					
Interest-bearing non-current liabilities [1]	-	-	-	-	-
Current financial obligations:					
First year's installment on non-current liabilities		426 387	95 345		521 732
Net derivatives	154 418	21 195	7 453		183 066
Accounts payable and other current liabilities	1 060 093	337 311			1 397 404
Total financial obligations	1 214 511	784 893	102 798	-	2 102 202

[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 and 27.

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:

	2016	2015
Interest bearing debt[1]	470 057	521 732
- cash and cash equivalents [2]	175 784	413 201
Net interest bearing debt	294 273	108 522
Equity	616 426	854 566
Total	910 699	963 088
Gearing	32,3%	11,3 %

[1] Includes nominal value of convertible debt.
[2] Includes nominal value of cash in consolidated 50/50 owne companies, MNOK 99,1 (335,7).

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. Risk related to key accounting estimates and assumptions

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.

a) 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.

At the end of 2016, TTS Group has secured a sound order backlog for most of its businesses within the marine sector. Scheduled deliveries for the main part of the current contract obligations are between three months and two years. For all TTS' business units, development in the global economy, the oil price and the credit market represent potential risks for cancellation or postponement of orders.

Within the BURCN, proven equipment solutions to customers within the RoRo market ensure a sound foundation for continued development of the unit the coming quarters. BURCN expects lower new orders and risk of delays from the customer side on existing orders in the market for car carriers. Although this is replaced by higher activity in the market for RoPax and Cruise, we expect a significantly lower turnover in this segment in 2017.

Expectations for BUCBT in the Chinese market are generally positive based on the solid market position THH and TBH hold in China. In the Korean market the group experience price pressure from the shipyards. Mega size bulk continues, and the weak handy-bulk market show early signs of recovery. The activity within the container market is low.

Reduced utilization of the Jiangnan steel fabrication plant gives basis for an allocated loss of MNOK 23 from equity accounted investments during 2016. Based on a continuing challenging market, the value of the investment has further been impaired by MNOK 43. Remaining value of the investment is 0. TTS Group has no obligation related to financing or funding of the Jiangnan company.

For the offshore sector, the fall in oil price has led to a significant reduction in demand for new equipment, significantly reducing the order backlog for TTS' Offshore unit. BUOFF has adjusted capacity to the current market.

Within the Offshore segment TTS has implemented strong cost-reducing measures to adjust the unit's capacity to the current slow market. Overall numbers of employees has been reduced by more than 70% from its peak in 3rd quarter 2014. After reducing the exposure in business unit Offshore, the business unit has turned the operating losses to a positive zero in 2016. Based on market feedback on TTS' performance and on the reliability of TTS' offshore cranes, the segment is still considered to have a positive long-term potential, however through 2017 and 2018, the Offshore market is expected to remain weak.

Within the MPG, TTS NMF has a strong market reputation and is in a position to benefit from the expected market growth. However, the expected turnaround of the heavy lift market, and the development of the offshore wind installation market takes longer time than previously expected. Due to the reduced market expectations, the business unit reported impairment of MNOK 118 during 2016, of which inventories was impaired by MNOK 20, fixed assets by MNOK 16, and goodwill by MNOK 82. In February 2017 the Board of Directors has decided to further adjust the operational structure within the BU to adapt to the current market. Expected restructuring cost of MNOK 30 will be allocated to 1.half of 2017.

Within BUSYS, the order backlog has improved during 2016, 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. A part of BUSYS, TTS Liftec Oy, was sold in February 2017. The sale has no major impact on TTS Group expectation on further growth in the remaining part of the segment.

Although the service market still remains influenced by low ship charter rates and increased competition, particularly within heavy lift equipment, we see a large potential for further development of both spare parts sales and servicing based on TTS' worldwide services network and the substantial installed base of TTS equipment.

b) Risk related to impairment of goodwill and other non-financial assets

The carrying value of goodwill and other intangible assets with indefinite life are tested for impairment annually in accordance with IAS 36. All non-financial assets are tested for impairment if indicators of impairment are present at the reporting date. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and plans for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

c) Risk related to 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. It is more challenging to estimate the outcome of a project in the beginning of the project period and for more technically complex projects. The percentage of completion method requires that the Group prepares reliable estimates for future revenue and costs for each project as well as degree of completion on the balance sheet date. Revenue forecasts are based on contractual values where future revenue in foreign currencies is secured by forward contracts. Forward contracts and hedging accounting is discussed in section 2.10, and the accounting value of hedging instruments in Note 22. Estimated contract cost forecast is based on evaluation of calculated volume and evaluation of future price levels. The price of steel, in particular, could significantly influence project costs. In some market segments, there is risk related to delays and cancellations of firm contracts. The Group assesses the likelihood of cancellations and delays on a continuous basis. Delays and cancellation entail the risk of reduced revenue, increased costs, and change of previously recognized project margins.

d) Risk related to assessment of financial assets and obligations

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.

e) Risk related to guarantee 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. Guarantee costs are further discussed in section 2.19, and accruals in Note 23.

f) Risk related to 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.

g) 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

h) 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.

i) Accounts receivable

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.

Note 1 – Operating segments

(Amounts in NOK 1000)

Primary reporting format – business segments

From 2014, TTS Group's focus has been based on shiptype.

For management purposes the Group is organised into business units based on its products and services and has six reportable segments, as follows:

BU RCN	RoRo/ Cruise/ Navy segment
BU CBT	Container/ Bulk/ Tank segment
BU MPGC	Multipurpose/ General Cargo segment
BU OFF	Offshore segment
BU SYS	Shipyard Solutions segment
BU SER	Services segment
Other:	Parent company and other

BU RCN

The 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, liftable decks, passenger gangways and linkspan systems. The segment has earlier been reporting as part of the Marine Division.

BU CBT

The CBT segment delivers complete cargo handling solutions to the container, tanker and bulk vessels. Product range includes 10-40 t winches, 15-50 t cranes and specialized hatch covers designs. The segment has earlier been reporting as part of the Marine Division.

BU MPG

The MPGC segment delivers supporting solutions to the vessels which are designed to operate in the multipurpose or general cargo market, requiring specialized operating capabilities. Product range includes 2000 t heavy lift cranes, side loading systems, hatch covers and mooring winches. The segment has earlier been reporting as part of the Offshore and Heavy Lift division.

BU OFF

The Offshore 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.

BU SYS

The Shipyard Solutions segment includes shiplift and transfer systems, as well as complete production lines to the yard industry. Products range includes shiplift system, ship transfer systems, multiwheelers and translifters.

BU SER

The Services 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.

Other:

Other is represented by corporate and sourcing hub structures.

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.

(**Note 1 –** Continued)

YEAR ENDED 31.12.2016

	Key profit figures							
	RCN	CBT	MPGC	Offshore	Shipyard Solutions	Services	Other	Total
External turnover	555 330	1 137 417	321 766	226 313	297 981	534 126	13 773	3 086 706
Internal turnover	36 901	279 292	35 982	88 791	1 318	169 004	39 632	650 921
Intergroup eliminations	-36 901	-279 292	-35 982	-88 791	-1 318	-169 004	-39 632	-650 921
Group Turnover	**555 330**	**1 137 417**	**321 766**	**226 313**	**297 981**	**534 126**	**13 773**	**3 086 706**
Income from equity accounted companies [1)]	-	62 478	-	-	-	-	-1 606	60 872
Earnings before depreciation, finance and tax (EBITDA)	14 776	21 322	-24 391	4 150	36 048	42 116	-23 892	70 130
Depreciation/amortisation	-3 480	20 558	10 934	8 717	1 559	4 402	678	43 367
Impairments	0	0	98 647	0	0	78	0	98 724
Operating profit/loss	18 257	765	-133 972	-4 567	34 489	37 636	-24 569	-71 961
Financial income	8 669	23 050	884	5 510	1 400	18 989	5 311	63 813
Financial cost	6 256	13 664	8 205	18 921	1 311	20 380	19 803	88 539
Segment profit/loss before tax	**20 670**	**10 151**	**-141 293**	**-17 978**	**34 578**	**36 245**	**-39 061**	**-96 687**

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

YEAR ENDED 31.12.2015

	Key profit figures							
	RCN	CBT	MPGC	Offshore	Shipyard Solutions	Services	Other	Total
External turnover	641 423	973 191	259 394	358 803	215 994	590 728	11 709	3 051 243
Internal turnover	62 977	227 967	58 313	206 846	511	133 140	37 436	727 190
Intergroup eliminations	-62 977	-227 967	-58 313	-206 846	-511	-133 140	-37 436	-727 190
Group Turnover	**641 423**	**973 191**	**259 394**	**358 803**	**215 994**	**590 728**	**11 709**	**3 051 243**
Income from equity accounted companies	-	108	-	-	-	-	-	108
Earnings before depreciation, finance and tax (EBITDA)	62 277	140 846	-12 997	-101 668	17 466	75 560	-26 501	154 984
Depreciation/amortisation	5 610	18 170	11 403	16 347	1 285	4 704	616	58 134
Impairments	0	0	0	45 873	18 901	0	0	64 774
Operating profit/loss	56 667	122 676	-24 400	-163 888	-2 720	70 856	-27 117	32 076
Financial income	3 931	16 106	712	3 967	2 318	21 984	60 855	109 873
Financial cost	17 085	26 209	8 570	9 537	1 847	22 568	71 456	157 271
Segment profit/loss before tax	**43 514**	**112 573**	**-32 258**	**-169 458**	**-2 248**	**70 272**	**-37 717**	**-15 322**

YEAR ENDED 31.12.2016

	Segment assets, liabilities and capital expenditure							
	RCN	CBT	MPGC	Offshore	Shipyard Solutions	Services	Other	Total
Assets	595 396	948 044	83 189	14 939	214 252	177 672	112 574	2 146 067
Equity accounted companies	-	29 160	-	-	-	-	-	29 160
Total segment assets	**595 396**	**977 204**	**83 189**	**14 939**	**214 252**	**177 672**	**112 574**	**2 175 226**
Liabilities	296 269	572 841	123 678	92 950	121 683	134 773	216 604	1 558 800
This year's capital expenditures	207	794	619	-	1 890	2 824	-	6 334

YEAR ENDED 31.12.2015

	Segment assets, liabilities and capital expenditure							
	RCN	CBT	MPGC	Offshore	Shipyard Solutions	Services	Other	Total
Assets	610 824	1 422 335	270 787	353 422	161 639	181 038	-3 930	2 996 115
Equity accounted companies	-	29 389	-	-	-	-	-	29 389
Total segment assets	**610 824**	1 451 723	**270 787**	**353 422**	**161 639**	**181 038**	**-3 930**	**3 025 503**
Liabilities	320 346	915 123	168 175	465 160	83 703	138 630	79 802	2 170 938
This year's capital expenditures	3 121	3 506	926	19	218	325	-	8 113

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)	2016	2015
Europe	907 921	932 519
Asia	1 892 422	1 832 575
USA/Canada	255 701	256 339
Rest of the world	30 661	29 810
Total sales revenue	**3 086 706**	**3 051 243**

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

Total assets	2016	2015
Europe	1 301 752	1 558 545
Asia	848 374	1 437 299
USA/Canada	25 101	29 659
Rest of the world	-	0
Total assets	**2 175 226**	**3 025 503**

Assets are reported based on their location.

Note 2 – Revenue

(Amounts in NOK 1000)

	2016	2015
Revenue from construction contracts, continued operations	1 414 582	1 487 774
Sale of goods	1 138 652	973 191
Revenue from service contracts, continued operations	533 472	590 278
Total revenue from projects, continued operations[1]	3 086 706	3 051 243
Revenue from construction contracts and service contracts, discontinued operations	-	-
Total revenue from projects continued operations and discontinued operations[1]	3 086 706	3 051 243
Balance sheet items related to construction contracts		
Current Assets		
Completed production	1 157 238	1 278 595
Invoiced production	855 085	717 833
Accrued, non-invoiced production	302 153	560 762
Prepayments to suppliers	71 629	80 411
Total current assets	373 782	641 173
Current liabilities		
Completed production	927 539	412 103
Invoiced production	1 176 735	1 046 082
Prepayments from customers	-249 196	-633 979
Non-invoiced production cost, suppliers	-132 410	-40 643
Total current liabilities	-381 606	-674 622

[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)

	2016	2015
Inventories, incl. non-current	259 114	439 515
Obsolescence	-30 079	-25 358
Total inventories	229 034	414 157
Book value of inventories pledged as security for liabilities	40 335	76 861

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

Consumption of raw materials, supplies, changes in finished goods and changes in work in progress are included under the item cost of sales, and amounts to MNOK 1 913 in 2016 (2015: MNOK 1 880).

Note 4 – Payroll expenses and employee information

(Amounts in NOK 1000)

Payroll expenses:	**2016**	**2015**
Salaries	484 130	512 425
Employer's social security contribution	70 897	81 402
Defined benefit pension costs (note 5)	-	-
Defined contribution pension costs (note 5)	48 302	44 670
Other benefits	67 608	60 727
Total payroll expenses continued operations	**670 936**	**699 224**
Number of employees at the end of the year	**1 013**	**1 093**

Board remunerations[1]		**2016**	**2015**
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2016 - 06.2018	400	400
Bjarne Skeie	Board member since 06.2008. Re-elected for the period 06.2016 - 06.2018	230	230
Gisle Rike [2]	Board member since 06.2015. Elected for the period 06.2015 - 06.2017	280	-
Jan Magne Galåen [2]	Board member until 11.2014	-	140
Toril Eidesvik	Board member until 05.2016	320	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	-	-
Anita Kråkenes	Board member since 07.2014, employee representative, re-elected for the period 07.2016 - 07.2018	115	105
Morten Aarvik	Board member since 07.2016, employee representative elected for the period 07.2016 - 07.2018	-	-
Ole Henrik Askvik	Board member until 07.2016, employee representative	105	10
Mona Halvorsen	Board member until 07.2014, employee representative	-	10
Jan-Magnar Grøtte	Board member until 09.2015, employee representative	10	105
Total		**1 740**	**1 600**

[1] For the financial year 2016, the reported remuneration is based on the remuneration paid in 2016 based on the amounts determined by the Board at the Annual General Meeting for 2016. The same applies to the nomination committee.
[2] Gisle Rike and Jan Magne Galåen 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), Cate Henriksen and Anders Nome Lepsø. The nomination committee remuneration for 2016 was TNOK 60 for the chairman and TNOK 35 for each of the members, a total of TNOK 130. Peter Sandtorv is 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 2016 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2015. Bonus payments are based on individual employment contracts.

(**Note 4 –** Continued)

- 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 peiod of notice is 6 months with a severance pay of 6 months for the President & CEO. For other members in the Senior Executive Group, the period of notice is 6 months and a severance pay period of 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 effected 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:

2016

(Amounts in NOK 1000)

Name	Position	Base salary	Other benefits	Bonus paid	Share options	Pension cost
Toril Eidesvik [1) 2)]	President & CEO as of 25.4.2016	-	-	-	-	-
Björn Andersson [1) 3)]	President & CEO until 25.4.2016	987	4	-	77	-
Bjørn Olafsson [1) 4)]	Deputy Managing Director	-	-	-	-	0
Henrik Solberg-Johansen	CFO	1 733	31	-	35	136
Per Croner	EVP, Roro/Cruise/Navy (until Dec 2016)	2 073	100	-	35	1 197
Edgar Bethman	EVP, Container/ Bulk/ Tank	2 287	-	133	35	118
Lars Djupevåg	EVP, Offshore (from May 2016)	919	-	84	7	52
Arve T. Rinde	EVP, Offshore, (until May 2016)	1 590	-	-	35	53
Andreas Harms	EVP, Multipurpose/ General cargo	1 218	0	117	7	118
Frank Rudnik	EVP, Services (from May 2016)	732	-	-	-	58
Stefan Gleuel	EVP, Services, (until Nov 2015)	-	393	-	-	-
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					

1) Not members of the TTS Group pension plan, nor any other pension arrangement paid by TTS Group.
2) As of 25.4.2016 Mrs.Toril Eidesvik holds the position as President & CEO of TTS Group ASA Toril Eidesvik is self-employed, and receives remuneration by invocing TTS Group. Employment compensation was NOK 2.098.475. A remumeration for services as a Director in TTS until 05.2016 have in addition been paid in the amount of NOK 320.000.
3) Until 25.4.2016 Mr. Bjørn Andersson was employed as President & CEO of TTS. As of May 2016 Bjørn Andersson is self-employed, and receives remuneration by invocing TTS Group. Employment compensation was NOK 1.090.353.
4) Bjørn Olafsson is self-employed, and receives remuneration by invocing TTS Group. Employment compensation was 1.656.500.

