Annual Report

TTS GROUP ASA | 2018

TTS

Key figures

BASED ON ALTERNATIVE PERFORMANCE MEASURES

	2018	2017	2016	2015 [1]	2014
ORDERS AND RESULTS (MNOK)					
Order backlog (MNOK) [2]	2 930	2 802	2 722	4 015	3 627
Order intake (MNOK) [1,2]	2 625	2 267	2 398	2 733	2 446
Revenue	2 063	2 183	3 087	3 051	2 453
EBITDA	80	53	70	155	105
EBITDA margin	3,9%	2,4%	2,3%	5,1%	4,3%
BALANCE SHEET (MNOK)					
Total assets	2 416	2 328	2 175	3 026	2 411
Total equity	514	607	616	855	610
Equity ratio (total equity/total assets)	21,3%	26,1%	28,3%	28,3%	25,3%
SHARE					
Share price 31 December	6,38	4,20	3,78	2,79	4,75
Basic earnings per share (NOK)	-0,33	-0,39	-1,40	-0,55	0,21
EMPLOYEES					
Total employees 31 December	773	804	1 013	1 093	1 053
Sick-leave rate	2,8%	3,5%	3,3%	2,6%	2,6%

1) TTS Hua Hai consolidated as of 2Q/2015.

2) Including 50% of order reserve in equity consolidated companies.

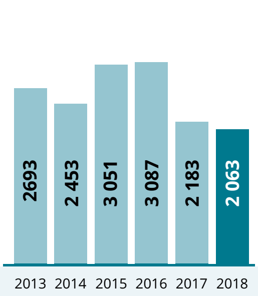
BASED ON IFRS-PRESENTATION

	2018	2017	2016 [1]
ORDERS AND RESULTS (MNOK)			
Order backlog (MNOK) [2]	629	458	335
Order intake (MNOK) [2]	388	351	418
Revenue	220	211	202
EBITDA [2]	17	11	-14
EBITDA margin [2]	7,7%	5,0%	-6,9%
BALANCE SHEET (MNOK)			
Total assets	2 416	2 328	2 175
Total equity	514	607	616
Equity ratio (total equity/total assets)	21,3%	26,1%	28,3%

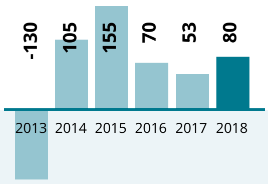
1) Figures restated to IAS19 (Revised), ref Accounting principles 2.1.a)

2) As the IFRS regulations do not define order backlog/-intake/ EBITDA the numbers are presented as alternative performance measures

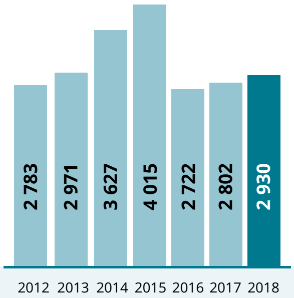
CONSOLIDATED REVENUE *



CONSOLIDATED EBITDA *



CONSOLIDATED ORDER BACKLOG



*) APM BASED

INTRODUCTION TO ALTERNATIVE PERFORMANCE MEASURES (APM'S)

TTS Group discloses alternative performance measures in addition to those normally required by IFRS. TTS is of the opinion that APM's are providing an enhanced insight into the operations and future prospects of the company. APM's are used as an integral part of the Management and Board of Directors key performance measure reporting and controls. Furthermore, securities analysts, investors and other interested parties, frequently use such performance measures.

APM's used by the company does not distinguish between continued and discontinued business. Hence the APM reporting encompasses the entire TTS Group, including both the consolidated statement of comprehensive income, and the consolidated statement of financial position. The reasons for this are; (1) Management reporting is based the numbers for the total TTS Group, (2) To ensure comparability with previous reporting, (3) Better reflection of the actual activity in the TTS Group as a total, and (4) Reflects the condition set out in the SPA signed in connection with the expected Cargotec transaction.

In Appendix 1, the calculation of APM EBITDA is presented both for continued and discontinued business, while the table in the Director's report on page 6 of the annual report shows the reconciliation between reported continued business and APM used for the key reporting figures.

REVENUE MEASURES

TTS recognizes revenue based on IFRS regulations. Implementation of IFRS 15 as of 1 January 2018 requires TTS to recognize revenue in accordance with performance obligations in the contracts. The change creates a discrepancy between how revenue is recognized based on IFRS 15 versus the operational value creation from the business and the associated cash flow. Operationally TTS recognizes project revenue from businesses with "made to order" contracts "over time", and "configure to order" contracts at "point in time". IFRS 15 requires TTS to recognize a significantly larger portion of its revenue as "point in time". The difference in a given period can be significant.

PROFIT MEASURES

EBITDA is short for "earnings before interest, taxes', depreciations, amortization and impairment" in the consolidated income statement in the annual report.

EBIT is short for "earnings before interest and taxes. EBIT corresponds to "operating profit/loss" in the consolidated income statement in the annual report.

Margins such as EBITDA margin and EBIT margin are used to compare relative profit between periods. The margins are calculated as EBITDA or EBIT divided by revenue.

Nonrecurring items may not be indicative of the ongoing operating result or cash flow of the company. Profit measures excluding nonrecurring items are presented as an APM to improve comparability of the underlying business performance between periods.

ORDER INTAKE MEASURES

Order intake and order backlog are presented as APM's as they are indicators of the company's revenue generation and operations in the future.

Order Intake includes new signed contracts in the period in addition to expansion of existing contracts and any cancellations of contracts. For new build contracts, the order intake is based on the signed contract value excluding potential options and change orders. For service contracts, the order intake is based on the value of the service orders received.