Remuneration of Auditor:	2016	2015
Statutory audit	5 129	5 359
Other attestation services	89	106
Tax advisory	427	424
Other non-audit service	343	449
Total	**5 988**	**6 338**

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.

Total pension cost		2016			2015		
		Insured	Uninsured	Total	Insured	Uninsured	Total
	Defined benefit plans	-	-	-	-	-	-
+	Defined contribution plan	48 302	-	48 302	44 670	-	44 670
=	Total pension cost	48 302	-	48 302	44 670	-	44 670
	- of which recognized as payroll cost	48 302		48 302	44 670		44 670
	- of which recognized as finance cost						

Note 6 – Fixed assets

(Amounts in NOK 1000)

	Property	Buildings	Machinery and vehicles	Furniture, office equipment, etc.	Total
As of 1.1.2015					
Acquisition cost 1.1.	21 394	26 962	80 723	127 778	256 858
Accumulated depreciation as of 1.1.	-1 162	-13 481	-27 105	-54 213	-95 960
Book value as of 1.1.2015	**20 232**	**13 482**	**53 618**	**73 565**	**160 897**
2015 Financial year					
Book value as of 1.1.	20 232	13 482	53 618	73 565	160 897
Foreign currency differences	1 965	645	33 273	-21 866	14 017
Acquisitions	-	-	-	-	-
Additions	-	86	2 328	11 381	13 795
Disposals	-	-	-3 462	-3	-3 465
Depreciation, amortization and impairments	-	-1 011	-35 579	-14 133	-50 724
Book value as of 31.12.2015	**22 197**	**13 202**	**50 178**	**48 944**	**134 521**
	-				
As of 31.12.2015					
Acquisition cost 31.12.	23 359	24 216	168 413	143 113	359 101
Accumulated depreciation and impairments as of 31.12.	-1 162	-11 014	-118 235	-94 169	-224 580
Book value as of 31.12.2015	**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	-8 006
Acquisitions	-	-	-	-	-
Additions	-	88	2 918	7 456	10 463
Disposals	-180	-2 735	-467	-392	-3 773
Depreciation, amortization and impairments 1)	-	378	-26 370	-12 874	-38 866
Book value as of 31.12.2016	**20 393**	**7 740**	**27 734**	**38 870**	**94 338**
	-				
As of 31.12.2016					
Acquisition cost 31.12.	21 555	19 176	178 432	148 207	367 371
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**	**27 734**	**38 870**	**94 338**

[1)] Fixed assets has been impaired by MNOK 14 during 2016.
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 2015	Lease payments 2016	Est. lease payment 2017	Est. Lease payments 2018-2021	Est. Lease payments > 2021	Est. Total future lease payments
Lease of premises	63 231	52 959	46 851	102 542	37 117	186 509
Lease of equipment and vehicles	4 378	4 736	4 166	3 902	-	8 068
Total [1)]	**67 609**	**57 695**	**51 017**	**106 444**	**37 117**	**194 577**

[1)] Operating lease estimates is based on active lease contracts as per 31.12.2016, and their set duration. No

Note 7 – Intangible assets

(Amounts in NOK 1000)

	Customer portfolio	Patents, licences etc	R&D	Goodwill	Total
As of 1.1.2015					
Acquisition cost 31.12.	36 423	6 928	54 205	563 208	660 763
Accumulated depreciation as of 31.12.	-5 821	-3 207	-19 351	-	-28 379
Book value as of 01.01.2015	**30 602**	**3 720**	**34 853**	**563 208**	**632 384**
2015 Financial year					
Book value 1.1.	30 602	3 720	34 853	563 208	632 384
Foreign currency effects	-	-	-	-	-
Additions	-	-	5 680	-	5 680
Acquisitions	95 149	471	-	170 499	266 119
Disposals	-	-	-	-	-
Depreciation	-3 561	-1 070	-7 398	-	-12 029
Impairment	-	-	-16 625	-31 900	-48 525
Book value as of 31.12.2015	**122 190**	**3 122**	**16 510**	**701 807**	**843 628**
As of 31.12.2015					
Acquisition cost 31.12.	131 572	7 399	59 885	733 707	932 562
Accumulated depreciation and amortization as of 31.12.	-9 382	-4 277	-43 375	-31 900	-88 934
Book value as of 31.12.2015	**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	843 629
Foreign currency effects	-21 846	348	535	-43 740	-64 703
Additions	-	-	2 033	-	2 033
Acquisitions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	-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**	**680 082**
As of 31.12.2016					
Acquisition cost 31.12.	109 726	7 747	62 453	689 967	869 892
Accumulated depreciation and amortization 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**	**680 082**

BOOK VALUE R&D, PATENTS AND LICENCES PER 31.12.2016 CONSIST OF:

Development - Heave compensated VME	9 244
Development - Offshore cranes	-
Other	3 176
Total	**12 420**

For proprietary products a continuous assessment is carried out to ensure the criteria for recognition of development costs have been met.

[1] SUMMARY OF THE ALLOCATION OF GOODWILL AT SEGMENT LEVEL IS AS FOLLOWS:

CGUs within segment	Goodwill 31.12.16 (MNOK)	Goodwill 31.12.15 (MNOK)
RoRo/Cruise/ Navy	207	222
Container/Bulk/Tank - fully owned	84	89
Container/Bulk/Tank - 50 % owned [1]	123	134
Shipyard Solutions [2]	22	23
Offshore 3)	-	-
MultiPurpose/ General Cargo [4]	114	208
Services	26	26
Total	**576**	**702**

[1] As an effect of changes to the company agreements in TTS Hua Hai, a fair value assessment and PPA evaluation gave basis for allocation of GW in 2015. Reference is made to note 27.
[2] GW allocated to TTS Liftec OY, a unit within the Shipyard Solutions division was impaired by MNOK 19 in 2015
[3] GW allocated to CGU units within the offshore division have been impaired by MNOK 13 in 2015. No remaining goodwill is allocated to the CGU's.
[4] GW allocated to CGU NMF within the BU MPG segment have been impaired by MNOK 82 in 2016.

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. At end of 4th quarter 2016, the share price value of the group was lower than book equity, indicating potential impairment of goodwill.
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.
A summary of the most important assumptions for the test is shown below, aggregated for the tested CGUs within each segment:

	EBITDA Margin					
CGUs within segment[1]	Goodwill 31.12.16 (MNOK)	Revenue 2016 (MNOK)	Actual 2016	Est. 2017[2]	>2019[2]	WACC[3]
RoRo/Cruise/ Navy	207	651	3,0 %	6,2 %	10,2 %	13,0 %
Container/Bulk/Tank - fully owned	84	438	4,0 %	6,1 %	10,6 %	13,9 %
Container/Bulk/Tank - 50 % owned	123	837	6,3 %	4,1 %	6,0 %	11,0 %
Shipyard Solutions [4]	22	109	7,6 %	NA	NA	13,0 %
Offshore	-	226	NA	NA	NA	13,0 %
MultiPurpose/ General Cargo	114	412	-0,6 %	2,2 %	6,4 %	13,9 %
Services	26	194	6,5 %	6,2 %	7,4 %	13,0 %
Total	**576**	**2 867**				

	EBITDA Margin					
CGUs within segment[1]	Goodwill 31.12.15 (MNOK)	Revenue 2015 (MNOK)	Actual 2015	Est. 2016[2]	>2017[2]	WACC[3]
RoRo/Cruise/ Navy	222	702	9,7 %	9,2 %	11,3 %	13,0 %
Container/Bulk/Tank - fully owned	89	436	4,0 %	6,1 %	10,6 %	13,9 %
Container/Bulk/Tank - 50 % owned [5]	134	667	6,3 %	4,1 %	6,0 %	13,0 %
Shipyard Solutions [6]	23	81	3,7 %	3,7 %	4,2 %	13,0 %
Offshore [7]	-	359	-28,3 %	NA	NA	13,0 %
MultiPurpose/ General Cargo	208	437	7,2 %	4,0 %	11,1 %	13,9 %
Services	26	218	-2,1 %	2,5 %	10,0 %	13,0 %
Total	**702**	**2 900**				

[1] The table summarize information per reporting segment for the CGUs which have been tested for impairment. CGUs with no allocated goodwill or other intangible assets with indefinite life is not included in this table.
[2] Expected margin used for terminal calculation.
[3] Pre-tax weighted average cost of capital
[4] TTS Liftec OY was sold in Q1/2017. Profit from realization exceeds allocated GW as per 31.12.2016
[5] As an effect of changes to the company agreements in TTS Hua Hai, a fair value assessment and PPA evaluation give basis for allocation of GW in 2015. Reference is made to note 27.
[6] GW allocated to TTS Liftec OY, a unit within BUSYS have been impaird in 2015 by MNOK 19
[7] GW allocated to CGU units within BUOFF have been impaird by MNOK 13 in 2015. No remaining goodwill is allocated to the CGU's.

Impairment tests are performed by estimating value in use for each CGU, which is compared to the carrying value of the assets tested. Estimated value in use is calculated on the basis of expected discounted future cash flows, based on the following assumptions:

- Expected cash flows are based on EBITDA adjusted for investments and changes in working capital. Estimates for 2017 are based on board-approved budgets for 2017. For the years 2018-2020, estimates are based on the mid term strategy figures approved by the board. Terminal value after 2020 is based on a growth rate of 2.5%, which is consistent with long term macroeconomic assumptions from the Norwegian National Bank.
- Estimated future revenues are based on market analysis and evaluations of the different markets in which the companies and business units of the Group operate. Please find additional description in the Board of Directors report - section Market.
- Turnover, cost and net earnings are estimated based on the budgets and plans of each CGU. The budgeted figures are the management's best estimates, in which expected future earnings (EBITDA) are based on specific estimates for each CGU and observed margins from comparative companies. The cash flows in the model are, in accordance with IAS36, based on the business in it's current state (including started and committed changes). No revenue or corresponding cost elements from expansion of the business are included in the cash flows. The expected positive development in EBITDA margin is in part a result of increased volumes and in part a result of increased margins.
- Weighted average cost of capital (WACC) is calculated on the basis of the Capital Asset Pricing Model. The WACC applied in 2016 is a nominal pre-tax WACC. The WACC for all CGUs is based on a post tax WACC of 9,7%. Main elements is a 1,76% risk free interest, a risk premium of 5,0%, a beta of 2,3, and an additional small cap premium of 3%. The Beta is calculated based on observed beta in other similar listed companies. Calculation is based on a equity portion of 45%.
- Based on the above assumptions, an impairment has been made to units within the BUMPG of totally MNOK82. Estimated value in use exceeds the carrying value for the other CGU's, indicating there is no requirement to impair in any of these CGUs.
  Please note, however, that there is a high degree of inherent estimation uncertainty related to several assumptions, and that changes to these assumptions could lead to future write downs. The Group has performed sensitivity analysis given the following assumptions:
  ** 10 % increase in the WACC
  ** 10 % decrease in EBITDA margin
  ** 10 % decrease in expected turnover as of 2018

Change in recoverable amount:	Impairment 2016	Initial headroom	10% increase in WACC	10% decrease in EBITDA margin	10% decrease in Turnover
RoRo/Cruise/ Navy	-	428 000	-56 000	-77 000	-61 000
Container/Bulk/Tank - fully owned	-	221 000	-51 000	-45 000	-70 000
Container/Bulk/Tank - 50 % owned	-	5 000	-30 000	-22 000	-12 000
Shipyard Solutions	-	-	NA	NA	NA
Offshore	-	-	NA	NA	NA
Multipurpose/ General Cargo	-82 300	-	-27 000	-28 000	-20 000
Services	-	83 000	-20 000	-18 000	-11 000
Total	**-82 300**	**737 000**	**-184 000**	**-190 000**	**-174 000**

ADDITIONAL INPUT ON ASSUMPTIONS IN THE VALUE IN USE CALCULATION
The estimates of recoverable amount are based on assumptions regarding future development of several factors. The inherent uncertainty in the assumptions including, but not limited to, future sales volumes, margins from products sold, future prices for input factors, investments, working capital, exchange rates and WACC leads to an uncertainty of the outcome of the estimates.
Sensitivity analysis indicates that changes in assumptions within the range listed above would be basis for additional impairment in the CGU NMF (Multipurpose/ General Cargo segment) and an impairment of GW in the CGU THH (50% owned investments in the Container/ Bulk / Tank - segment).

CGU RELATED TO NMF ACTIVITIES
In the 4th Quarter 2016 an impairment of GW in the CGU NMF were allocated at MNOK 82,3.

The CGU NMF within the BUMPG has it's origin in the structure, products and organisation coming from TTS NMF. The CGU is believed to have an inherent risk in the calculation of value in use related to market development.

NMF was acquired in the 3rd quarter of 2012, and both volume and margins in 2013, 2014, 2015 and 2016 were weaker than expected. Although the CGU's activity within Services has picked up both in volume and margin, the owerall activity within the CGU are still slower than anticipated.

The MPG newbuild unit revenue, decreasing sharply from MNOK 374 in 2013 to MNOK 190 in 2014 and reversing to MNOK 319 in 2015 and 322 in 2016, reflects the market slow in the segment for the last few years. The EBITDA for 2016, although still negative improved from - 13 in 2015 to - 6 in 2016.

In December 2014, TTS NMF GmbH and South China Marine Machinery Co. Ltd., controlled by the leading state-owned corporation China State Shipbuilding Company (CSSC), established a new Chinese company within the heavy-lift segment. The establishing marks another important step in the strategic partnership between the TTS Group and CSSC, and has strengthen TTS' position in the Chinese market. TTS Group expects an slow improvement in the future market for heavy lift cranes, and has reorganized the NMF business in 2014 and 2015 and again in 2017, including expanding the market foothold by establishing a production and sales unit in China as a respons to low utilisation of the European assembly plant.

Newbuild turnover in the CGU for 2016 was MNOK 322, and a negative margin of 2%. Turnover in 2017 is expected to come in at around MNOK 282, and a -2,5% margin, however improve over the years 2018-2020. 2020 turnover is expected at around MNOK 450 with a margin of 3,4 %. Around 60% of turnover 2017, and 10% of turnover 2018 is part of backlog at yearend 2016. Normal project delivery time is 12-30 months depending on capacity and complexity, starting 3-6 months after the project has been sold. Revenue recognition is based on percentage of completion.

Services turnover in the CGU is expected to be steady at around MNOK 100 and an margin at around 20%. Services turnover is based on NMF and LMG install base consisting deliveries over the past 15 years where more than 60% were delivered in the period 2008-2011. The overall outlook for the service market within the CGU remains stable, although low ship charter rates will continue to influence the market.

The CGU consumed a net new working capital at yearend 2016 of MNOK 158. As part of 2016 impairment it is expected that overall net working capital will be reduced by MNOK 46 in 2017, hereafter the working capital is expected to stabilize at around MNOK 60. A reduction in working capital of MNOK 60 in 2017 relates to a project which is expected to be completed within yearend 2017. Reduced activity in 2017 and 2018, combined with increased turnaround on inventory, and focused strategies on payment terms towards customers and vendors is expected to contribute positively.

Terminal value contributes with 50% of the calculated value in use.

CGU RELATED TO TTS LIFTEC ACTIVITIES
The CGU Liftec is sold in 1st Quarter 2017. The sales transaction give basis for a sales profit recognition in 2017. Additional information on the sale is provided in Note 31.

CGU RELATED TO OFFSHORE ACTIVITIES
Turnover in the CGU has been variable, and profit margins have not been acceptable. Based on a slow market combined with fierce price pressure on the key product lines TTS Group impaired any GW allocated to the Offshore segment during 2015. GW allocated to Offshore is MNOK 0.

CGU RELATED TO ACTIVITIES WITHIN TTS MARINE AS
TTS Marine AS is defined as a seperate CGU reporting as part of the Services segment.
Turnover in the CGU continue its positve trend, althoug the margin in 2016 are still low.
The impairment test is based on the assumption that the CGU will continue its positive development in turnover, going from MNOK 195 in 2016 to MNOK 273 in 2020. The model includes a terminal assumption on 2,5% increase in revenue. EBITDA margins is expected to be in the range 6,5% - 7,5% in the period 2017 - 2020. TTS believe this being a conservative estimate on the long term margin potential for the CGU. The organizational setup within the CGU is based on expected increase in turnover, and a positive margin is expected to be materialized with minor increases in turnover.

Terminal value contributes to 73% of the calculated value in use.

CGU RELATED TO ACTIVITIES WITHIN BURCN
The CGU unit within the RCN segment is based on more than one legal entity with highly integrated operational structures.
Turnover and margins in the CGU have dropped in 2016 compared to 2015, and is expected to be slow for 2017 and 2018. Impairment is based on the assumption that the CGU will have a turnover going from MNOK 400 in 2017 to MNOK 700 in 2020. The model includes a terminal assumption on 2,5% increase in revenue. EBITDA margins is expected going from 6% in 2017 to around 10% in 2020.

Terminal value contributes to 85% of the calculated value in use.

CGU RELATED TO ACTIVITIES WITHIN BUCBT - FULLY OWNED
The CGU unit within the CBT segment is based on more than one legal entity with highly integrated operational Newbuild and Services structures.
Reduced market activity in the CBT segment have reduced the turnover in the CGU, although being able to prove strenghten in profit margins. The impairment test is based on the assumption that the market activity effecting the CGU will improve. A positive development in turnover, going from MNOK 440 in 2016 to MNOK 490 in 2020, combined with an improvement in EBITDA margins going from 9% in 2016 to 11% in 2020. Improvement in margins is anticipated based on implemented changes in the operational structure. The model includes a terminal assumption on 2,5% increase in revenue.

Terminal value contributes to 71% of the calculated value in use.

CGU RELATED TO ACTIVITIES WITHIN BUCBT - 50% OWNED COMPANIES
The CGU-THH is reported as part of the CBT segment, and is based on more than one legal entity with highly integrated operational Newbuild and Services structures. CGU-THH is consolidated into TTS Group as from Q1/2015.
The impairment test is based on the market assumption described in the Board of Directors report. Turnover for the periods ahead is expected to slow down, going from MNOK 836 in 2016 to MNOK 677 in 2020 combined with an EBITDA margin going down 7% in 2016 to 3% in 2020. The model includes a terminal assumption on 2,5% increase in revenue.

Terminal value contributes to 95% of the calculated value in use.

Note 8 – Investments in other companies

(Amounts in NOK 1000)

	Ownership	Acquisition cost	Book value	
			2016	2015
Financial fixed assets:				
Sigma Drilling AS[1]	16.1 %	5 214	-	-
Total investments in other companies		**5 214**	**-**	**-**

[1] Sigma Drilling AS indirectly holds a cancellation claim on the STX bankruptcy estate which may give basis for a positive outcome for the owners of Sigma Drilling. The outcome for TTS is not clear.

Risk related to the estimates that form the basis for the book values are further described in Accounting principles, under sections 2.8 and 4.

Note 9 – Subsidiaries

(Amounts in NOK 1000)

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 Liftec Oy [2])	Tampere, Finland	2004	100 %	100 %	EUR	76 500
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 [3]	Shanghai, China	2002	50 %	100 %	CNY	11 000 000
Shanghai TTS Hua Hai International Trade Co., Ltd [3]	Shanghai, China	2012	50 %	100 %	CNY	1 000 000

[1] TTS Hua Hai AB has been sold for closing during 2016. Jiangsu TTS Hua Hai Shipping Co. Ltd, located in Jiangsu China have been closed during 2016.
[2] TTS Liftec Oy have been sold in 2017- ref. note 31 - Subsequent events
[3] 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 investments	Registered office	Acquisition year	Ownership	Voting share
Jiangnan TTS Ships Equipment Manufaturing Co. LTD [4]	Jiangnan, China	2012	20 %	40 %

[4] 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 joint agreeements 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 Ostrava s.r.o [5]	Ostrava, Czech Republic	2005	100 %	100 %	CZK	9 000 000
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

[5] No activity in 2016. To be winded up in 2017

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

[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

Note 10 – Equity accounted investments

(Amounts in NOK 1000)

Joint ventures and affiliates are accounted for in accordance with the equity method.

From FY2014, TTS Group has applied IFRS10 in the accounting for the investments. The change in IFRS as per 31.12.2013 applied per 1.1.2014 focus on TTS “”ability to control”” as opposed to the “”execution of control”” applied in the former accounting rules. Early in April 2015 an amendment related to the agreements governing the mandates of the functions controlling THH was agreed with the other 50% owner of THH (TTS Hua Hai). Based on the amendments TTS has “”ability to control”” THH, and is exposed for variable return on its investment. As of 2Q 2015 THH is consolidated into the TTS Group accounts. Additional information is available in note 27.

The agreements governing the mandates of the functions controlling TTS SCM Marine and Offshore Machinery Co.Ltd (TSG) has the same structure as the THH agreements, and TTS Group is exposed for variable return on its investment. TSG was formally established in december 2014, and has initiated its operation during 2015 in order to perform schedueled customer deliveries in the latter part of 2016. As of 01.01.2015 TSG is consolidated into the TTS Group accounts.

As an effect of THH consolidation, the Chinese company JiangNan TTS Ships Equipment Manufacturing Co.Ltd (JNTTS), of which THH hold a 40% ownership is recognized using the equity method. JNTTS is mainly a subcontractor/supplier of steel structures for the two major shareholders; Jiangnan Heavy Industries and TTS Hua Hai, and is operated on a cost center approach.

Depending on volume mix, the company management in JNTTS expects positive longterm earnings. Volume drop in 2016 have severe impact on the profitability. During 2016 Jiangnan Heavy Industries have not been able to utilize its relative share of the production capacity in JNTTS. A depressed market for steel structures leaves few potentials for alternative utilisation, negative margins in 2016, and low expectations for the coming years.

Based on updated information, received in 2017, capacity utilisation expectations related to JNTTS is low. As a consequence TTS Group have impaired the value of the equity accounted investment by MNOK 43,0 at yearend 2016. Remaining value is 0. Impairment is presented as part of operating expences - ”Other depreciation/amortisation/impairments”. 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.

PER 31 DECEMBER TTS GROUP HOLDS THE FOLLOWING INVESTMENTS IN EQUITY ACCOUNTED COMPANIES:

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 %

Equity accounted investments	TTS Bohai Machinery / Trading	TTS Hua Hai Ships Equipment	JiangNan TTS Ships Equipment Manufacturing Co.Ltd	Total
Opening balance 1.1.2015	19 750	82 832	-	102 582
Effect from change in control in (ref note 27)	-	-98 811	67 048	-31 763
Share of profit/loss (net of witholding tax)	2 671	7 912	-1 638	8 945
Dividends (net of witholding tax)	-	-	-	-
Currency effect	6 968	8 067	-9 824	5 211
Closing balance 31.12.2015	**29 389**	**-**	**55 586**	**84 975**
Opening balance 1.1.2016	29 389	-	55 586	84 975
Effect from change in control	-	-	-	-
Share of profit/loss (net of witholding tax)	5 344	-	-23 315	-17 970
Dividends (net of witholding tax)	-2 002	-	-	-2 002
Impairment of values	-	-	-43 049	-43 049
Currency effect	-362	-	10 778	10 410
Closing balance 31.12.2016	**29 160**	**-**	**-**	**29 160**

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

	Long term assets	Current assets	Long term liabilities	Current liabilities	Revenue	Net Profit (loss) after tax
TTS Bohai Machinery / TTS Bohai Trading	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**

EQUITY ACCOUNTED INVESTMENTS TOTAL(100%) PROFIT/LOSS, ASSETS AND LIABILITIES PER 31.12.2015

	Long term assets	Current assets	Long term liabilities	Current liabilities	Income	Profit/loss
TTS Bohai Machinery Co., Ltd	3 405	246 077	-	190 702	411 993	5 454
JiangNan TTS Ships Equipment Manufacturing Co.Ltd	343 103	458 368	-	623 418	438 588	4 001
Total	**346 508**	**704 445**	**-**	**814 120**	**850 581**	**9 455**

TTS HUA HAI SHIPS EQUIPMENT CO.LTD ., SHANGHAI AND JIANGSU - CHANGE OF CONTROL - 2015

A preliminary fair value assessment of TTS Hua Hai (THH) based on the discounted cash flow approach is the basis for revaluation and reallocation of THH assets, implementing of non-controlling equity interests in the consolidated accounts, and profit recognition related to the attributable excess values of the 50% share TTS hold in THH.

PROFIT EFFECTS FROM CHANGE OF CONTROL:

	TTS Hua Hai Ships Equipment, Shanghai and Jiangsu
Opening balance 1.1.2015	82 832
Share of profit/loss (net of witholding tax)- Q1/2015	7 912
Currency effect Q1/2015	8 067
Value as Q1/2015	98 811
Fair value assessment (ref note 27)	202 478
Profit effect from change of control	103 667

Additional information on change in control assessment available in note 27.

Note 11 – Trade and other receivables

(Amounts in NOK 1000)

Trade receivables	2016	2015
Trade receivables	482 687	392 688
Loss provisions	-19 329	-31 381
Net trade receivables	**463 359**	**361 307**

For terms and conditions related to relating party receivables, ref. to Note 22.
Trade receivebales are non-interest bearing and are generelly on 30-90 day terms.

Trade receivables (gross) per currency:	2016	2015
EUR	125 355	92 553
USD	242 870	106 972
NOK	78 230	180 287
Other currencies	36 232	12 876
Total	**482 687**	**392 688**

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:	2016	2015
VAT	9 138	15 346
Prepayments	9 161	16 334
Other receivables	66 194	41 556
Other short-term receivables	**84 493**	**73 236**

Note 12 – Loans and non-current liabilities

(Amounts in NOK 1000)

	Nominal value 31.12.2016	Repayment profile and maturity: 2017	2018	2019	2020	2021 and later
Convertible Subordinated Bond Loan 2011/2019 [1]	95 345	95 345				-
Term based financial facilities	275 329	3 579	50 000	221 750	-	-
Drawdown facilities	99 383	99 383				
Total loans incl. first year instalment and short term loans	470 057	198 307	50 000	221 750	-	-
- short term loans and first year instalment of non-current debt	-198 307	-198 307	-	-	-	-
Total non-current liabilities	271 750	-	50 000	221 750	-	-
Expected interest payments		27 458	20 922	318	-	-

[1] Presentation in this note is based on allocation and information applicable as per 31.12.2016. On 22th March 2017 the expiry date of the Subordinated Boan Loan have been moved from 18th April 2017 to 18th January 2019. Additional information available in note 15.

SPECIFICATION OF LOANS:

	Loan type	Currency	Nominal interest rate	Limit 2016	Maturity	Instalment terms	Nominal value 2016	Nominal value 2015
TTS Group ASA								
Norsk Tillitsmann ASA [1]	Convertible bond	NOK	Coupon - 12%	95 345	2017 / 2019	Balloon	95 345	95 345
Nordea	Mortgage loan	NOK	Nibor + 3,75%	100 000	2019	Term loan	100 000	-
Nordea	Drawdown facility, mortgage based	NOK	Nibor + 3,50%	200 000	2019	Balloon	77 902	218 000
DNB	Mortgage loan	NOK	Nibor + 3,50%	171 750	2019	Term loan	171 750	100 000
TTS Marine Korea Ltd.								
Kookmin Bank	Draw dawn facility	KRW	2,95 %	21 481	2017	Balloon	21 481	26 653
Kookmin Bank	Mortgage loan	KRW	3,25 %	3 579	2017	Balloon	3 579	5 991
TTS Marine Shanghai Co Ltd								
DNB Bank ASA Shanghai Branch	Mortgage loan	EUR	EURIBOR + 2,0 %		2016	Balloon	-	3 925
DNB Bank ASA Shanghai Branch	Mortgage loan	RMB	PBOC base rate		2016	Balloon	-	40 695
DNB Bank ASA Shanghai Branch	Mortgage loan	USD	USDLIBOR + 1,5 %		2016	Balloon	-	29 951
Total loans				592 155			470 057	520 560
Difference between nominal value and effective debt value related to convertible bond (ref. Note 15)								1 080
Net book value of bond debt and other debt to financial institutions[1]							**470 057**	**521 640**

[1] Presentation in this note is based on allocation and information applicable as per 31.12.2016. 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.

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

(NOK 1000)	2016	2015
NOK	444 997	-
EUR	-	-
USD	-	-
RMB	-	-
KRW	25 060	-
Total	**470 057**	**0**

Ref. Note 13 related to assets pledged as security on non-current liabilities
Reference is made to Note 15 related to Convertible Callable Unsecured Subordinated Bond established in 2011.
Risk related to the estimates that form the basis for the book values are further described in Accounting principles, under sections 2.8, 2.15, 3 and 4.

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 2016. 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 31.12.2016
TTS Group have met the following financial covenant requirements from Nordea and DNB end of 2016.

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 31.12.2016 is MNOK 712, which represents an equity ratio of 32.7 %.

ACCUMULATED EBITDA
Covenant on accumulated EBITDA as per 31.12.2016 is > MNOK 100. Accumulated EBITDA, based on the set calculation definitions, in 2016 was MNOK 133.

MINIMUM LIQUIDITY
Covenant related to minimum liquidty reserve is MNOK 50. As per 31.12.2016, based on the set calculation definitions, the liquidity reserve was MNOK 184.

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

COVENANTS IN 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. As of Q1-2017 the financial covenants are;

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

* NIBD = Net interest bearing debt, excluding subordinated convertible bond loan, and including 50% cash from 50% owned consolidated subsidiaries
** EBITDA from 100% owned companies + 50% of EBITDA from 50% owned consolidated subsidiaries, adjusted for one-time effects, including impairment, restructuring, gains from sale of businesses and changes of accounting regulations
*** Equity, including subordinated convertible bond loan

A multiple of other standard clauses related to the bond loan inclusive cross default clauses are apparant.

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:

	2016		2015	
	Limit	Drawn	Limit	Drawn
Group cash pool overdraft facility	300 000	174 400	300 000	218 000
Drawdown facility, operations	171 750	171 750	100 000	100 000
Guarantee limit for Group	600 000	428 300	650 000	530 800

As per 31.12.2016 all Norwegian companies (ref Note 9), as well as TTS Marine AB, TTS Liftec OY, TTS NMF GmbH and TTS Marine GmbH are part of the Group cash pool arrangement with Nordea.

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:	**2016**	**2015**
Shares in TTS Marine AB	304 782	275 300
Account/Group receivables	287 952	333 023
Inventory/Work in progress, including non-invoiced production	40 335	76 861
Property	-	-
Assets pledged as collateral	**633 069**	**685 184**

OTHER ASSETS PLEDGED AS SECURITY AND GUARANTEES:

TTS MARINE AB
As pr 31.12.2016, guarantees of MSEK 157.1 (MNOK 165.4) were drawn. This amount is included in the total guarantees drawn with Nordea/DNB of MNOK 428.3 in the above table. In addition TTS Marine AB has a bank guarantee agreements with Danske Bank. As per 31.12.2016 total guarantees were MSEK 0.- (MNOK 0.-). The bank has received parent company guarantee (generell borgen) from TTS Group ASA.

TTS MARINE GMBH
As per 31.12.2016, guarantees of MEUR 3.9 (MNOK 35.5) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 428.3 in the above table.

TTS NMF GMBH
As per 31.12.2016, guarantees of MEUR 5.2 (MNOK 46,9) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 428.3 in the above table.

TTS LIFTEC OY
As pr 31.12.2016, guarantees of MEUR 0.1 (MNOK 0,6) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 428.3 in the above table.

TTS MARINE SHANGHAI CO. LTD.
After refunding of equity and estblishment of Group provided debt facilities to TTS Marine Shanghai Co. Ltd. the former credit facilities in EUR, RMB and USD with DNB Bank ASA, Shanghai Branch have been closed during 2016. Refunding and refinincing from TTS Group have been enabled via the new term loan of MNOK 171,8 between DNB Bank ASA and TTS Group ASA. Ref. note 12 for additional information..

TTS MARINE KOREA CO. LTD
TTS Marine Korea Co., Ltd has re-established a debt agreemnt of MKRW 500 (MNOK 3.6) with Kookmin Bank in Korea. The company also has a credit line of MKRW 4 000 (MNOK 28.6), of which 3 001 MKRW (MNOK 21.5) was drawn. The bank has security in the company's building and land. The building and land is valued to MKRW 3 368 (MNOK 24.1).

Note 14 – Net interest-bearing debt

(Amounts in NOK 1000)

	2016	**2015**
Bank deposits, cash etc. in fully owned subsidiaries (exclusive cash pool)	76 679	77 490
Bank deposits, cash etc. in consolidated 50/50 owned companies [1]	99 105	335 720
Deposits	175 784	413 210
Convertible Bond loan [2]	-95 345	-95 345
Non-current interest bearing debt	-271 750	-
Drawdown Cash pool facility with Nordea as of 31.12.	-77 902	-218 000
Other current interest bearing debt	-25 060	-208 387
Interest-bearing debt	-470 057	-521 732
Nominal net interest-bearing debt	-294 273	-108 522
Debt allocation based on effective interest method		-1 080
Net interest bearing debt	**-294 273**	**-109 602**

[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.

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. At yearend 2015 the remaining nominal value of the bond facility was MNOK 95,345 with an 8% annual coupon, and conversions strike price at NOK 4,97 per share. No conversions were made during 2015.