Order backlog represents the estimated value of remaining work for signed new build contracts, and does not include the value of service orders (included in the order intake defined above).

CONTENT

The Board of Directors

TRYM SKEIE

CHAIR OF THE BOARD

Mr. Skeie (b. 1968) is one of the main founders of Skagerak Venture Capital and Skagerak Maturo Capital, where he currently is a partner. He holds the Chair of Board of Directors position in several venture and growth companies. Skeie has been working as an Investment Manager with Kistefos Venture Capital, management consultant in Accenture 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 Chair of the Board of TTS Group ASA since November 2009.

BRITT MJELLEM

DIRECTOR OF THE BOARD

Ms. Mjellem (b. 1961) is a consultant and independent member of several boards. She has studied Economics and Marketing at the University of Mannheim, Germany. She has previously held senior positions in banking, finance, staffing industry and within oil service. She has extensive board experience including from DOF ASA (2005- 2012) and Store Norske Spitsbergen Kullkompani AS (2014-2018) She is currently inter alia Chair of the Board of Anders O Grevstad, Director of the Board of Bertel O. Steen Teknikk AS and Director of the Board of Allier Gruppen.

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

GISLE RIKE

DIRECTOR OF THE BOARD

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

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

MARIANNE SANDAL

DIRECTOR OF THE BOARD

Ms. Sandal (b. 1965) is an independent board member. She is COO in poLight ASA. Sandal 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 Nera ASA, Q-Free ASA and poLight ASA since 1998, and through this gained more than 15 years of experience heading worldwide operational activities within the area of Telecommunications, Intelligent Transport System and consumer related products.

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

LEIF HAUKOM

DIRECTOR OF THE BOARD

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

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

RAKEL SIMMENES

DIRECTOR OF THE BOARD EMPLOYEE ELECTED

Ms. Simmenes (b. 1967) is Vice President Finance for "TTS Energy" (Business units Offshore and Multipurpose, General cargo). She joined TTS in 2014. In addition to be responsible for financial matters, she has worked with organizing and structuring of the business unit. Previously she held similar positions in other offshore-related companies. Simmenes has a Master of economics and business administration from University of San Diego, USA and holds a M.Sc. in Accounting and Auditing as well as an executive MBA in Strategic management from The Norwegian School of Economics (NHH).

Simmenes has been an employee elected Director of the Board of TTS Group ASA since 2018.

MORTEN AARVIK

DIRECTOR OF THE BOARD EMPLOYEE ELECTED

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

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

Directors' report

In the following we will distinguish between TTS Group (all entities as per 31 December 2018, of which approximately 90% is included in the Cargotec Transaction), and continued business (TTS Group ASA and TTS Syncrolift AS).

TTS Group increased the order backlog in 2018 and delivered the best EBITDA result since 2015. The table below is a bridge reconciling the difference between the consolidated financial statements and the Alternative Performance Measures (APM) numbers used in this report.

TTS GROUP	2018 Key Figures - Reconciliation IFRS vs APM Figures				
	IFRS			APM [3]	
MNOK	Continued [1]	Discontinued [2]	Total Group	Adjustment [4]	Total Group
Revenue	220	1 640	1 860	203	2 063
EBITDA	17	38	55	25	80
Order intake	388	2 237	2 625	-	2 625
Order backlog	629	2 504	3 133	-203	2 930

[1] Reference is made to the consolidated statement of income

[2] Reference is made to Note 28

[3] Reference is made to Appendix 1

[4] The APM adjustment equals the difference in key figures based on IFRS and APM respectively. Any and all APM adjustments relates to discontinued business.

The operating performance was good, despite several markets still being close to the bottom in the new-build cycle. Hence, the market conditions in many of the key markets remained challenging with hard bid competition, and pressure on gross margins.

TTS Group announced in February 2018 an asset sale agreement with Cargotec Oyj (the Cargotec Transaction). The transaction is subject to approvals from relevant competition authorities. We are still waiting for the approval from the Chinese competition authorities. The closing will take place as soon as the approval has been given, and Cargotec confirmed that the closing conditions are met.

In addition to the challenging market, the delay in the expected closing of the Cargotec Transaction had an unfavorable influence on the operational performance of the business.

Even with the circumstances described above and a significantly reduced revenue level, the reported APM EBITDA of MNOK 80 was the highest since 2015 on a nominal basis. The total APM 2018 revenue represents approximately 2/3 of the 2015 revenue on a nominal basis, see table above.

The total order intake for the group has increased compared to 2017, and the overall book to bill was 1.2 for 2018. The order backlog of MNOK 2.930 was more diverse and solid compared to 2017.

The BU SYS (continued business) results in 2018 were at an all-time high. Both revenue and results were higher compared to 2017.

FINANCIAL HIGHLIGHTS

TTS GROUP

- TTS Group APM revenue was MNOK 2.063, a reduction of 5.6% compared to 2017 (MNOK 2.183).
- TTS Group APM EBITDA for the year was MNOK 80, a MNOK 27 increase compared to 2017 (MNOK 53), with a 2.5 percentage point increase in the EBITDA margin to 3.9%. The margin improvement was achieved through lower operating costs compared to 2017 and change in the revenue mix with increased contribution from higher margin businesses.
- The order backlog at the end of 2018 was MNOK 2.930 including 50% of the order backlog of MNOK 175, in the equity consolidated Chinese Joint Venture Company, TTS Bohai (TBH) (50/50 owned). In 2017, the backlog was MNOK 2.802 including MNOK 111 from TBH.
- Agreed sales price for the assets included in the Cargotec Transaction is MNOK 840 on cash free/debt free enterprise value basis. Final settlement is subject to the amount of working capital and net debt adjustments at closing.