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

March 22nd 2017 the bondholders of the Subordinated Convertible Bond Debt agreed to extend the repayment of the debt facility until 18. January 2019. The extension was approved in the Extraordinary General Assembly at TTS Group ASA at March 30th 2017. The nominal bond value changed from MNOK 95,345 to MNOK 93,345, and expire at 18th January 2019. Interest rate until 18th April 2017 is agreed to an 12% annual coupon. As of April 19th 2017 the annual coupon is reduced to 10%. Conversions strike price is agreed at NOK 4,97 per share. No conversions have been made as per 20. April 2017.

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 2016 was NOK 4.97 per share.

On 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 5th January 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 has agreed on 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 of less than 5% change to the overall agreement, and have been handled as a prolonging of the prior bond debt agreement.

	2016	**2015**
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
Nominal debt value as per 31.12 1)	95 345	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	-
Effective debt value	95 345	96 425

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

	Repayment profile and maturity:				
	2012	2013	2014	2015	2016
Subordinated convertible bond loan - nominal value	95 345	-	-	-	-95 345
Nominal interest cost	11 754	7 628	7 628	7 628	381
Calculated effective interest cost recognized in the accounts	13 654	13 479	14 589	15 910	827

PRINCIPAL BONDHOLDERS AS OF 31.12.2016:

Bondholder:		Conversion rights	Share portion if fully converted
MP PENSJON PK		6 036 217	5,71 %
SKEIE TECHNOLOGY AS [1)]		3 912 474	3,70 %
SKANDINAVISKE ENSKILDA BANKEN AB	Nominee	1 685 110	1,59 %
DANSKE BANK A/S	Nominee	1 252 515	1,18 %
SKEIE CONSULTANTS AS [1)]		1 207 243	1,14 %
AKERSHUS FYLKESKOMM. PENSJONSKASSE		804 828	0,76 %
TAMAFE HOLDING AS [1)]		804 828	0,76 %
MERTOUN CAPITAL AS		804 828	0,76 %
SKEIE CAPITAL INVESTMENT AS [1)]		704 225	0,67 %
KRISTIAN FALNES AS		603 621	0,57 %
Other		1 368 215	1,29 %
Total		**19 184 104**	**18,13 %**

[1)] Companies contolled by the Skeie family.

Note 16 – Share capital and shareholder information

(Amounts in NOK)

Date	Number of shares	Nominal value	Share capital
31.12.2016	86 605 660	0.11	9 526 623
31.12.2015	86 605 660	0.11	9 526 623

There were no changes to the nominal share capital in 2016 or 2015

DIVIDENDS PAID AND PROPOSED:

(NOK 1000)	2016	2015
Declared and paid during the year:	0	0
Dividends on ordinary shares	0	0

Dividend for shareholders proposed for 2016, to be paid in 2017: NOK 0 per share.
Total dividend amount proposed: NOK 0.

TREASURY SHARES:

	Number of shares	Share capital (NOK 1 000)
Treasury shares as of 01.01.2015	112 882	-12 417
Sale of treasury shares 2015		-
Treasury shares as of 31.12.2015	112 882	-12 417
Sale of treasury shares 2016	-	-
Treasury shares as of 31.12.2016	112 882	-12 417

PRINCIPAL SHAREHOLDERS OF TTS GROUP ASA AS OF 31.12.2016:

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 %
SKEIE CAPITAL INVESTMENT AS [1]	4 203 361	4,85 %	4,86 %
BARRUS CAPITAL AS	3 465 005	4,00 %	4,01 %
HOLBERG NORGE	3 292 500	3,80 %	3,81 %
PIMA AS	3 015 044	3,48 %	3,49 %
SKAGEN VEKST	2 411 069	2,78 %	2,79 %
CIPI LAMP UCITS SWEDBANK SMB	2 232 886	2,58 %	2,58 %
MERTOUN CAPITAL AS	1 769 598	2,04 %	2,05 %
DANSKE BANK AS NOMINEE	1 564 417	1,81 %	1,81 %
ITLUTION AS	1 475 261	1,70 %	1,71 %
KRISTIANRO AS	1 102 287	1,27 %	1,27 %
SKANDINAVISKA ENSKILDA BANKEN AB NOMINEE	1 011 552	1,17 %	1,17 %
AVANT AS	1 000 000	1,15 %	1,16 %
AVANZA BANK AB NOMINEE	947 153	1,09 %	1,10 %
RBC INVESTOR SERVICES BANK S.A. NOMINEE	800 000	0,92 %	0,92 %
NORDNET BANK AB NOMINEE	757 869	0,88 %	0,88 %
PHAROS INVEST AS	682 000	0,79 %	0,79 %
GLASTAD INVEST AS	668 000	0,77 %	0,77 %
SIX-SEVEN AS	551 250	0,64 %	0,64 %
Total, 20 largest shareholders	**65 117 521**	**75,19 %**	**75,29 %**
own shares	112 082	0,13 %	0,00 %
Total other	21 376 057	24,68 %	24,71 %
Total	**86 605 660**	**100,00 %**	**100,00 %**

[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. Bjarne Skeie indirectly holds 10% of the voting shares and 10% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 300.000 shares through Skeie Consultants AS.

[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	**20.04.2017**	**31.12.2016**	**31.12.2015**	**20.04.2017**	**31.12.2016**	**31.12.2015**	**20.04.2017**	**31.12.2016**	**31.12.2015**
Trym Skeie [1), 3)]	573 140	573 140	573 140	-	-	-	804 829	804 829	804 829
Bjarne Skeie [2), 3)]	27 159 124	27 159 124	27 159 124	-	-	-	1 207 243	1 207 243	1 207 243
Anita Kråkenes	-	2 000	2 000	-	-	-	-	-	-
Group Executives									
Toril Eidesvik [4)]	50 000	50 000	50 000	-	-	-	-	-	-
Björn Andersson	75 000	75 000	75 000	75 000	75 000	150 000	-	-	-
Henrik Solberg-Johansen	50 000	50 000	50 000	50 000	50 000	62 500	-	-	-
Edgar Bethmann	20 000	20 000	20 000	50 000	50 000	62 500	-	-	-

[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] Bjarne Skeie indirectly holds 10% of the voting shares and 10% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 300.000 shares through Skeie Consultants AS.

[3] Per 20.04.2017 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.

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

On the 2 June 2016, the Annual General Meeting adopted a resolution to give the Board 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 30.06.2017. No shares have been issued on the basis of this authorisation as of 20 April 2017.

On the 2 June 2016, 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 2011/2017 up to a total of NOK 150 000 000. The authoritiy is valid until the the next Annual General Meeting or latest 30.06.2017

On the 2nd June 2016, the Annual General Meeting adopted a resolution to give the Board 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 30.06.2017. No shares have been bought on the basis of this authorisation as of 20 April 2017.

On the 8th June 2015, the Annual General Meeting adopted a resolution to give the Board 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 30.6.2017. As per 20.04.2017 a total of 600 000 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 2016, 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 2016 and the first quarter of 2017, in addition to options not previously exercised. Option granted to people leaving TTS Group are terminated.

On the 2nd June 2016, the Annual General Meeting adopted a resolution to give the Board 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 20.04.2017 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.

ALLOCATION OF OPTIONS:

Name	Position	Company	Number of options exercisable until 08.06.2017	Exercise price	Total
Senior executives					
Toril Eidesvik	President & CEO	TTS Group ASA	-		-
Henrik Solberg-Johansen	CFO	TTS Group ASA	50 000	4,75	50 000
Holger Elies	EVP BUCBT	TTS Marine GmbH	25 000	4,75	25 000
Tor Henning Ramfjord	EVP BURCN	TTS Group ASA	-		-
Lars Ragnar Djupevåg	EVP BUOFF	TTS Offshore Solutions AS	12 500	4,75	12 500
Frank Rudnik	EVP BUSER	TTS Marine GmbH	-		-
Björn Andersson	EVP Business development and improvement	TTS Group ASA	75 000	4,75	75 000
Edgar Bethmann	EVP Business development	TTS Marine GmbH	50 000	4,75	50 000
Other executives	**various**	**various**	**262 500**	**4,75**	**262 500**
Total number of options to executives			**475 000**		**475 000**

During 2016 no share options have been exercised from Senior Management.

During 2015 no share options have been exercised from Senior Management.

In accordance with authorities granted by the Annual General Meeting in 2015 and 2016, TTS Group ASA has issued a share option programes to Senior Executive Group.

Through these programs, Senior Executive Group 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 2015 and 2016 was 43% and 43% respecit-vely. Risk-free interest rate applied for options issued in 2015 and 2016 was 1,16% and 1,16% resepectively. For 2016 (2015), option premium of MNOK 0,6 (MNOK 0,9) has been charged as expenses classified as salary in the profit and loss statement. Payroll tax is charged when share options are realized.

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 is set to 18.4.2017. Annual interest rate is set to 12%. Convertion strike price is set at 4,97.

The maximum number of shares to be issued at full conversion was 19 184 104, equivalent to a dilution effect of 18,13%. There have been no changes to the nominal debt amount, or conversion prices in 2016.

The 22nd March 2017 TTS Group ASA reached an agreed with it's bondholders to extend the subordinated convertible bond loan with a nominal value of MNOK 95,345. Formal renewal were approved in a extraordinary general meeting at 30th March 2017. Based on the renewed agreement the maturity date is set to 18.1.2019. Annual interest rate until 18.4.2017 is set to 12% p.a.. Annual interest from 19.01.2017 until maturity date is set to 10%. Conversion strike price is unchanged from yearend 2016 at 4,97.

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

Note 17 – Earnings per share

(Amounts in NOK 1000)

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.

	2016	2015
Net profit attributable to ordinary equity holders of the parent from continuing operations	-120 854	-48 674
Net profit attributable to ordinary equity holders of the parent from discontinued operations	-	-
Weighted average of issued shares excluding own shares	86 493	86 493
Earnings per share - continuing operation (NOK per share)	**-1,40**	**-0,55**
Earnings per share - discontinued operation (NOK per share)	**-**	**-**

DILUTED EARNINGS PER SHARE:

When calculating the diluted earnings 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.

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.

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 31.12.2016. The remaining nominal convertible bond debt is MNOK 95.345, corresponding to 19 184 105 conversion rights based upon the fixed conversion price as per 31.12.2016.

	2016	2015
Profit used to calculate diluted earnings per share - continuing operation	-120 854	-48 674
Profit used to calculate diluted earnings per share - discontinued operation	-	-
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	-	-
Average number of ordinary shares for calculation of diluted earnings per share	86 493	86 493
Diluted earnings per share - continuing operation (NOK per share)	**-1,40**	**-0,55**
Diluted earnings per share - discontinued operation (NOK per share)	**-**	**-**

Share structure:	2016	2015
Issued shares	86 605 660	86 605 660
Own shares	112 882	112 882
Unused share options that can be settled by issue	475 000	1 037 500
Conversion right related to convertible bond loan	19 184 105	19 184 105

SUBORDINATED CONVERTIBLE BOND ISSUE:

On 10.12.2011 the Extraordinary General Meeting approved the drawdown of a subordinated convertible bond loan of MNOK 200. The bondholders have a continuous conversion right at a call price of NOK 4.97 per share as per 31.12.2016. An extention of the subordinated convertible bond was established with the bond holders at the 22.March 2017, and approved in a Extraordinary General Meeting at the 30. March 2017. Please find additional information relating to the extension terms, and convertion rights in Note 15.

Note 18 – Tax

(Amounts in NOK 1000)

Income tax expense:	**2016**	**2015**
Payable tax [1)]	27 914	27 637
Not allocated tax losses [2)]	-	0
Change in deferred tax	2 471	-2 796
Impairment of tax assets	-	0
Tax cost in the profit and loss statement	**30 385**	**24 841**

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.
2) Additional deferred tax assets in Norwegian companies are de-recognized. Estimated value in 2016 (2015) is MNOK 11,2 (34,6).

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

	2016	**2015**
Profit before tax (incl. discontinued operations)	-96 687	-15 322
Expected income tax according to income tax rate in Norway (25 / 25%)	-24 172	-3 831
Prior period adjustment deferred taxes	-	-
Impairment deferred tax assets	-	-
Not allocated deferred tax losses	11 221	34 613
Profit from joint ventures	-2 286	-28 972
Effect of change in tax rate1)	-	-
Permanent differences	46 146	20 848
Tax rate outside Norway, different from 25%	-524	2 183
Impairment of tax assets	-	-
Tax cost in the profit and loss statement	**30 385**	**24 841**

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.

Deferred tax assets:	**2016**	**2015**
Gross deferred tax assets [1), 2)]	283 129	252 508
- Write down of deferred tax assets	-	-
- Not allocated tax losses	-253 449	-209 287
- Offset deferred taxes	-	-
- Deferred tax assets to be recovered after 12 months	29 680	43 221
- Deferred tax assets to be recovered within 12 months		
Total recognized deferred tax assets (gross)	**29 680**	**43 221**

1 Changes in tax rates in Norway from 25% to 24% have reduced the gross deferred tax assets per 01.01.2017 by MNOK 7,6. As deferred tax assets from Norwegian companies are not recognized, the change has no effect on the 2016 tax cost.
2) During 2016 tax cost allocation of MNOK 2,7 related to the 2015 acquistions of TTS Hua Hai has been allocated. As part of the acquisition of TTS Hua Hai, tax assets of MNOK 12,4 was recognized in the 2015 balance sheet. Additional information in note 27.

Deferred tax liabilities:	**2016**	**2015**
Gross deferred tax	-46 350	-51 581
- Netted deferred taxes against deferred tax assets		
- Deferred tax to be recovered after 12 months	-46 350	-51 581
- Deferred tax to be settled within 12 months		
Total recognized deferred tax liabilities (gross)	-46 350	-51 581
Net deferred taxes in Group (asset=+, liability=-)	**-16 670**	**-8 360**

CHANGE IN RECOGNIZED DEFERRED TAXES:

	2016	2015
Recognized value 1.1.	-8 360	-184
Deferred tax charged in the income statement	-2 471	2 796
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	-11 050
Prior period adjustment of deferred taxes including foreign currency differences	-8 581	78
Recognized value 31.12.	**-16 670**	**-8 360**

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

	1.1.2015	Changes 2015	31.12.2015	Changes 2016	31.12.16
Deferred tax (asset = + / liability = -)					
Fixed assets	9 520	4 295	13 815	-5 262	8 553
Current assets	-6 032	-803	-6 835	915	-5 920
Other temporary differences / provisions	-14 824	-7 017	-21 840	9 579	-28 982
Impairment deferred tax assets	-20 000	-	-20 000	-	-20 000
Not allocated tax losses	-215 563	-23 807	-239 370	-14 079	-253 449
Tax losses to carry forward	246 715	35 876	282 591	538	283 129
Net deferred tax (asset = + / liability = -)	**-184**	**8 544**	**-8 360**	**-8 310**	**-16 670**

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 and German companies, as well as temporary differences related to Chinese companies.

The Group has received and is expecting orders to yield taxable profit in the years to come. Taxable income may be counterbalanced against the deficit carried forward, enabling utilization of the tax advantage. An assessment has been made based on IFRS' requirements regarding reversion of the tax losses taken into consideration the expected tax profit. Deferred value of tax losses not recognized in 2016 is calculated to MNOK 11,2 related to activities in some Norwegian companies, and especially companies within the Offshore segment.

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

	2016	2015
Tax payable, (including withholding taxes)	27 914	27 637
Prepaid tax	-32 572	-16 250
Total tax payable in balance sheet at year end	**-4 658**	**11 387**

ORIGIN OF TAX EXPENSE PAYABLE:

	2016	2015
Norway	275	143
Sweden	10 146	10 537
Germany	266	891
China	14 975	15 115
Rest of Europe	2 171	1 156
Rest of Asia	-14	-437
North / South America	95	233
Total	**27 914**	**27 637**

TAXES CARRIED FORWARD BY REGION 2016:*

	Norway	Germany	Rest of Europe	China	Other	Total
Deferred tax carried forward	183 087	90 871	-	8 569	602	283 129
Deferred tax not recognised	-170 005	-83 444	-	-	-	-253 449
Deferred tax asset recognised	13 082	7 427	-	8 569	602	29 680
Deferred taxes liability	-	5 890	22 628	17 832	-	46 350
Deferred tax liability	-	5 890	22 628	17 832	-	46 350

TAXES CARRIED FORWARD BY REGION 2015:*

	Norway	Germany	Rest of Europe	China	Other	Total
Deferred tax carried forward	167 322	94 861	2 304	16 975	1 129	282 591
Deferred tax not recognised	-161 307	-78 063	-	-	-	-239 370
Deferred tax asset recognised	6 015	16 798	2 304	16 975	1 129	43 221
Deferred taxes liability	-	3 619	25 534	22 428	-	51 581
Deferred tax liability	-	3 619	25 534	22 428	-	51 581

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

	2016	2015
Pre-tax profit/ loss	-96 687	-15 322
Permanent differences	184 584	83 392
Changes in temporary differences	-20 925	-14 100
Changes in tax losses carried forward	54 164	48 276
Tax basis for the year	**121 136**	**103 470**
Payable tax	27 914	27 637
Effective tax rate	23,0 %	27,0 %

* Deferred tax assets is based on an assumption on positive taxable profit within a five years period.

Note 19 – Other current liabilities

(Amounts in NOK 1000)

	2016	2015
Provisions for completed projects (ref Note 23)	54 510	86 553
Guarantee provisions (ref Note 23)	58 064	41 597
Other liability provisions (ref Note 23)	69 912	112 118
Other current liabilities	145 103	158 163
Total Other current liabilities	**327 589**	**398 430**

The best estimate for maturity date for completed projects is within 12 months from balance sheet date.

Note 20 – Other operating expenses

(Amounts in NOK 1000)

	2016	2015
Premises and office expenses	69 759	81 386
Computer expenses	43 069	49 997
Marketing and travel expenses	48 842	48 813
Consultancy and external services	107 591	98 483
Other expenses	47 435	81 966
Total other operating expenses	**316 696**	**360 645**

Note 21 – Related parties

(Amounts in NOK 1000)

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

There were no transactions between the Group and the shareholders during the financial years 2016 and 2015.

The subsidiaries (ref Note 9), Investments in joint ventures (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 with subsidiaries have been eliminated in the consolidation process.

TTS Group has carried out various transactions with underlying companies and joint ventures. All the transactions have been carried out as part of the ordinary operations and at arm's length prices. For the year ended 31.12.2016, the Group has not recorded any impairment of receivables relating to the amounts owed by related parties (2015: MNOK 0).

In the TTS Group ASA accounts an impairment of receivables from subsidiares have been allocated by MNOK 108 (ref. note 16 to the TTS Group ASA accounts) (2015: MNOK 0). The effect is eliminated in the Group accounts.

Impairment assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with equity accounted companies	**2016**	**2015**
Sales to equity accounted companies	16 344	9 561
Purchases of goods and services from equity accounted companies	1 755	5 234
Balance sheet items related to purchase and sale of goods and services:		
Receivables from equity accounted companies	42 769	49 067
Liabilities to equity accounted companies	876	8 781

Information about the Board and Senior Executive Group's shares and options is stated in Note 16. In addition to the above mentioned transactions and Note 17, there are no further agreements or commitments between TTS Group and related parties.

Note 22 – Derivatives

(Amounts in NOK 1000)

	2016			2015		
Market value:	**Assets**	**Liabilities**	**Net market value**	**Assets**	**Liabilities**	**Net market value**
Forward currency contracts - effective hedging contracts	10 705	53 505	-42 800	16 075	196 748	-180 673
Forward currency contracts - ineffective hedging contracts	-	8 692	-8 692	-	2 393	-2 393
Currency option contracts not designated as hedging contracts	8 735	-	8 735	3 734	-	3 734
Forward currency contracts - total	**19 440**	**62 197**	**-42 757**	**19 809**	**199 141**	**-179 332**

Fair value of hedging instruments and derivatives are classified as current assets or current liabilities.

Matures:	**Net market value**	**Net market value**
Within 3 months	-19 871	-59 610
> 3 months, < 6 months	-6 165	-91 075
> 6 months, < 9 months	-9 013	-14 564
> 9 months, < 12 months	-1 262	-6 631
> 12 months, < 24 months	-6 054	-7 848
> 24 Months	-392	396
Total	**-42 757**	**-179 332**

Nominal value currency contracts, original currency	**2016**		**2015**	
(Amounts in currency*1000)	**Sold**	**Bought**	**Sold**	**Bought**
NOK	3 092	92 539	285 487	220 403
USD	56 823	75 168	182 123	38 875
EUR	19 564	34 807	27 736	11 969
SEK	-	-	-	-
KRW	-	-	-	-

FORWARD CURRENCY CONTRACTS:
The nominal value of the outstanding forward currency contracts on 31.12.2016 is MNOK 1 727 compared to MNOK 2 835 in 2015.

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 3 155 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.

Note 23 – Provisions for liabilities

(Amounts in NOK 1000)

	Completed projects *	Guarantees	Other	Total
1.1.2015	144 629	42 185	112 835	299 649
Provisions for the year	124 334	18 044	142 789	285 167
Utilized provisions during the year	-187 190	-20 463	-148 656	-356 309
Currency exchange deviation	4 780	1 831	5 150	11 760
31.12.15	**86 553**	**41 597**	**112 118**	**240 267**
	Completed projects *	**Guarantees**	**Other**	**Total**
1.1.2016	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
31.12.16	**54 510**	**58 064**	**69 912**	**182 486**

Classification in the balance:	2016	2015
Presented as other current liabilities, ref. note 19	182 486	240 267

*) Liabilities related to supplementary work and other demands from clients

Off balance sheet obligations	2016	2015
Buy back lease obligations	2 553	-

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)

	2016	2015
Other interest income	4 219	6 250
Net other financial income and expenses [1] [2]	11 291	-5 770
Effective interest on convertible bond (ref Note 15)	-12 080	-15 910
Interest on debt to financial institutions	-20 170	-19 268
Other interest expenses	-7 986	-12 630
Total financial items and foreign currency gains/losses continued operations	**-24 726**	**-47 328**

[1] Annual re-assessment of guarantees related to the divestment of the Energy-division give basis for a reduction of other financial cost of 12,2 MNOK in 2016 and 5,7 MNOK in 2015. Remaining guarantees as per 31.12.2016 is zero.
[2] Other financial income and expenses primarily consist of foreign currency gains and losses, as well as transaction cost from financial institutions.

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.

Per 1.1.2015	**101 991**
Equity currency differences 2015:	
Group company	78 170
Equity consolidated companies	24 813
Net changes 2015	**102 983**
Total equity currency effects per 31.12.2015	**204 974**
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**

Note 26 – Financial risk management

(Amounts in NOK 1000)

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:

	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
Derivatives1)	8735	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**

	2015				
	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			361 307		361 307
Other current receivables			73 236		73 236
Acquired, non-invoiced production			560 762		560 762
Derivatives1)	3734	16 075			19 809
Prepayment to suppliers			80 411		80 411
Cash and cash equivalents			413 210		413 210
Total financial assets	**3 734**	**16 075**	**1 488 926**	**-**	**1 508 735**

CLASSIFICATION OF FINANCIAL LIABILITIES:

	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**

	2015			
	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			96 425	96 425
Interest-bearing current liabilities			426 387	426 387
Prepayments from customers			633 979	633 979
Cost related to facilities under construction			40 643	40 643
Derivatives [1]	2 396	196 748		199 144
Accounts payable and other financial debt			722 782	722 782
Total financial liabilities	**2 396**	**196 748**	**1 920 216**	**2 119 360**

[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 which 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	**2016**	**Level 1**	**Level 2**	**Level 3**	**2015**	**Level 1**	**Level 2**	**Level 3**
Shares available for sale	-	-	-	-	-	-	-	-
Foreign exchange contracts - hedging	10 705	-	10 705	-	16 075	-	16 075	-
Foreign exchange contracts - non-hedging	8 735	-	8 735	-	3 734	-	3 734	-
Liabilities measured at fair value	**2016**	**Level 1**	**Level 2**	**Level 3**	**2015**	**Level 1**	**Level 2**	**Level 3**
Foreign exchange contracts - hedging	53 505	-	53 505	-	196 748	-	196 748	-
Foreign exchange contracts - non-hedging	8 692	-	8 692	-	2 396	-	2 396	-

Note 27 – Business combinations

(Amounts in NOK 1000)

ACQUISITION IN 2016
There have been no acquisitions in 2016.
Sale of TTS Liftec Oy (ref. note 31) in February 2017 will be reported as an divestment in 2017.

ACQUISITION IN 2015

TTS Hua Hai Ships Equipment Co.Ltd - Ability to control
China is an increasingly important market for TTS, both as a market to sell TTS products/solutions and as a market to purchase vital parts, steel production and assembly capacity. Due to this, TTS has wanted to get closer involved in the management of it's 50% owned companies, and to integrate the business of the 50% owned companies closer into the 100% owned parts of the TTS structure

From FY2014, TTS Group has applied IFRS10 in the accounting for the investments. The change in IFRS as per 31.12.2013 applied per 1.1.2014 focus on TTS "ability to control" as opposed to the "execution of control" applied in the former accounting rules.

Early in April 2015 an amendment related to the agreements governing the mandates of the functions controlling THH was agreed with the other 50% owner of THH. Based on the amendments TTS has re- evaluated whether it controls THH, and is exposed for variable return on its investment.

Based on the facts and circumstances, TTS Group has concluded that as of the date of the adjustment to the governing documents, TTS Group has the ability to control THH based on the criteria in IFRS10, because TTS controls significant parts of relevant activities. Relevant activities, of which evaluation gives support to TTS control includes but are not limited to; approval of annual budgets, and rolling strategy, sale and marketing of vital contracts, and sourcing of critical components. Chairman of the Board are to be elected by TTS. Chairman of the Board have a casting vote related to approval of long term strategies, annual budget. The Chairman of the Board are furthermore responsible for approval of any major capex investments and approval of major customer contracts. THH have also agreed to adhere to and be supportive in developing the TTS Global Sourcing Strategy. Consequently, TTS will apply the full consolidation method described in IFRS 10 as the basis for the accounting for THH in the group accounts as from March 2015.

THH was founded by TTS subsidiary TTS Marine AB and the Chinese shipbuilding company CSSC in 1997, to build a basis for utilizing TTS technology and CSSC market access in the Chinese market. CSSC is a large Chinese state owned industrial group, which is a major player in the ship-building cluster in China. The Chinese shipbuilding market is increasingly important for TTS, and is today one of the most important shipbuilding markets in the world. Although being a major customer to THH, overall revenue generated from CSSC controlled companies is expected to be less than 30% of total volume.

Assets acquired and liabilities assumed	**TTS Hua Hai - Book value 31.03.2015 (KCNY)**	**Fair value adjustments**	**TTS Hua Hai - fair value recognition 31.03.2015 (KCNY)**	**TTS Hua Hai - fair value recognition 31.03.2015 (KNOK)**
				currency rate 1,2923
Assets				
Deferred tax assets	9 609	-	9 609	12 418
Intangible assets (customer portfolio, order backlog)	-	72 638	72 638	93 870
Other intangible assets	521	-	521	673
Goodwill	-	98 717	98 717	127 572
Fixed assets	2 395	-	2 395	3 095
Investment in associated companies	51 883	-	51 883	67 048
Inventories	241 030	-	241 030	311 483
Accounts receivable	115 223	-	115 223	148 903
Other current assets	291	-	291	376
Cash and cash equivalents	170 328	-	170 326	220 112
Total identifiable assets	**591 280**	**171 355**	**762 633**	**985 551**
Equity				
Controlling interest	155 166	1 515	156 680	202 478
Non controlling interest		156 680	156 680	202 478
Total equity	**155 166**	**158 195**	**313 360**	**404 955**

Assets acquired and liabilities assumed	TTS Hua Hai - Book value 31.03.2015 (KCNY)	Fair value adjustments	TTS Hua Hai - fair value recognition 31.03.2015 (KCNY)	TTS Hua Hai - fair value recognition 31.03.2015 (KNOK)
				currency rate 1,2923
Liabilities				
Non current liabilities	25 231	-	25 231	32 606
Deferred tax liabilities	-	18 160	18 160	23 468
Debt to credit institutions	-		-	-
Payables to suppliers	58 929		58 929	76 154
Taxes payable	8 679		8 679	11 216
Prepayment from customers	310 659		310 659	401 465
Other current liabilities	32 616	-5 000	27 615	35 687
Total identifiable liabilities	**436 114**	**13 160**	**449 273**	**580 595**
Total equity and liabilities	**591 280**	**171 355**	**762 633**	**985 551**
Goodwill arising on acquisition			98 717	127 572
Fair value consideration of equity			313 360	404 955

A fair value assessment of THH have been performed based on the DCF approach.
THH assets presented in the balance at the acquisition date is considered at fair value.

Fair value of inventories, 241 mCNY is determined based on the estimated selling value in the ordinary course of business, less estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Customer portfolio and order backlog of approximate mCNY 72,6 have been recognized as intangible assets as these assets meet the criteria for recognition as intangible assets under IAS 38. Allocated deferred tax liabilities is expected to be deductible for income tax purposes.

Fair value of order backlog was estimated to mCNY 30.4, including a tax amortization benefit of mCNY 6.4. The fair value estimate of order backlog evaluation is calculated applying the MEEM approach starting with the estimated EBITDA from existing order backlog, charging for fixed assets, net working capital and assembled workforce. A contributory asset charge was applied. Order backlog as at 31 March 2015 is mainly to be delivered during 2015 and 2016, reflecting a 10% cancellation RISK. Sales and direct costs per project were available, while indirect costs were allocated on a pro-rata basis adjusted up by one percent to arrive at EBITDA per project. Due to the assumed lower riskiness of the future earnings from the order backlog a discount rate of 13 % have been applied (overall applied WACC 13.8 %). Tax amortization benefit was added to the calculated net present value of cash flows from order backlog to reflect that the acquired order backlog is to be amortized according to Chinese tax law.

Fair value of customer relationships was estimated to mCNY 42.2, including a tax amortization benefit of mCNY 5.7. The fair value estimate of customer relations is calculated applying the MEEM approach starting with the estimated sales from the base enterprise valuation and adjusting for sales from order backlog, assumed new customers and annual churn. 100 % of projected sales relates to existing customer relationships of TTS Hua Hai. Sales, direct costs and indirect costs related to order backlog were excluded from the EBITDA margin applied for 2015-2017. After 2017, we applied the same EBITDA margin as in the base enterprise valuation.
The estimated future EBITDA contribution from the current customer base was charged 0,86% for the utilization of contributory assets. A discount rate for customer relationships which is 1.2 percentage points higher than the WACC to reflect assumed higher riskiness of the future earnings from the customer relationships compared to the order backlog. Tax amortization benefit was added to the calculated net present value of cash flows from customer relationships to reflect that the acquired customer relationships are to be amortized according to Chinese tax law.

Enterprise value not allocated to identifiable assets and liabilities is estimated at mCNY 103,7, and is classified as goodwill. Goodwill is mainly related to "know how" and expected synergies related to strengthening TTS' market position in China. None of the goodwill recognized is expected to be deductible for income tax purposes.

Information on P&L effects from the ability to control consideration is presented in note 10.
Information on proforma effects from full year consolidation is presented in note 28.

Expenses related to change of control are marginal. TTS Group has mainly used internal resources for which the expenses have been charged to profit and loss on a running base.

From the date of acquisition, THH has contributed MNOK 667 (mCNY 521) to revenue and MNOK 33,9 (mCNY 27,1) to the profit before tax from continued operations of the group.
If the combination had taken place as from 01.01.2015, revenue from continued operations would have been MNOK 862 (mCNY 682), and profit before tax MNOK 48,5 (mCNY 38,4). In addition income from JV would be reduced by MNOK 7,9.
In deterring these amounts management have assumed that the fair value adjustments, determined provisionally, that arose at the acquisition data would have been the same if the acquisition had occurred on 1.1.2015.

OTHER ACQUISITIONS
During 2015 TTS have acquired the assets from Rolls Royce Syncrolift R. into TTS Syncrolift AS, a TTS company allocated to BUSYS, and located in Norway. Total purchase consideration is calculated to MNOK 10,7 MNOK of which MNOK 10,1 has been allocated to other intangible assets. GW allocation is 0.
Furthermore, TTS has acquired the assets from Ergon Srl. into TTS Marine Srl, a TTS company allocated to BUSER, and located in Italy. Total purchase consideration is kEUR 280, of which kEUR 201 has been allocated to goodwill.

Expenses related to acquisition are marginal and have been charged to profit and loss on a running base.

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.