CONTINUED BUSINESS

Revenues for the continued business was MNOK 220 a MNOK 9 increase from 2017 (MNOK 211). Reported EBITDA was MNOK 17 compared to MNOK 11 in 2017.

Profit before tax was MNOK 13 in 2018, compared to MNOK 4 in 2017. The improvement in profits was a result of strong operating performance in BU SYS and lower costs in TTS Group ASA. The order backlog for the continued business was MNOK 629, up from MNOK 458 in 2017.

TARGET AND STRATEGY

At closing of the Cargotec Transaction, a significant part of the TTS businesses will be sold. The group will be renamed Nekkar ASA.

The total number of employees in the group going forward will be approximately 40-45 of which the majority are employed in TTS Syncrolift AS.

After the closing of the financial year 2018, TTS Group acquired in April 2019 51% of the shares in Intellilift AS, a software company established in 2017 to develop control systems, data acquisition software and visualization tools for remote operations in the offshore energy business, and other related industries.

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

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

FUTURE OPERATIONS AND BUSINESS UNITS

TTS Group, under the new name Nekkar ASA will remain headquartered in Bergen, Norway. In the future, the operation will be organized around business areas rather than business units. As per closing of the contemplated Cargotec Transaction, Business Unit Shipyard Solutions, will through the subsidiary TTS Syncrolift AS initially be the main cash-generating business, and continue to conduct its operations out of Drøbak, Norway. The company will be renamed "Syncrolift AS" after closing of the transaction. TTS Syncrolift has subsidiaries in the US and in Singapore. Intellilift AS is located in Kristiansand, Norway.

TTS Syncrolift AS

TTS Syncrolift AS offers turnkey and customized solutions for shipyards around the world. The product range includes shiplifting systems for launching and retrievals of vessels, transfer systems for a fast and reliable way of moving vessels around the yard, and the FastDockingTM products for efficient operations during docking and maintenance of vessels.

Intellilift AS

As referred to in the strategy section, TTS Group acquired 51% of the shares in Intellilift AS. Intellilift is a software company established in 2017 for developing control systems, data acquisition software and visualisation tools for remote operations in the offshore energy business, and other related industries.

TTS GROUP

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

The TTS Group operates on a worldwide basis and had 773 employees at the end of 2018 (2017: 804) of which 51 (2017: 21) were temporary. 36 employees worked for the continued business, 11 in TTS Group ASA and 25 in BU SYS.

GEOGRAPHICAL BREAKDOWN OF EMPLOYEES

COUNTRY	Number of employees	% of Total employees	Employees Cont. Bus.	Employees Discont. Bus.
Norway	164	21%	36	128
Germany	139	18%		139
China	165	21%		165
Sweden	120	16%		120
South Korea	42	5%		42
Poland	73	9%		73
Vietnam	25	3%		25
Other	45	6%		45
	773	100%	36	737

REVIEW OF THE ANNUAL ACCOUNTS

ANNUAL RESULTS FOR 2018

TTS GROUP	Consolidated		Continued Bus		Discontinued Bus	
MNOK	2018	2017	2018	2017	2018	2017 [3]
Revenue	1 860	2 183	220	211	1 640	1 972
EBITDA [2]	55	53	17	11	38	43
EBITDA margin (%)	3.0%	2.4%	7.7%	5.2%	2,3%	2.3%
Order intake	2 625	2 267	388	351	2 237	1 916
Order backlog [1]	3 133	2 802	629	458	2 504	2 344

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

[2] 2018 EBITDA includes bad debt provisions of MNOK 24 in BUMPG and BUCBT. 2017 EBITDA includes a restructuring cost of MNOK 50, and MNOK 13 in bad debt provision related to an old contract.

[3] TTS Liftec OY, a former part of BUSYS, was sold in 1Q/2017. Profit from the transaction is calculated to MNOK 18.4 and classified as a finance transaction.

TTS GROUP

The company implemented IFRS 15 effective 1 January 2018. The implementation of the standard had a significant impact on revenue recognition hence financial results for the year 2018.

TTS Group revenue were MNOK 1.860 down 14.8% from 2017 (MNOK 2.183), of which MNOK 203 was a consequence of deferred revenue recognition related to IFRS 15. In addition, revenue were down in Business Unit Container, Bulk, Tank (BU CBT), Business Unit Multipurpose, General Cargo (BU MPG) and Business Unit Offshore (BU OFF), partially offset by increase in Business Unit RoRo, Cruise, Navy (BU RCN), Business Unit Services (BU SER) and Business Unit Shipyard Solutions (BU SYS). The decrease in non-IFRS related revenue was mostly as result of lower order intake during 2016 and the first half of 2017 reflecting the adverse market conditions for both the marine and offshore industry.

The gross profit was reduced compared to 2017, but was offset by lower operating costs. Reported EBITDA of MNOK 55 was MNOK 2 higher than in 2017 (MNOK 53). The 2018 EBITDA included MNOK 24 in bad debt provisions related to an old contract.

For 2017, reported EBITDA was MNOK 53, and included MNOK 50 in restructuring charges and MNOK 13 in bad debt provisions related to an old contract.

The 2018 APM EBITDA was MNOK 80.

OVERVIEW RESTRUCTURING AND NON-RECURRING COSTS

Overview restructuring and non-recurring costs MNOK	Full year 2018	 2017
Continued business	-	5
Bad debt provision and restructuring cost discontinued business	24	59
Total restructuring and non-recurring costs	**24**	**64**

TTS Group's net finance costs in 2018 were MNOK 2 (2017: MNOK 5). Net interest costs were approximately at the same level as in 2017.