2016	TTS Hua Hai Ships Equipment (THH)	TTS SCM Marine and Offshore machinery Co .Ltd (TSG)
Number presented on 100% basis		
Non current assets	193 121	417
Current assets	220 513	67 889
Cash and cash equivalents	93 573	5 532
Non current liabilities	-17 832	-
Short term liabilities to financial institutions	-	-
Current liabilities	-242 925	-31 328
Net assets	**246 449**	**42 510**
Revenue	836 886	88 716
Profit after tax	-17 768	5 311
Other comprehensive income (OCI)	-32 791	-2 189
Total comprehensive income	**-50 558**	**3 122**
NCI percentage	**50 %**	**50 %**
Net assets attributable to NCI	123 225	21 255
Profit after tax allocated to NCI	-8 884	2 656
OCI allocated to NCI	-16 395	-1 095

2015	TTS Hua Hai Ships Equipment (THH)	TTS SCM Marine and Offshore machinery Co .Ltd (TSG)
Number presented on 100% basis		
Non current assets	308 218	676
Current assets	386 211	6 071
Cash and cash equivalents	267 174	68 546
Non current liabilities	-22 428	-
Short term liabilities to financial institutions	-	-
Current liabilities	-538 445	-35 906
Net assets	**400 730**	**39 387**
Revenue	667 282	6
Profit after tax	20 949	-3 927
Other comprehensive income (OCI)	31 933	1 372
Total comprehensive income	**52 882**	**-2 555**
NCI percentage	**50 %**	**50 %**
Net assets attributable to NCI	200 365	19 694
Profit after tax allocated to NCI	16 191	-1 964
OCI allocated to NCI	24 679	686

TSG, established in Q4/2014 is owned on 50/50 share basis between TTS Group and SCM Group, a subsidiary of CSSC. Based on the shareholder agreement TTS Group has the "ability to control" TSG and consolidates the company on 100% basis. The company is reported as part of the BUMPG segment in TTS Group.

THH, established in 1997 is owned on 50/50 share basis between TTS Group and CSSC group. Based on an amendment to the shareholder agreement as from Q2/2015, TTS Group has the "ability to control" THH and consolidates the company structure on 100% basis. The company is reported as part of the BUCBT segment in TTS Group. Further information on the basis for consolidation is provided in note 27.

Note 29 – Discontinuing operations

(Amounts in NOK 1000)

DIVESTMENTS IN 2016
Sale of TTS Liftec Oy (ref. note 31) in February 2017 will be reported as divestment in Q1/2017.

TTS Group closed down TTS Hua Hai AB in 2016. For the past few years there has been no operational activity in the company. The closing of the company had no effect on the 2016 accounts.

Earn-out from the sale of the Energy division in 2012 has been closed in 2016. No additional earn-out was recognized. Re-evaluation of guarantees issued in 2012 give basis for a recognition of other financial income of 12,2 MNOK.

DIVESTMENTS IN 2015
The Group sold two companies in 2015. TTS Marine Holding AB and TTS Port & Logistics Holding AB. Amount considered immaterial.

Earn-out from the sale of the Energy division in 2012 have been evaluated. Based on the earn-out criteria no additional earn-out was recognized in net result from divested business in 2015.

In March 2015 TTS Group finalized the discussions with Cameron related to final release of hold back amount from Cameron related to the sale of the Energy-division in 2012. The release has no material effects on 2015 figures.

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:

On 22nd of March 2017, the bondholders in TTS Group agreed to an extension of “”TTS Group ASA Convertible Callable Unsecured Subordinated Bond Issue 2011/2016”” with ISIN NO 0010593890 “”.

- The following changes were made from the prior agreement;
  * expiry date moved from 18th April 2017 to 18th January 2019
  * annual interest rate reduced from 12% p.a. to 10% p.a.
  * a redemption payment of NOK 2.000.000, paid at 28th March 2017, changed the nominal value of the bond from NOK 95.345.000 to MNOK 93.345.000
  * number of conversion rights reduced from 19.184.104 to 18.781.690 based on a conversion rate of NOK 4,97.

An Extraordinary General Meeting of TTS Group ASA approved the extension at 30th March 2017.

- Additional information is included in Directors report, Note 15 and in the press releases issued on the 22nd March 2017 and on the 30th March 2017.

On February the 2nd 2017, TTS Group entered into an agreement for sale of TTS Liftec Oy - Finland to Novatech Aps. in Denmark. The transaction was completed during February 2017. Agreed value of the transaction is a gross base price of MEUR 5.8 including net cash, and an earn-out over the next three years. Revenues in Liftec Oy in 2016 (2015) was MNOK 109 (81), contributing with an EBITDA of MNOK 8 (4).

NEW CONTRACTS IN THE PERIOD 01.01.2017 – 26.04.2017
At 3th April 2017, TTS Group announced the securement of contracts related to access equipment to cruise vessels, and hatch covers and winches to bulk carriers. Order value is approx. MNOK 55.
Overall order intake during Q1/2017 will be presented as part of the Q1/2017 report from TTS Group.

PROFIT AND LOSS STATEMENT

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	NGAAP 2016	NGAAP 2015
OPERATING INCOME			
Intra-Group operating income		11 465	11 709
Other operating income		2 308	-
Group service fee from TTS subsidiaries	15	39 632	37 436
Total operating income		**53 405**	**49 145**
OPERATING COSTS			
Personnel costs etc.	1, 2	37 466	34 057
Depreciation on tangible fixed assets	3	678	616
Other operating costs	1, 14	50 216	51 148
Total operating costs		**88 359**	**85 821**
Operating profit		**-34 954**	**-36 676**
FINANCIAL INCOME AND EXPENSES			
Income from investments in subsidiaries	16	72 498	258 759
Income from investment equity consolidated companies	16	2 002	-
Interest received from group companies	16	16 230	15 637
Other interest income	16	254	1 463
Other financial income	16	47 072	59 461
Interest expenses to group companies	16	-1 393	-3 007
Other interest expenses	16	-27 912	-29 574
Other financial expenses	16	-314 185	-199 114
Net financial items		**-205 434**	**103 626**
Profit before tax		**-240 388**	**66 950**
Tax	11	225	143
Profit for the year		**-240 613**	**66 807**
Provision dividend	**10**	**-**	**-**
Transferred to other equity		**240 613**	**-66 807**

BALANCE SHEET

1 JANUARY - 31 DECEMBER

ASSETS

(Amounts in NOK 1000)

	Notes	NGAAP 2016	NGAAP 2015
Non-current assets			
INTANGIBLE ASSETS			
Deferred tax assets	11	-	-
Total intangible assets		**0**	**0**
FIXED ASSETS			
Machinery and vehicles	3	66	109
Furniture, office and computer equipment	3	3 117	3 741
Total fixed assets		**3 183**	**3 850**
FINANCIAL FIXED ASSETS			
Shares in subsidiaries	5, 8	519 227	626 687
Investments in joint ventures	5	4 122	4 122
Loans to companies in the Group	6, 8	18 336	61 166
Investments in shares and other financial instruments	4	-	-
Total financial fixed assets		**591 685**	**691 975**
Total non-current assets		**594 867**	**695 825**
Current assets			
CURRENT RECEIVABLES			
Trade debtors		-	-
Intra-group accounts receivable	6, 8, 15	15 049	3 538
Other receivables to Joint Ventures	6, 15	21 452	25 055
Other receivables	6	8 521	12 058
Other intra-group receivables	6, 8, 12,15	110 150	50 597
Total current receivables		**155 171**	**91 248**
Bank deposits, cash in hand etc.	12	297	398
Total current assets		**155 468**	**91 646**
Total assets		**700 336**	**787 471**

EQUITY AND LIABILITIES

(Amounts in NOK 1000)

	Notes	NGAAP 2016	NGAAP 2015
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		137 731	377 776
Total retained earnings		**137 731**	**377 776**
Total equity		**296 623**	**536 668**
Liabilities			
OTHER NON-CURRENT LIABILITIES			
Pension liabilities	2	-	-
Liabilities to financial institutions	7,8	271 750	-
Total other non-current liabilities		**271 750**	**0**
CURRENT LIABILITIES			
Convertible subordinated bond loan	7, 9	95 345	96 425
Liabilities to financial institutions	7, 8	-	100 000
Trade payables		3 107	1 023
Intra-group trade payables	15	24 861	22 842
Social security and employees` tax deduction		1 384	1 389
Payable coprporate tax	11	-	-
Provision for dividends	10	-	-
Other intra-group liabilities	12	175	1 607
Other current liabilities	13	7 091	27 516
Total current liabilities		**131 963**	**250 803**
Total liabilities		**403 888**	**250 803**
Total equity and liabilities		**700 336**	**787 471**

Bergen, 26 April 2017
THE BOARD AND MANAGEMENT OF TTS GROUP ASA

Trym Skeie
CHAIRMAN OF THE BOARD

Britt Mjellem
DIRECTOR

Gisle Rike
DIRECTOR

Marianne Sandal
DIRECTOR

Bjarne Skeie
DIRECTOR

Anita Kråkenes
DIRECTOR

Morten Aarvik
DIRECTOR

Toril Eidesvik
PRESIDENT & CEO

EQUITY STATEMENT

(Amounts in NOK 1000)

	Share capital	Treasury shares	Share premium	Other equity	Total
Equity as of 31.12.2014	**9 527**	**-12**	**149 377**	**310 054**	**468 947**
Equity as of 1.1.2015	**9 527**	**-12**	**149 377**	**310 054**	**468 947**
Change in treasury shares	-	-	-	-	-
Option schemes				915	915
Provision for dividends			-	-	-
Net profit for the year			-	66 807	66 807
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**

CASH FLOW STATEMENT

(Amounts in NOK 1000)		
	2016	**2015**
Cash flow from operating activities		
Net profit before tax	-240 388	66 950
Dividend from investments in subsidiaries	-72 498	-258 759
Dividend from investment in joint ventures	-2 002	-
Paid tax	-225	-143
Depreciation	678	616
Option cost without cash effect	567	915
Impairment on shares and receivables	268 597	144 602
Net interest costs	12 821	15 481
Difference between pension charges and payments to/from pension scheme	-	-
Other receivables and other short term liabilities	-36 240	-17 877
Net cash flow from operating activities	**-68 690**	**-48 216**
Cash flow from investments		
Disbursements on acquisitions of shares and other financial instruments	-	-
Acquisition of subsidiaries	-	-
Additional equity into subsidiaries	-50 471	-45 000
Proceedes from sale shares in subsidiaries	-	181
Net contribution received from subsidiaries	-	-
Dividend from subsidiaries and equity consolidated companies	74 500	258 759
Disbursements on acquisitions of tangible fixed assets	-	-
Proceedes from and repayment intra-group loans	-9 400	-1 436
Net change cash pool facility	-	-
Net cash flow from investments	**14 618**	**212 503**
Cash flow from financing		
Repayment of convertible subordinated bond loan	-	-
Proceedes from liabilities to financial institutions	271 750	-
Repayment of liabilities to financial institutions	-100 000	-3 000
Repayment debt related to Energy before sale	-	-
Net change overdraft facility	-104 958	-157 703
Disbursements of dividends	-	-
Repayment of capital to shareholders	-	-
Sale treasury shares	-	-
Costs related to changes in convertibel debt and repayment of capital	-	-
Interest costs	-12 821	-7 199
Paid in equity capital	-	-
Net cash flow from financing	**53 971**	**-167 902**
Effects of exchange-rate fluctuations on cash and cash equivalents		
Net change in cash and cash equivalents	-101	-3 615
Cash and cash equivalents (opening balance)	398	4 012
Cash and cash equivalents (closing balance)	**297**	**398**
This consists of:		
Bank and cash pool deposits	297	398
Additional available unused overdraft facility	122 100	82 000

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 24 % 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	2016	2015
EUR	9,086	9,619
SEK	0,951	1,048
USD	8,620	8,809
CNY	1,241	1,357

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:

	2016	2015
Salaries	32 712	29 597
Employer's social security contribution	2 371	2 650
Pension costs	1 478	1 286
Other benefits	904	524
Total payroll expenses	37 466	34 057
Number of employees at the end of the year	**15**	**15**

BOARD REMUNERATIONS

		2016	2015
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2016 - 06.2018	400	400
Bjarne Skeie	Board member since 06.2008. Re-elected for the period 06.2016 - 06.2018	230	230
Gisle Rike [2)]	Board member since 06.2015. Elected for the period 06.2015 - 06.2017	280	-
Jan Magne Galåen [2)]	Board member until 11.2014	-	140
Toril Eidesvik	Board member until 05.2016	320	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	-	-
Anita Kråkenes	Board member since 07.2014, employee representative, re-elected for the period 07.2016 - 07.2018	115	105
Morten Aarvik	Board member since 07.2016, employee representative elected for the period 07.2016 - 07.2018	-	-
Ole Henrik Askvik	Board member until 07.2016, employee representative	105	10
Mona Halvorsen	Board member until 07.2014, employee representative	-	10
Jan-Magnar Grøtte	Board member until 09.2015, employee representative	10	105
Total		**1 740**	**1 600**

[1)] The Annual General Meeting determines the remuneration to the Board from one General Meeting to the next. For the financial year 2016, the reported remuneration is based on the remuneration paid in 2016 based on the amounts determined by the Board at the Annual General Meeting for 2016. The same applies to the nomination committee.

[2)] Gisle Rike and Jan Magne Galåen 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), Cate Henriksen and Anders Nome Lepsø.

The nomination committee remuneration for 2016 was TNOK 60 for the chairman and TNOK 35 for each of the members, a total of TNOK 130.
Peter Sandtorv is 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 2016 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2015. 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 Excecutive Group, the period of notice is 6 months, and a severance pay period of 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.

RENUMERATION AND OTHER BENEFITS FOR THE PRESIDENT & CEO AND OTHER SENIOR EXECUTIVES:

2016

Amounts in NOK 1000)

Name	Position	Base salary	Other benefits	Bonus paid	Share options	Pension cost
Toril Eidesvik [1) 2)]	President & CEO as of 25.4.2016	-	-	-	-	-
Björn Andersson [1) 3)]	President & CEO until 25.4.2016	987	4	0	77	0
Bjørn Olafsson [1) 4)]	Deputy Managing Director	-	-	-	-	-
Henrik Solberg-Johansen	CFO	1 733	31	0	35	136
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					

[1)] Toril Eidesvik, Bjørn Andersson and Bjørn Olafsson are not members of the TTS Group pension plan, nor any other pension arrangement paid by TTS Group.
[2)] As of 25.4.2016 Mrs.Toril Eidesvik holds the position as President & CEO of TTS Group ASA Toril Eidesvik is self-employed, and receives remuneration by invocing TTS Group. Employment compensation was NOK 2.098.475. A remumeration for services as a Director in TTS until 05.2016 have in addition been paid in the amount of NOK 320.000.
[3)] Until 25.4.2016 Mr. Bjørn Andersson was employed as President & CEO of TTS. As of May 2016 Bjørn Andersson is self-employed, and receives remuneration by invocing TTS Group. Employment compensation was NOK 1.090.353.
[4)] Bjørn Olafsson is self-employed, and receives remuneration by invocing TTS Group. Employment compensation was 1.656.500.

AUDITORS' FEES (EXCL. VAT)

	2016	2015
Statutory audit	2 191	1 836
Other attestation services	-	-
Other assistance including tax advice	345	155
Total	**2 536**	**1 991**

Note 2 – Pensions

(Amounts in NOK 1000)

Norwegian companies within TTS Group have established defined contribution planes for all employees.

		2016	2015
	Service cost	1 478	1 286
+	Payroll tax of net pension cost	208	181
=	**Net periodic pension cost**	**1 687**	**1 468**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Note 3 – Tangible fixed assets

(Amounts in NOK 1000)

	Machinery and vehicles	Furniture and office equip.	Total
Book value as of 31.12.2014	**170**	**4 295**	**4 465**
2015 Fiscal year			
Book value as of 1.1.	170	4 295	4 465
Additions	-	-	-
Disposals	-	-	-
Depreciation for the year	-61	-554	-615
Book value as of 31.12.2015	**109**	**3 741**	**3 850**
As of 31.12.2015			
Acquisition cost 31.12.	500	5 732	6 232
Accumulated depreciation as of 31.12.	-390	-1 991	-2 382
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	-3 048
Book value as of 31.12.2016	**66**	**3 117**	**3 183**
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 2016 is MNOK 10,9, including joint cost allocation of MNOK 9,5. Part of the offices are subleased to other companies, mostly subsidiaries. Net received from subleascontracts is MNOK 9,5.
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)

	Ownership	Acquisition cost	Book value	
			2016	2015
Fixed assets:				
Sigma Drilling AS[1)]	16.1 %	5 214	-	-
Total investments in other companies		**5 214**	**-**	**-**

[1)] TTS Group impaired the value of shares in Sigma Drilling by approx 5,3 MNOK in 2014. TTS is familiar with discussions in Sigma Drilling AS on closing the company, which may give basis for a minor positive outcome for the owners of Sigma Drilling.

Note 5 – Subsidiaries and joint ventures

(Amounts in NOK 1000)

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)]	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) In 2015 book value of shares in TTS Offshore Solutions AS was impaired by TNOK 91.897, shares in TTS Marine Shanghai Co.Ltd was impaired by TNOK 4.705, and shares in TTS Marine AS was impaired by TNOK 48.000, in total TNOK 144.602

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 31.12.2016	Net Result 2016	Cost	Net book value 2016 [3)]	Net book value 2015 [4)]
	950 000	95 000	34 711	12 533	35 962	35 962	33 296
	500 000	500	11 634	9 873	6 262	6 262	6 262
	2 000 000	2 000	182 685	64 532	295 816	295 816	295 816
	47 093 503	3 500	15 759	16 660	55 176	20 214	-
	100 000	1 000	-59	-8	115	115	115
	500 000	1 000	-5 871	-7 456	516	516	516
	3 000 000	1 000	86 728	1 927	201 020	153 020	153 020
	1 141 813	1 141 813	13 490	2 497	5 064	5 064	5 064
	200 000	2 000	5 694	2 787	1 812	1 812	1 812
	2 112 500	100	-87 900	-26 084	280 040	-	-
	3 000 000	3 000	-178 422	-47 629	130 340	-	130 340
	250 000	250	8 523	-1 297	436	436	436
	400 000	400	-2 062	-1 036	12	12	12
			84 910	**27 299**	**1 012 572**	**519 227**	**626 687**

	Share capital	Number of shares	TTS Part of Equity 31.12.2016	TTS part of net Result 2016	Cost	Net book value 2016	Net book value 2015
	22 000 000	2 200	25 919	5 344	8 683	4 122	4 122
	200 000	200	-	-	-	-	-

Note 6 – Trade and other receivables

(Amounts in NOK 1000)

	2016	2015
Customer receivables	-	-
Customer receivables within group	15 049	3 538
Customer receivables to Joint Ventures	21 452	25 055
Other receivables within group	21 158	8 563
VAT	605	471
Pension fund assets	-	-
Other receivables, including prepayments	7 915	11 587
Intragroup deposit on Cash pool arrangement	88 992	42 033
Short-term receivables	**155 171**	**91 248**
Receivables maturing at over one year:		
Other receivables	-	-
Loans to subsidiaries	18 336	61 166
Total	**18 336**	**61 166**

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 147,0. A credit risk 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 – Non-current liabilities

(Amounts in NOK 1000)

	Repayment profile and maturity:					
	Nominal value 31.12.2016	**2017**	**2018**	**2019**	**2020**	**2021 and later**
Convertible Subordinated Bond Loan 2011/2019 1)	95 345	95 345				-
Term based financial facilities	271 750		50 000	221 750	-	-
Drawdown facilities	-	-				
Total loans incl. first year instalment and short term loans	367 095	95 345	50 000	221 750	-	-
- short term loans and first year instalment of non-current debt	-95 345	-95 345	-	-	-	-
Total non-current liabilities	271 750	-	50 000	221 750	-	-
Expected interest payments		21 815	20 922	318	-	-

SPECIFICATION OF LOANS:

	Loan type	Currency	Nominal interest rate	Limit 2016	Maturity	Instalment terms	Nominal value 2016	Nominal value 2015
TTS Group ASA								
Norsk Tillitsmann ASA [1)]	Convertible bond	NOK	Coupon - 12%	95 345	2017 / 2019	Balloon	95 345	95 345
Nordea	Mortgage loan	NOK	Nibor + 3,75%	100 000	2019	Term loan	100 000	-
Nordea	Drawdown facility, mortgage based	NOK	Nibor + 3,50%	200 000	2019	Balloon	-	-
DNB	Mortgage loan	NOK	Nibor + 3,50%	171 750	2019	Term loan	171 750	100 000
Total loans				567 095			367 095	195 345
Difference between nominal value and effective debt value related to convertible bond (ref. Note 9)								1 080
Net book value of bond debt and other debt to financial institutions[1)]							**367 095**	**196 425**

[1)] Presentation in this note is based on allocation and information applicable as per 31.12.2016. On 22nd March 2017 the interest rate of the Subordinated Bond Loan have been reduced from 12% p.a. to 10% p.a. Additional information available in note 9.

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 2016. 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 31.12.2016
TTS Group have met the following financial covenant requirements from Nordea and DNB end of 2016.

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 31.12.2016 is MNOK 712, which represents an equity ratio of 32.7%.

ACCUMULATED EBITDA
Covenant on accumulated EBITDA as per 31.12.2016 is > MNOK 100. Accumulated EBITDA, based on the set calculation definitions, in 2016 was MNOK 133.

MINIMUM LIQUIDITY
Covenant related to minimum liquidty reserve is MNOK 50. As per 31.12.2016, based on the set calculation definitions, the liquidity reserve was MNOK 184.

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

COVENANTS IN 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. As of Q1-2017 the financial covenants are;

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

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

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

*** Equity, including subordinated convertible bond loan

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:

	2016		2015	
	Limit	Drawn	Limit	Drawn
Group cash pool overdraft facility	200 000	78 200	300 000	218 000
Drawdown facility, operations	271 750	271 750	100 000	100 000
Guarantee limit for Group	600 000	428 300	650 000	530 800

As per 31.12.2016 all Norwegian companies (ref Note 9), as well as TTS Marine AB, TTS Liftec OY, TTS NMF GmbH and TTS Marine GmbH are part of the Group cash pool arrangement with Nordea.
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:	2016	2015
Shares in TTS Marine AB	295 816	295 816
Account/Group receivables	287 952	333 023
Inventory/Work in progress, including non-invoiced production	40 335	76 861
Property	-	-
Assets pledged as collateral	**624 103**	**705 700**

OTHER ASSETS PLEDGED AS SECURITY AND GUARANTEES:

TTS Marine AB
As pr 31.12.2016, guarantees of MSEK 157.1 (MNOK 165.4) were drawn. This amount is included in the total guarantees drawn with Nordea/DNB of MNOK 428.3 in the above table. In addition TTS Marine AB has a bank guarantee agreement with Danske Bank. As per 31.12.2016 total guarantees were MSEK 0.- (MNOK 0.-). The bank has received parent company guarantee (generell borgen) from TTS Group ASA.

TTS Marine GmbH
As per 31.12.2016, guarantees of MEUR 3.9 (MNOK 35.5) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 428.3 in the above table.

TTS NMF GmbH
As per 31.12.2016, guarantees of MEUR 5.2 (MNOK 46,9) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 428.3 in the above table.

TTS Liftec Oy
As pr 31.12.2016, guarantees of MEUR 0.1 (MNOK 0,6) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 428.3 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. At yearend 2015 the remaining nominal value of the bond facility was MNOK 95,345 with an 8% annual coupon, and conversions strike price at NOK 4,97 per share. No conversions were made during 2015.

The Extraordinary General Assembly on 5.1.2016, approved a renewal of the subordinated convertible bond facility. Nominal bond value remained unchanged at MNOK 95,345, with new expire date at 18th April 2017, 12% annual coupon and conversions strike price set at NOK 4,97 per share. No conversions 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. The extension was approved in the Extraordinary General Assembly at TTS Group ASA at March 30th 2017. The nominal bond value changed from MNOK 95,345 to MNOK 93,345, and expire at 18 Januar 2019. Interest until April 18 2017 is agreed to an 12% annual coupon. As of April 19 th 2017 the annual coupon is agreed at 10%. Conversions strike price is agreed at NOK 4,97 per share. No conversions have been made as per 20. April 2017.

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 2016 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 represent 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 prolongation 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 have agreed on 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 of less than 5% change to the overall agreement, and have been handled as a prolonging of the prior bond debt agreement.

	2016	2015
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
Nominal debt value as per 31.12 [1]	**95 345**	**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	-
Effective debt value	**95 345**	**96 425**

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

	Repayment profile and maturity:				
	2012	2013	2014	2015	2016
Subordinated convertible bond loan - nominal value	95 345	-	-	-	-95 345
Nominal interest cost	11 754	7 628	7 628	7 628	381
Calculated effective interest cost recognized in the accounts	13 654	13 479	14 589	15 910	827

PRINCIPAL BONDHOLDERS AS OF 31.12.2016:

Bondholder:		Conversion rights	Share portion if fully converted
MP PENSJON PK		6 036 217	5,71 %
SKEIE TECHNOLOGY AS [1]		3 912 474	3,70 %
SKANDINAVISKE ENSKILDA BANKEN AB	Nominee	1 685 110	1,59 %
DANSKE BANK A/S	Nominee	1 252 515	1,18 %
SKEIE CONSULTANTS AS [1]		1 207 243	1,14 %
AKERSHUS FYLKESKOMM. PENSJONSKASSE		804 828	0,76 %
TAMAFE HOLDING AS [1]		804 828	0,76 %
MERTOUN CAPITAL AS		804 828	0,76 %
SKEIE CAPITAL INVESTMENT AS [1]		704 225	0,67 %
KRISTIAN FALNES AS		603 621	0,57 %
Other		1 368 215	1,29 %
Total		**19 184 104**	**18,13 %**

[1] Bonds held by principal shareholders in TTS

Note 10 – Share capital and shareholder information

(Amounts in NOK 1000)

Date	Nominal value	Number of shares	Share capital
31.12.16	0.11	86 605 660	9 526 623
31.12.15	0.11	86 605 660	9 526 623

There were no changes to the nominal share capital in 2016 or 2015

DIVIDENDS PAID AND PROPOSED:

(NOK 1000)	2016	2015
Declared and paid during the year:	0	0
Dividends on ordinary shares	0	0

Dividend for shareholders proposed for 2016, to be paid in 2017: NOK 0 per share.
Total dividend amount proposed: NOK 0.

TREASURY SHARES:

	Number of shares	Share capital
Treasury shares as of 01.01.2015	112 882	-12 417
Sale of treasury shares 2015		-
Treasury shares as of 31.12.2015	112 882	-12 417
Sale of treasury shares 2016	-	-
Treasury shares as of 31.12.2016	112 882	-12 417

PRINCIPAL SHAREHOLDERS OF TTS GROUP ASA AS OF 31.12.2016:

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 %
SKEIE CAPITAL INVESTMENT AS [1]	4 203 361	4,85 %	4,86 %
BARRUS CAPITAL AS	3 465 005	4,00 %	4,01 %
HOLBERG NORGE	3 292 500	3,80 %	3,81 %
PIMA AS	3 015 044	3,48 %	3,49 %
SKAGEN VEKST	2 411 069	2,78 %	2,79 %
CIPI LAMP UCITS SWEDBANK SMB	2 232 886	2,58 %	2,58 %
MERTOUN CAPITAL AS	1 769 598	2,04 %	2,05 %
DANSKE BANK AS NOMINEE	1 564 417	1,81 %	1,81 %
ITLUTION AS	1 475 261	1,70 %	1,71 %
KRISTIANRO AS	1 102 287	1,27 %	1,27 %
SKANDINAVISKA ENSKILDA BANKEN AB NOMINEE	1 011 552	1,17 %	1,17 %
AVANT AS	1 000 000	1,15 %	1,16 %
AVANZA BANK AB NOMINEE	947 153	1,09 %	1,10 %
RBC INVESTOR SERVICES BANK S.A. NOMINEE	800 000	0,92 %	0,92 %
NORDNET BANK AB NOMINEE	757 869	0,88 %	0,88 %
PHAROS INVEST AS	682 000	0,79 %	0,79 %
GLASTAD INVEST AS	668 000	0,77 %	0,77 %
SIX-SEVEN AS	551 250	0,64 %	0,64 %
Total, 20 largest shareholders	**65 117 521**	**75,19 %**	**75,29 %**
own shares	112 082	0,13 %	0,00 %
Total other	21 376 057	24,68 %	24,71 %
Total	**86 605 660**	**100,00 %**	**100,00 %**

[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. Bjarne Skeie indirectly holds 10% of the voting shares and 10% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 300.000 shares through Skeie Consultants AS.
[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	**20.04.17**	**31.12.16**	**31.12.15**	**20.04.17**	**31.12.16**	**31.12.15**	**20.04.17**	**31.12.16**	**31.12.15**
Trym Skeie [1), 3)]	573 140	573 140	573 140	-	-	-	804 829	804 829	804 829
Bjarne Skeie [2), 3)]	27 159 124	27 159 124	27 159 124	-	-	-	1 207 243	1 207 243	1 207 243
Anita Kråkenes	-	2 000	2 000	-	-	-	-	-	-
Group Executives									
Toril Eidesvik 4)	50 000	50 000	50 000	-	-	-	-	-	-
Björn Andersson	75 000	75 000	75 000	75 000	75 000	150 000	-	-	-
Henrik Solberg-Johansen	50 000	50 000	50 000	50 000	50 000	62 500	-	-	-
Edgar Bethmann	20 000	20 000	20 000	50 000	50 000	62 500	-	-	-

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) Bjarne Skeie indirectly holds 10% of the voting shares and 10% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 300.000 shares through Skeie Consultants AS.
3) Per 20.04.2017 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.
4) Toril Eidesvik own 100 % of the shares and voting shares in Zahlahuset AS.

On the 2 June 2016, the Annual General Meeting adopted a resolution to give the Board 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 30.06.2017. No shares have been issued on the basis of this authorisation as of 20 April 2017.
On the 2 June 2016, 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 2011/2017 up to a total of NOK 150 000 000. The authoritiy is valid until the the next Annual General Meeting or latest 30.06.2017

On the 2 June 2016, the Annual General Meeting adopted a resolution to give the Board 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 30.06.2017. No shares have been bought on the basis of this authorisation as of 20 April 2017.

On the 8 June 2015, the Annual General Meeting adopted a resolution to give the Board 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 30.6.2017. As per 20.04.2017 a total of 600 000 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 2016, 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 2016 and the first quarter of 2017, in addition to options not previously exercised. Option granted to people leaving TTS Group are terminated.

On the 2 June 2016, the Annual General Meeting adopted a resolution to give the Board 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 20.04.2017 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.

ALLOCATION OF OPTIONS:

Name	Position	Company	Number of options exercisable until 08.06.2017	Exercise price	Total
Senior executives					
Toril Eidesvik	President & CEO	TTS Group ASA	-		-
Henrik Solberg-Johansen	CFO	TTS Group ASA	50 000	4,75	50 000
Holger Elies	EVP BUCBT	TTS Marine GmbH	25 000	4,75	25 000
Tor Henning Ramfjord	EVP BURCN	TTS Group ASA	-		-
Lars Ragnar Djupevåg	EVP BUOFF	TTS Offshore Solutions AS	12 500	4,75	12 500
Frank Rudnik	EVP BUSER	TTS Marine GmbH	-		-
Björn Andersson	EVP Business development and improvement	TTS Group ASA	75 000	4,75	75 000
Edgar Bethmann	EVP Business development	TTS Marine GmbH	50 000	4,75	50 000
Other executives	**various**	**various**	**262 500**	**4,75**	**262 500**
Total number of options to executives			**475 000**		**475 000**

During 2016 no share options have been exercised from Senior Management.
During 2015 no share options have been exercised from Senior Management.

In accordance with authorities granted by the Annual General Meeting in 2015 and 2016, TTS Group ASA has issued a share option program to Senior Executive Group.

Through these programs, Senior Executive Group 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 2015 and 2016 was 43% and 43% respectively. Risk-free interest rate applied for options issued in 2015 and 2016 was 1,16% and 1,16% resepectively. For 2016 (2015), option premium of MNOK 0,6 (MNOK 0,9) has been charged as expenses classified as salary in the profit and loss statement. Payroll tax is charged when share options are realized.

Subordinated convertible loan:
On 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 is set to 18.4.2017. Annual interest rate is set to 12%. Convertion strike price is set at 4,97.

The maximum number of shares to be issued at full conversion was 19 184 104, equivalent to a dilution effect of 18,13%. There have been no changes to the nominal debt amount, or conversion prices in 2016.

The 22. March 2017 TTS Group ASA reached an agreed with it's bondholders to extend the subordinated convertible bond loan with a nominal value of MNOK 95,345. Formal renewal were approved in a extraordinary general meeting at 30th March 2017. Based on the renewed agreement the maturity date is set to 18.1.2019. Annual interest until 18.4.2017 is set to 12% p.a.. Annual interest from 19.01.2017 until maturity date is set to 10%. Convertion strike price is unchanged from yearend 2016 at 4,97

Please find additional information relating to the subordinated convertible loan in Note 9.