Finance costs in the discontinued business were MNOK 63 (2017: MNOK 33). 2018 included MNOK 27 of transaction costs related to the Cargotec Transaction.

CONTINUED BUSINESS

Total revenue for the continued business in 2018 was MNOK 220 compared to MNOK 211 in 2017. The revenue from the continued business comes mainly from BU SYS. The EBITDA of MNOK 17 was MNOK 6 higher than in 2017. The increase in EBITDA is a result of the strong performance in BU SYS partially offset by higher costs in TTS Group ASA.

TTS GROUP ASA

The parent company of the group is located in Bergen, Norway, and is listed on the Oslo Stock Exchange with the ticker code TTS. Activities are related to implementation of strategy, business development, operational support, administration of the board of directors, and overall financing of the company.

There are no revenue generating activities in TTS Group ASA, and 2018 revenue of MNOK 22 were for group service fees, which were eliminated in the group total numbers.

The operating profit of MNOK -23 was MNOK 2 lower than in 2017, as a significant reduction in operating costs were offset by lower internal revenue.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TTS GROUP

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

Total assets at the end of 2018 were MNOK 2.416, of which MNOK 1.916 was Assets held for Sale. Total assets were MNOK 2.328 in 2017.

The net working capital was MNOK 21, compared to MNOK 31 at the end of 2017.

Net interest-bearing debt increased from MNOK 200 in 2017 to MNOK 226 in 2018. Consolidation of the 50% owned subsidiaries TTS Hua Hai (THH) and TTS SCM (TSG) represents a reduction in the reported net interest-bearing debt of MNOK 170.

On 13 December 2018, TTS Group entered into an extension of its financing agreements with Nordea and DNB on its credit and guarantee facilities until 1 July 2019. Apart from an extension fee, the terms and conditions remained unchanged. Because of the contemplated Cargotec transaction, TTS will settle outstanding bank debt at closing of the transaction, and the lenders will subsequently ensure that liens and securities are released.

At the end of 2018, TTS Group had MNOK 62.5 and MNOK 134 outstanding on term loans with Nordea and DNB respectively. The Group also has an overdraft facility with Nordea, of which MNOK 157 was outstanding of a total limit of MNOK 200. The company repaid MNOK 50 related to the term loans in 2018, and scheduled repayment in 2019 is MNOK 12.5 per quarter. The debt to the banks will be repaid in full at closing of the contemplated Cargotec Transaction.

The term loans are not a part of the transaction with Cargotec Oyj, and are classified as short-term debt as of 31 December 2018, as the facilities expire at the earliest of 1 July 2019, and the closing of the Cargotec Transaction.

On 11 December 2018, the bondholders agreed to an extension until 18 July 2019 of the maturity date of the subordinated bond loan. During 2018 bondholders have converted bonds with a nominal value of MNOK 2.4 into 482 895 new shares. As per 31 December 2018, the conversion price of the convertible bond loan was 4.97/share. The remaining nominal value of the bond debt was 31 December 2018 MNOK 90.945, giving rights to 18.298.793 new shares.

The bond debt is classified as short term debt as per 31 December 2018 due to the 18 July 2019 maturity date of the loan.

Financial non-current assets were MNOK 0 at the end of 2018, unchanged from 2017. TTS Group's investments in the equity accounted investments in China have been reclassified to "Assets held for sale" in accordance with IFRS 5.

The TTS Group's deferred tax assets were MNOK 19 at the end of 2018.

The reporting currency of TTS Group 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 Group therefore manages its exposure towards 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 31 December 2018. The Board of Directors is not aware of any unreported events occurring subsequent to the balance sheet date of 31 December 2018, which may be material to the TTS Group, or to the annual accounts of 2018. See Note 31; Subsequent events, for further information.

At the end of 2018, TTS Group ASA had a share capital of NOK 9.579.741, divided into 87.088.555 shares at 0.11 each. The company holds 6.632 own shares.

CASH FLOW

The cash flow statement represents the cash flow from the continued business. Details on the cash flow from discontinued business is presented in Note 29.

The reported a cash flow of MNOK 88 in 2018 compared to a positive cash flow of MNOK 31 in 2017. The main reason for the change in cash flow was a significant increase in prepayment from customers, partially offset by increased repayment of debt and costs related to the Cargotec Transaction in 2018. The 2017 cash flow was positively impacted by the sale of Liftec Oy.

Cash flow from operations was positive MNOK 126 compared to the positive cash generation of MNOK 26 in 2017. The improvement in cash generation was related to positive development in the working capital related to increased prepayment from customers.

Net cash flow from investment activities in 2018 was MNOK 15, compared to MNOK 32 in 2017.

In 2018, net cash flow from financing activities was negative MNOK 53 compared to a negative MNOK 26 in 2017. The main difference from 2017 to 2018 was increased repayment of the bank loans. Net interest paid was MNOK 3, and reduced drawdown of bank overdrafts and other debt were MNOK 52 compared to MNOK 12.5 in 2017.

The cash position for the TTS Group at the end of 2018 was MNOK 349 compared to MNOK 262 in 2017.

There is no net interest-bearing debt in the continued business.

The cash flow from the discontinued business was a negative MNOK 110 compared to a positive MNOK 25 in 2017. The main reasons for the decrease in cash flow was negative development of the working capital, investment activities, and interest payments on debt to continued business.