THE FOLLOWING COMPANIES ARE INCLUDED IN TTS GROUP CONSOLIDATED FINANCIAL STATEMENTS:

Company	Owner	Ownership interest	Control	Currency	Share capital	Number of shares
TTS Syncrolift AS	TTS Group ASA	100 %	100 %	NOK	950 000	95 000
Norlift AS	TTS Group ASA	100 %	100 %	NOK	500 000	500
TTS Marine AB	TTS Group ASA	100 %	100 %	SEK	2 000 000	2 000
TTS Marine Shanghai Co Ltd	TTS Group ASA	100 %	100 %	CNY	47 093 503	3 500
Hydralift Marine AS	TTS Group ASA	100 %	100 %	NOK	100 000	1 000
TTS Cranes Norway AS	TTS Group ASA	100 %	100 %	NOK	500 000	1 000
TTS Marine AS	TTS Group ASA	100 %	100 %	NOK	3 000 000	1 000
TTS Singapore Pte. Ltd.	TTS Group ASA	100 %	100 %	SGD	1 141 813	1 141 813
TTS Greece Ltd.	TTS Group ASA	100 %	100 %	EUR	200 000	2 000
TTS Offshore Solution AS	TTS Group ASA	100 %	100 %	NOK	2 112 500	100
TTS NMF GmbH	TTS Group ASA	100 %	100 %	EUR	3 000 000	3 000
TTS Polen sp. z o.o.	TTS Group ASA	100 %	100 %	PLZ	250 000	250
TTS Marine Inc.	TTS Marine AB	100 %	100 %	USD	190 000	1 900
TTS Marine GmbH	TTS Marine AB	100 %	100 %	EUR	255 646	5 000
TTS Liftec Oy [1]	TTS Marine AB	100 %	100 %	EUR	76 500	1 020
TTS Marine S.r.l	TTS Marine AB	100 %	100 %	EUR	10 400	1 000
TTS Vietnam Co. Ltd	TTS Marine AB	100 %	100 %	VND	10 000	1 000
TTS Brasil Services Ltda	TTS Marine AS	100 %	100 %	BRL	400 000	400
TTS Marine Ostrava s.r.o	TTS Marine GmbH	100 %	100 %	CZK	9 000 000	1 000
TTS Marine GmbH Korea Co. Ltd	TTS Marine GmbH	100 %	100 %	KRW	1 513 390 000	1 000
TTS Marine Equipment Ltd.	TTS Marine GmbH	100 %	100 %	CNY	15 728 611	1 000
TTS Marine Services LLC - (Dubai)	Hydralift Marine AS	100 %	100 %	AED	100 000	100
TTS Benelux NV - (Rotterdam)	Hydralift Marine AS	100 %	100 %	EUR	62 000	620
TTS SCM Marine and Offshore Machinery Co. Ltd [2]	TTS NMF GmbH	50 %	100 %	CNY	32 000 000	32000
TTS SCM International Trading Co. Ltd	TTS SCM Marine and Offshore Machinery Co. Ltd	50 %	100 %	CNY	100 000	100
TTS Hua Hai Ships Equipment Co Ltd [3]	TTS Marine AB	50 %	100 %	CNY	11 000 000	11000
Shanghai TTS Hua Hai International Trade Co., Ltd [3]	TTS Hua Hai Ships Eq Co Ltd.	50 %	100 %	CNY	1 000 000	1000

[1] TTS Liftec OY was sold as per 17.02.2017
[2] 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.
[3] 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.

Note 11 – Tax

(Amounts in NOK 1000)

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

	1.1. 2015	Changes 2015	31.12.2015	Changes 2016	31.12. 2016
Deferred tax					
Fixed assets	551	99	650	-	650
Pension fund / liabilities	0	-	0	-	0
Credit deduction carried forward	-10 830	802	-10 028	10 028	-
Allowance carried forward	-		-		-
Convertible debt	0		0		0
Tax loss carry forward	-63 575	7 846	-55 729	-3 972	-59 701
Net deferred tax (assets = - / liabilities = +)	**-73 853**	**8 736**	**-65 106**	**6 056**	**-59 049**
Unrecognized deferred tax assets related tax losses	63 575	7 846	55 729	3 972	59 701
Unrecognized deferred tax assets related to other temporary differences	10 278	-620	9 377	-10 028	-651
Net deferred tax reported (assets = - / liabilities = +)	**-**	**-**	**-**	**-**	**-**

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 in full as per 31.12.2014.

BREAKDOWN OF DIFFERENCES BETWEEN PROFIT BEFORE TAX AS PER THE ACCOUNTS AND TAX BASIS FOR YEAR:

	2016	2015
Result before tax	-240 388	66 950
Permanent differences	101	52
Change to temporary profit/loss differences	-	-99
Reversed share of profits/losses in subsidiaries and joint ventures	183 857	-119 866
Application of loss to be carried forward	-	-
Tax basis for year	**-56 430**	**-52 963**

BREAKDOWN OF TAX COSTS:

	2016	2015
Tax payable	-	-
Withholding tax from activities outside Norway	225	143
Not allocated deferred tax related to tax losses	13 543	13 241
Other changes to deferred tax	-13 543	-13 241
Tax cost	**225**	**143**

EXPLANATION AS TO WHY THIS YEAR'S TAX COSTS ARE NOT 24% / 25 % OF PROFIT BEFORE TAX:

	2016	2015
24% / (25 %) of profit before tax	-57 693	16 738
Permanent differences	44 150	-29 954
Allocated profit from subsidiaries and joint ventures	-	-
Allocated reduction of deferred tax asset from group	13 543	13 216
Withholding taxes	225	143
Estimated tax cost	**225**	**143**

Note 12 – Cash and cash equivalents

(Amounts in NOK 1000)

	2016	2015
Bank deposits, cash etc. as per 31.12.[1)]	297	398
Deposits (+)/withdrawals (-) from cash pool account system as at 31.12.	146 991	42 033

[1)] Restricted bank deposits per 31.12.2016 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 31.12.2016 was MNOK 77,9, and MNOK 218,0 as per 31.12.2015. Net deposits from TTS Group ASA was MNOK 147,0. Amount classified as intercompany asset in 2016 is 147,0, and intercompany asset of MNOK 42,0 in 2015. Drawdown facilities, security and covenants are described in Note 7 and 8. An impairment of MNOK 58,0 related to the TTS NMF Gmbh ability to repay its drawdown in the cash pool has been allocated as per 31.12.2016.

Note 13 – Other current liabilities

(Amounts in NOK 1000)

	2016	2015
Provision for holiday pay	1 289	1 384
Other provisions for costs	5 802	26 132
Total other current liabilities	**7 091**	**27 516**

Note 14 – Other operating costs

(Amounts in NOK 1000)

	2016	2015
Building lease, cost of premises	4 924	2 305
IT costs	1 746	1 242
Marketing, travel	8 008	9 292
External services	32 814	36 419
Other	2 724	1 890
Total other operating costs	**50 216**	**51 148**

Note 15 – Related parties

(Amounts in NOK 1000)

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.

	2016	2015
Sales, Royalties, Sales fees, Group fee:		
Subsidiaries	39 632	37 436
Joint ventures	11 385	11 709
Cost of sales:		
Subsidiaries	-	-
Joint ventures	-	-
Balance sheet items related to purchase and sale of goods and services:		
Current receivables		
Subsidiaries accounts receivables	15 049	3 538
Subsidiaries other short term receivables	-	8 563
Deposit in cash pool	146 992	42 034
Joint ventures	21 452	25 055
Current liabilities		
Subsidiaries	24 861	22 842
Joint ventures	-	-

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)

	2016	2015
Dividend from subsidiaries and equity consolidated companies	74 501	258 759
Contribution from subsidiaries	-	-
Gain sale subsidiaries	-	-
Interest income from companies in same group	16 230	15 637
Other financial income	12 497	7 172
Interest paid to companies in same group	-1 393	-3 007
Interest paid to financial institutions	-27 897	-29 557
Write down shares in subsidiaries 1)	-160 597	-144 602
Write down financial receivables from subsidiaries 2)	-108 000	-
Other financial costs	-8 705	-5 530
Net exchange rate gains (losses)	-2 067	4 753
Total	**-205 433**	**103 626**

[1] Shares in TTS NMF has been impaired by MNOK 130,240. Shares in TTS Marine Shanghai has been impaired by MNOK 30,357
[2] 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:	**2016**	**2015**
Currency exchange income	34 830	53 752
Currency exchange costs	-36 898	-48 999
Total	**-2 067**	**4 753**

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, which comprise the balance sheet as at 31 December 2016, the income 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 financial statements of the Group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, 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 parent company as at 31 December 2016, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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, included 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 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. Assessment of the carrying value of goodwill and other intangible assets

Reference is made to note 2 Summary of the most central accounting principles and note 7 Intangibles.

The risk	*Our approach*
The impairment assessment of goodwill and intangible assets, with carrying values of TNOK 575.799 and TNOK 89.356 respectively, is considered to be a risk area due to the size of the balances, recent impairments and the current economic environment in the Group's operating segments and jurisdictions. The recoverability of these assets are dependent on future cash flows that these assets are expected to generate. The Board of Directors and the General Manager ("Management") have performed impairment calculations for goodwill and other intangible assets. Estimating future cash flows involves uncertainty and the use of judgement. The risk is also increased by the uncertainty that exists in several of the markets in which the Group operates. In 2016 the Group has recognized an impairment charge in respect of goodwill associated with their operations in TTS NMF of TNOK 82.300	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. - Using KPMG valuation specialists to assess the mathematical and methodological integrity of Management's impairment models and to assess the reasonableness of discount rates and other key assumptions applied with reference to market data. - Challenging Management's assumptions by reference to relevant external estimates relating to growth factors and industry averages. - Evaluating the accuracy of Management's prior year assumptions and estimates by reference to actual results. - Assessing Management's future contract margins assumptions with reference to historical actuals for similar projects, recent trends in project profitability at tender/contract award/final result and Board approved budgets where relevant. - Assessing the Group's sensitivity analysis for changes in key assumptions, and performing our own sensitivity analysis for the calculation of value in use. - Evaluating whether the disclosures in the financial statements on key assumptions and sensitivities adequately reflect the underlying goodwill and intangible assets impairment assessments

2. Assessment of the carrying value of deferred tax asset

Reference is made to note 18 in the consolidated financial statement where it is stated that the carrying value of deferred tax asset is TNOK 29.680.

The risk	*Our approach*
The basis for the Group's deferred tax asset is net operating losses carried forward from its entities in Norway and Germany. Management have prepared an assessment of the Group's ability to utilize the net operating loss carried forward on a country-by-country basis.	We have evaluated management's assessment of the capitalized deferred tax assets. Our audit procedures included, among others; - Comparing estimated future taxable earnings with the Group's budgets and strategy documents approved by the Board of Directors.

Estimating future taxable earnings involves uncertainty and the use of judgement. In addition to the inherent risk in estimating the future, there is increased risk due to the uncertainty that exists in several of the markets in which the Group operates.	- Challenging the appropriateness of the estimated future taxable earnings in light of historical taxable earnings as well as external estimates relating to growth factors and industry averages where this has been relevant and available. - Assessing the current year estimated future taxable earnings by reference to contracted work within the existing backlog. - Evaluating the appropriateness of the disclosures in the financial statements related to the valuation of deferred tax assets.

3. Assessment of the going concern assumption, liquidity and compliance with debt covenants requirements

Reference is made to information in the Board of Directors report, section 3 in the Accounting Principles, note 12 (Loans and non-current liabilities), 13 (Assets pledged as security and guarantees), 14 (Net interest-bearing debt) and 15 (Convertible Bond loan) relating to the Group's financial position and the going concern assumption.

The risk	*Our approach*
The bank loans and bond loan matured during 2016 and early 2017 respectively. The refinancing of the bank loan was finalized on 19 December 2016, and the terms and conditions of the extended bond loan were agreed on 22 March 2017. As both the bank loan and the bond loan were refinanced, the uncertainty related to going concern was reduced. The new bank loan agreements include several financial covenants. If these covenants should not be met, this might affect the entity's ability to continue as a going concern.	Our audit procedures in this area included, among others: - Examining reports, correspondence with financial institutions and attended meetings with the Audit Committee and Board of Directors. - Reviewing the Group's rolling forecasts on cash and liquidity in relation to the going concern assumption. - Reading and understanding the terms and conditions included in the new agreements and evaluating Management's assessment of the classification of the loans and the group's ability to continue as a going concern. - Comparing Management's model for calculating the covenant ratio with the terms of the loan agreement, and Performing a recalculation of Management's calculation of covenants ratios. We also assessed the adequacy of the Group's disclosures regarding the going concern assumption, covenants and loan arrangements.

4. Revenue recognition

Reference is made to Accounting Principles, where management has described the most important accounting principles for TTS Group's consolidated accounts.

The risks	*Our approach*
Revenue from serial production is recognized	Our audit procedures included, among others;

when the risk and reward is transferred to the buyer. Due to the complexity in assessing the transfer of risk and rewards of ownership there is an inherent risk that revenue is recognized in the incorrect period. Management's assessment is affected by the complexity of the contract and the goods and services delivered. If the contract is a long-term construction contract, the percentage of completion method is applied to estimate project income and project costs. Accounting for long-term construction contracts is considered a risk area due to the significant judgement and estimation applied by management, as well as the degree of complexity of the contracts. The key judgements and estimates applied by management include their assessment of the stage of project completion as well as assessing the estimated future contract revenue and cost outcomes.	- Assessing the group's internal guidelines and instructions relating to the different flows of income against the prevailing accounting standards for revenue recognition under IFRS. - Evaluating the routines and testing the relevant controls relating to revenue recognition. - Performing our own independent assessment, with reference to the relevant accounting standards, of the accounting basis that should be applied to selected contracts. For the significant long-term construction contracts, we have developed project specific risk assessments to focus further audit efforts on those estimates with the highest degree of uncertainty and impact. Our procedures included: - Separate discussions with project leaders, project controllers and Management, assessing if the risks identified are included in the project accounts. - Assessing the Group’s ability to deliver contracts within budgeted margins by analyzing the historical accuracy of forecasting margins. We challenged Management’s current process based on prior year experience. - Corroborating Management's contractually based revenue and cost amounts included in project forecasts with reference to signed contracts and variation orders. - Recalculating the project results recognised with reference to the stage of completion, including an assessment of Management's stage of completion estimate. - Using our cumulative knowledge of project issues, estimates and judgments to challenge the appropriateness of the contract positions reflected in the financial statements at the reporting date. - Evaluating the adequacy and appropriateness of the disclosures in the financial statements.

5. Complexity in respect of the application of hedge accounting

Reference is made to note 22 to the consolidated financial statement where principles used for hedge accounting is described, and the foreign exchange rate exposure for the Group's financial statement are stated.

The risk	*Our approach*
The Group manages its exposure to foreign currency risk by means of derivative financial instruments. The Group applies hedge accounting to a significant part of its derivatives portfolio to match results on the derivatives and related hedged positions. The accounting treatment of derivatives is dependent on whether the hedge relationship qualifies for hedge accounting or not. In accordance with IAS 39, hedge effectiveness testing is required to be performed. Given the significance of the application of hedge accounting for the financial position as a whole and the inherent complexity we have paid specific attention during our audit to the application of hedge accounting.	Our audit procedures included, among others; - Evaluating the Group's hedge documentation in light of the Group's Board of Directors approved hedging strategy and the requirements under IAS 39. - Evaluating the Group's hedge documentation and identification process for new hedge relationships. - Assessing the calculation method of the defined hedged risk. - Evaluating the Group's hedge effectiveness testing through test of a sample of inputs to the calculation and re-performing hedge effectiveness calculations. - Assessing whether the accounting requirements were met for each hedge relationship for the selected sample to be tested. - Comparing listed hedge transactions with external confirmations from finance institution. - Assessing whether the disclosure requirements were met in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, 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 and fair presentation of the financial statements of the parent company in accordance with 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 parent 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 scepticism 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'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 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 coverage of the loss 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 2017
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 2016

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 2016 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 2016 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, 26 April 2017
THE BOARD AND MANAGEMENT OF TTS GROUP ASA

Trym Skeie
CHAIRMAN OF THE BOARD

Britt Mjellem
DIRECTOR

Gisle Rike
DIRECTOR

Marianne Sandal
DIRECTOR

Bjarne Skeie
DIRECTOR

Anita Kråkenes
DIRECTOR

Morten Aarvik
DIRECTOR

Toril Eidesvik
PRESIDENT & CEO

ALTERNATIVE PERFORMANCE MEASURE - EBITDA

TTS GROUP

1 JANUARY - 31 DECEMBER

Continued business	2016	2015
OPERATING REVENUE		
Project revenue	3 086 706	3 051 243
Other income	-	-
I Sum operationg revenue	**3 086 706**	**3 051 243**
OPERATIONAL COST		
Cost of sales	1 955 972	1 939 679
Personnel costs	670 935	699 224
Losses on accounts receivable	12 101	12 600
Income from investments in equity consolidated companies (profit = -)	60 872	-115 889
Other operating expenses	316 696	360 645
II Sum operational cost	**3 016 576**	**2 896 259**
EBITDA (I-II)	**70 130**	**154 984**

TTS GROUP ASA
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