Net interest-bearing debt including discontinued business increased from MNOK 200 in 2017 to MNOK 226 in 2018. Consolidation of the 50% owned subsidiaries THH and TTS SCM represents a reduction in the reported net interest-bearing debt of MNOK 170 compared to MNOK 165 in 2017.

TTS Group paid no dividends to its shareholders in 2018.

The group's intercompany financing is managed through a cash pool arrangement. The cash pool balances have not been eliminated between continued and discontinued business, as the accounts are stated in accordance with IFRS 5. As a result, the cash balance for the Continued Business includes a net positive cash pool balance of MNOK 349.

RESEARCH AND DEVELOPMENT

The capitalized investment in R&D for the continued business was MNOK 0 both for 2018 and 2017, and the net R&D in the balance sheet was MNOK 0 for both years. Cost of development activities within specific projects is charged to the P&L as operating costs. There are no R&D activities ongoing at present in the continued business.

ORDER BACKLOG

TTS GROUP

The order backlog at the end of 2018 was MNOK 2.930, up from MNOK 2.802 at the end of 2017. The figure includes 50% of the order backlog of TBH in China. The increase includes the negative impact of a previously reported contract cancellation in BU MPG during 2Q 2018.

CONTINUED BUSINESS

The order backlog for the Continued Business was MNOK 629 up from MNOK 458 in 2017.

GOING CONCERN

As of 31 December 2018, the equity ratio was 21.3% (2017: 26.1%), and 25.0% (2017: 30.1%) including the subordinated convertible bond loan. The net interest-bearing debt amounted to MNOK 226, including the nominal value of the bond. Additional information on covenants available in note 12.

The TTS Group's financial objective is to have sufficient cash reserves or credit lines to be able to finance operations and investments on an ongoing basis. Based on the assumption that the Cargotec Transaction will close within 2Q 2019, TTS has not entered into new long term financing facilities. The TTS Group's current guarantee and overdraft facilities with Nordea and DNB, are classified as short term and mature on 1 July 2019. The TTS Group's bond loan expires on 18 July 2019. The company expects to be cash positive and funded when the Cargotec Transaction is closed. All debt will be repaid upon closing.

The company will require financing to the extent that the transaction is not closed prior to the maturity date for the existing debt. TTS Group has established a contingency plan to ensure that the company has adequate financing in place in the unlikely event that the Cargotec Transaction is not completed. Additional information available in note 30.

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 the requirements are fulfilled.

OPERATIONAL OVERVIEW

Shipyard Solutions (BU SYS)
BU SYS generated revenues of MNOK 220 compared to MNOK 204 in 2017. The EBITDA of MNOK 42 was MNOK 11 higher than in 2017.

The business unit performed very well, with an all-time high order intake, and a 19% EBITDA margin.

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

SHIPYARD SOLUTIONS (SYS) MNOK	2018	2017
Revenue	220	204
EBITDA	42	31
EBITDA margin (%)	19%	15%
Order backlog	629	458

RISK FACTORS AND RISK MANAGEMENT

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 and assessed.

The risk for the Group will be reduced after closing of the contemplated transaction with Cargotec Oyj. Short term, the company will initially be exposed mainly towards the shipyard business. The business will be more focused, and is initially planned to be funded with cash flow from operations.

MARKET RISKS

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

At the beginning of 2019, BU SYS has secured a solid order backlog for its 2019 new building business. Scheduled deliveries for the current project portfolio extends into 2021.

FINANCIAL RISKS (SHORT TERM FINANCING)

TTS Group is exposed to credit, liquidity and currency-related risks, and has adopted an active approach to managing risk in the financial markets. The aim of the group's financial strategy is to be sufficiently robust to withstand adverse conditions. The financial risk profile of the company is expected to change after completion of the Cargotec Transaction. The financial risks related to credit, liquidity, and currency are described below.

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

At the end of 2018, TTS Group meets both the covenants for the debt facilities with Nordea and DNB, equity >25%, NIBD/ EBITDA = 3.00, and liquidity reserve > MNOK 50.

The table below shows the applicable covenants for 2018 and 2019:

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

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

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

[3] Equity, including subordintated convertible bond loan

The liquidity risk is related to a situation in which TTS Group 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 2018, the TTS Group had utilized MNOK 157 of its total overdraft facility of MNOK 200. The Group's overall cash position was satisfactory as excess liquidity was available outside the cash pool.

On 11 December 2018, the bondholders agreed to an extension of the subordinated debt until 18 July 2019. During 2018 bondholders have converted bonds of MNOK 2.4 into 482 895 new shares.

In order to manage currency risks, TTS' policy is to hedge all significant currency contracts. The hedging is performed based 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 IFRS 9. Furthermore, TTS Group is exposed to the currency effects of the group's net investments in foreign subsidiaries and joint controlled entities.

CONTINUED BUSINESS

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

Liquidity risk: TTS is currently financed through equity and external debt. The external debt will be repaid to the banks and bondholders at the time of the closing of the transaction. The company expects to be debt free post transaction, as ref the cash flow review above. The company will in addition through its access to capital markets have the option to finance activities through equity or debt based on changes to the financing requirements at any point in time.

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

OPERATIONAL RISKS

TTS Group's new build business is primarily organized through deliveries of completed projects. The operational risks related to the project execution are mainly deliveries from sub-suppliers, project management, and customer related issues.

During the tender phase, projects undergo a thorough risk evaluation in order to identify and mitigate potential technical and commercial risks in addition to assessment of other potential risk areas, and the level of contingency required. Measures have been implemented to ensure that projects are being satisfactorily assessed both prior to signing the contracts and during execution phase. One key initiative has been the strengthening of the bid review process, where major risks are evaluated before a binding offer is sent to potential customers. The bid review process includes i.e. review by TTS Group management of bids above MNOK 25 and Board of Directors review of bids above MNOK 100.

TTS will continue to focus on improving its risk monitoring and assessment tools, as well as its project management tools.

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 related than ever. Our ability to create value is dependent on promoting and maintaining high ethical standards to create a trust-based relationship with our employees, our owners, our business partners, our communities and other stakeholders.

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

TTS is committed to follow OECD's Guidelines for Multinational Enterprises and contributing to the improvement of international business standards and practices, especially with regard to questions of corruption, labor relations and the global environment. TTS operates 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 Labor Organization.

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

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

The TTS Code of Conduct describes TTS' ethical commitments and requirements to expected behavior in areas such as anti-corruption and conflict of interest. It sets expectations for personal conduct and business practice.

The Code includes our most important ethical principles, and provides some references to more detailed requirements for expected business and personal conduct. In addition to the English version, the Code of Conduct is translated into Chinese, German, Korean, Polish, Swedish and Vietnamese.

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

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

TTS has zero tolerance for corruption and encourages its employees to report suspected infringements.

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.

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), a corporate function, is responsible for establishing, implementing and enforcing common quality parameters throughout the group.

THE ENVIRONMENT

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

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

The TTS Group's target markets are the marine and offshore industries. Shipping is generally recognized to be an environmental-friendly way 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

THE DIFFERENT BUSINESS UNITS ARE MANAGED BY THE FOLLOWING EXECUTIVES:

BU SYS:	Rolf-Atle Tomassen
BU RCN:	Björn Rosén
BU CBT:	Toril Eidesvik/Andreas Harms (Holger Elies until 15 June 2018)
BU OFF & BU MPG:	Mette Harv
BU SER:	Margrethe Hauge (Trond Larsen until 1 October 2018)

The TTS Group had 773 employees at the end of 2018, including 51 hired on a temporary basis. The contemplated Cargotec Transaction has caused employee retention issues in parts of the business. Management handled these issues through redeployment of employees and increased use of hired employees.

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 2018.

TTS has strong focus on risk awareness and mitigation, as it reduces lost time incidents and injuries. The Board of

Directors therefore expects management to pursue an awareness culture related to assessing risk and implementing mitigating procedures and processes. The number of Lost Time Incidents was 2 in 2018 (5 in 2017). Reported absence due to illness was 2,8% (3.5% in 2017). TTS experienced 8 workplace incidents resulting in the need for medical treatment in 2018 (2 in 2017).

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 relations between managers and employees. In all of the group's units and subsidiaries, efforts are made to encourage common corporate culture based on the core values described above.

EQUAL OPPORTUNITIES

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

Engineers make up the majority of TTS' workforce and represent a profession where women historically have been underrepresented. The challenge of attracting women to the field is reflected by the fact that women constituted only 20% of the workforce in 2018 (2017: 20.0%). Consequently, the Board of Directors consider it important for TTS to establish a recruitment policy which will make it more attractive for women to join the company.

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

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

BOARD OF DIRECTORS

The Board of Directors consists of Trym Skeie (Chair), Leif Haukom, Marianne Sandal, Britt Mjellem, Gisle Rike, Rakel Simmenes (employee elected) and Morten Aarvik (employee elected).

At the Annual General Meeting held in May 2018, Trym Skeie, Britt Mjellem and Marianne Sandal were re-elected. Trym Skeie was also re-elected as Chair of the Board.

AUDITORS

KPMG was re-elected as the TTS Group ASA's auditors for 2018.

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 are published on the company's website, www.ttsgroup.com.

SHAREHOLDER STRUCTURE AND LIMITATION

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

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

CAPITAL STRUCTURE

Total Group equity at the end of 2018 was MNOK 514, of which MNOK 358 was attributable to the majority and MNOK 156 was attributable to the non-controlling interests of partly owned subsidiaries.

TTS GROUP ASA (PARENT COMPANY)

The parent company, TTS Group ASA, reports a net profit of MNOK 86 compared to a profit of MNOK 136 in 2017. The 2018 operating loss was MNOK 23 compared MNOK 21 in 2017.

At the end of 2018, the equity in TTS Group ASA was MNOK 522 of which MNOK 161 was share premium capital and MNOK 361 other equity. For 2017, the equity was MNOK 433, of which MNOK 159 was share premium capital and MNOK 274 other equity.

In 2018, the parent company net cash flow from operating activities was MNOK -41 (2017: MNOK 21), net cash flow from investments MNOK 152 (2017: MNOK 77), and net cash flow from financing MNOK -110 (2017: MNOK -56).

In addition, the company has a positive cash pool position in the Group cash pool arrangement of MNOK 219.0 (2017: MNOK 165.4), which is presented as intra-group receivable There were 11 employees in the company at the end of 2018 (2017:12).

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

The financial position of the Group will be strengthened after the closing of the Cargotec Transaction. The Board will propose a special dividend based on the available dividend capacity after the contemplated closing of the Cargotec Transaction.

OUTLOOK

For BU SYS, the order intake in 2018 was very strong, and the market outlook is promising. The ongoing business is running well, and the order backlog will ensure high activity levels into 2020.

The Group's financing facilities expire in July 2019. TTS has established a contingency plan in order to ensure that the company has adequate financing in place in case of the unlikely event that the Cargotec Transaction should not be consummated.

The corporate strategy for Nekkar ASA will be presented after the closing of the transaction in combination with the Ordinary Annual Meeting.

This report is issued on the basis that the transaction with Cargotec Oyj will be completed.

Bergen, 29 April 2019
TTS Group ASA

Trym Skeie
Chair of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Rakel Simmenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Corporate Governance

TTS Group AS ("TTS" or "the company") considers good corporate governance as an important prerequisite for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The company strives to ensure that its internal control mechanisms and management structures comply with good corporate governance principles.

TTS follows the Norwegian Code of Practice for Corporate Governance ("the Code"). The Code is published at www.nues.no. The Board of Directors ("The Board") actively adheres to good corporate governance standards and will at all times ensure that TTS either complies with Code or explains possible deviations from the Code.

The following policy statement explains how TTS has addressed the 15 governance issues covered by the Code. Further information is available on the company's website and in the Annual report.

TTS has reviewed the reporting on Corporate Governance based on the latest version of the Code (17 October 2018).

1. IMPLEMENTATION AND REPORTING

The Board is aware of its responsibility for implementation of internal procedures and regulations to ensure that the company and its subsidiaries ("the Group") complies with applicable principles for good corporate governance in line with Norwegian and international standards of best practice. The Board actively adheres to this.

Good corporate governance is an integral part of the decision-making process in matters dealt with by the Board. Governing structures and controls help to ensure this policy is enacted upon. The work of the Board is based on a clearly defined division of roles and responsibilities between the shareholders, the Board and the Management. TTS has therefore approved and implemented a specific set of rules and procedures for the Board, constituting the governance structure and administrative procedures for the work.

Corporate governance in TTS is subject to regular reviews and discussions by the Board.

2. BUSINESS

TTS is a global enterprise that designs, develops and supplies equipment solutions and services for the marine and offshore industries. TTS Group ASA is a public limited liability company organized under the laws of Norway and subject to the provisions of the Norwegian Public Limited Liability Companies Act.

TTS' objective is defined in the company's Articles of Association as: 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.

A further description of the company's operations, goals, strategy, and risk profile is provided in the Group's annual report, which shows that the company's operations and strategy are aligned with objective defined in the Articles of Association.

TTS' operations are based on cross border trade, and interaction with people from many countries and different cultures. TTS embraces social responsibility by increasing the understanding of cultural differences, seeking to increased tolerance. The company has approved more specific guidelines for Corporate Social Responsibility ("CSR") based on the principles of the UN Global Compact about CSR related to human rights, labour, the environment and anti-corruption.

To discuss and evaluate goals, strategy and risk profile the Board conducts an annual two-day strategy meeting, where the main purpose is to set direction for the company for the long-term.

CHANGE OF STRATEGIC DIRECTION AFTER THE ASSET SALE TO CARGOTEC OYJ

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

TTS Group acquired in April 2019 51% of the shares in Intellilift AS, a software company established in 2017 to develop control systems and visualization tools for remote operations in the offshore energy business, and other related industries.

The Group will in addition, use its access to technology and knowledge clusters in Norway to identify companies, assets, people and technology, which will contribute, to the development in the future. The main objective for the group has been to develop, design, engineer and supply high-quality handling systems and services for the global marine and offshore industries. Going forward, the group intends to build its operation around the business unit Shipyard Solutions, with its Syncrolift brand. The group will also seek new investment and corporate venture opportunities building on the heritage of TTS mixed with new industry insight based on automation, electrification and digitalization.

The company will use its stock exchange listing and access to the capital markets to ensure that the balance sheet is sufficiently strong to finance the strategy.

3. EQUITY AND DIVIDENDS

EQUITY

The company's solidity is continuously assessed based on the company's goals, strategies and risk profile.

The balance sheet has been reclassified according to IFRS 5 "Assets held for Sale". Total assets at the end of 2018 were MNOK 2.416, of which MNOK 1.916 was Assets held for Sale.

The equity was MNOK 514. The equity-to-assets ratio was 21.3%, or 25.0% including a subordinated convertible bond loan.

TTS issued a subordinated convertible bond of MNOK 200 in 2011. During the period from 2011 to 2014, bonds with a value of MNOK 105 was converted into 10.464.876 shares. The remaining part of the loan was in December 2015 replaced by a new subordinated convertible bond (The Bond) with maturity date 18 April 2017. The maturity date of The Bond was subsequently extended twice. The first time in March 2017, and the second time in December 2018, when the bondholders agreed to extend the maturity date until 18 July 2019. The outstanding balance of The Bond loan was as per 31 December 2018 MNOK 91. The TTS Group ASA Extraordinary General Assembly approved the extension on 14 December 2018.

The Bond is classified as short-term debt as per 31 December 2018, and will be repaid in full after the closing of the transaction with Cargotec Oyj.

DIVIDEND POLICY

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

The Annual General Meeting determines the annual dividend, based on the Board's proposal. The Board will propose a special dividend based on the available dividend capacity after the contemplated closing of the Cargotec Transaction.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment of all shareholders is a core governance principle in TTS. TTS has one class of shares, which is listed on the Oslo Stock Exchange Standard List under the ticker symbol TTS. Each share equals one vote at the general meeting.

On 31 December 2018, the share capital was NOK 9.579.741, distributed on 87.088..555 shares at a nominal value of NOK 0.11 each.

Own shares are purchased through ordinary trade on the Oslo Stock Exchange. On 29 April 2019, the company owned 6,632 shares.

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 the regulations, transactions between associates shall comply with the Code.

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

RELATED COMPANIES

The joint venture companies within the TTS Group are treated as close associates.

5. SHARES AND NEGOTIABILITY

All TTS shares carry equal rights and are freely negotiable.

6. GENERAL MEETINGS

The interest of the company's shareholders is primarily exercised at the Annual General meeting (AGM). The AGM is usually held at the end of May/beginning of June. The AGM for 2019 will be held on 28 May 2019.

Pursuant to TTS Articles of Association the AGM shall deal with the following matters:

1. Adoption of the profit and loss account and balance sheet.
2. Application of profits or coverage of losses in accordance with the adopted balance sheet, in addition to the declaration of dividends.
3. Election of the Board of Directors.
4. Other matters that shall be dealt with by the general meeting pursuant to the law and the articles of association.

All shareholders with known address and registered in the Norwegian Central Securities Depository (VPS) will receive an invitation to the AGM. The invitation is sent at least three weeks prior to the meeting. Other documents will be made available at TTS' website. A shareholder may nevertheless request that documents that relates to matters to be dealt with at the AGM be sent to him/her. Any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as practical possible.

Shareholders who are unable to attend the AGM may vote by proxy. The proxy form is designed in such a way that voting instructions may be given for each item of business that is to be considered.

The Chair of the Board, the chair of the nominating committee, the auditor, and the CEO are present at the AGM, in addition to other board members when appropriate. The Chair of the Board opens the AGM and is normally elected to chair the meeting.

TTS has not deemed it necessary to require the presence of all members of the Board of Directors. TTS has also found it unnecessary to establish routines for appointing an independent chair to lead the AGM. Should there be particular items on the agenda requiring such measures, this will be considered for each general meeting separately.

All shares carry an equal right to vote at general meetings. Resolutions at AGMs are normally passed by simple majority unless otherwise required by Norwegian law.

The minutes of the AGM are made available on TTS' website.

7. NOMINATION COMMITTEE

Pursuant to TTS' articles of association, the nomination committee shall consist of three members, independent of the Board of Directors and the daily management. The Committee's duties are to propose to the Annual General Meeting shareholder-elected candidates for election to the Board of Directors, and to propose remuneration.

As recommended in the Code, the Committee has contact with major shareholders, the Board of Director and the company's executive management as part of its work on proposing candidates for election to the board.

When candidates are considered, the nomination committee must take into account the company's need for expertise among its board members, the candidate's capacity to accept a board position, and further take into account the requirement for a board composition that to its best ability can make decisions that serve the interests of the shareholders. The nomination committee must place emphasis on a fair representation with regard to gender, diversity, ability and will to cooperate, as well as on the board members' independence relative to the company. The committee justifies why it is proposing each candidate separately.

The current members of the nomination committee are: Petter Sandtorv (chair), Kate Henriksen and Anders Nome Lepsøe.

The members of the nomination committee are elected by the AGM. According to the Code, the AGM shall elect the Chair of the nomination committee and set the guidelines for the committee's work. TTS find it more appropriate that the Board of Directors determine the rules and procedures for the nomination committee, and that the nomination committee decides on the distribution of tasks, including the election of a Chair. The AGM determine the committee's remuneration.

Information regarding the committee members, the procedures, as well as how input and proposals may be submitted to the Committee is published on the company's website.

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Pursuant to TTS' articles of association, the company's Board of Directors shall consist of three to eight members. The current board consists of totally seven members, five elected by the shareholders at the AGM and two employee-elected representatives. The employee elected representatives are elected by and amongst employees in Norway.

TTS's goal is that the Board of Directors has the composition necessary to safeguards the interest of the shareholders. The Board consider its composition to be diverse and competent with respect to expertise, capacity and diversity appropriate to attend the company's goals, main challenges and the common interest to all shareholders. The Board emphasizes the importance of functioning effectively as a collegial body. Three of seven board members are women. The management is not represented on the Board.

In accordance with the Annual General Meeting on 31 May 2018, the shareholders elected the following members to the Board of Directors:

NAME	ELECTION PERIOD	POSITION
Trym Skeie	2018 - 2020	Chair
Marianne Sandal	2018 - 2020	Independent Director
Britt Mjellem	2018 - 2020	Independent Director, Chair of Audit Committee
Leif Haukom	2017 - 2019	Independent Director, Member of Audit Committee
Gisle Rike	2017 - 2019	Independent Director, Member of Audit Committee

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 August 2018:

NAME	COMPANY	POSITION
Rakel Simmenes	TTS Offshore Solutions AS	Employee Elected Director
Morten Aarvik	TTS Marine AS	Employee Elected Director

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

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

Except for Trym Skeie , none of the other Directors of the Board own any shares in TTS Group ASA. None of the Directors of the Board holds options.

A procedure for how the Directors of the Board and management can trade in TTS shares has been implemented.

According to the Code, the Chair of the Board should be elected by the AGM. In TTS, the Board appoints its Chair.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board has the overall responsibility to oversee the management of the TTS, whilst the CEO is responsible for day-to-day management. This means that the Board is responsible for establishing control systems, and for ensuring that TTS operates in compliance with laws and regulations, in accordance with the values as stated in the Code of Conduct, as well as in accordance with the owner's expectations of good corporate governance. In TTS Code of Conduct, which is adopted by the Board, an important principle is to hold the interest of the company above other business interests. Any conflict of interest must be made known, and the person(s) in question must step aside in any related decision-making.

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

Normally the Board plans for eight meetings per year. However, in 2018 the Board has held work meetings as well as additional meetings to address various business-related issues and handling of the Cargotec transaction. Seventeen board meetings (circulation of documents, telephone, and physical meetings) were held in 2018. The attendance of the shareholder-elected members of the Board were: Trym Skeie 17/17, Gisle Rike 17/17, Marianne Sandal 17/17, Leiv Haukom 17/17, and Britt Mjellem 16/17.

AUDIT COMMITTEE

The Board has appointed an audit committee with the following composition in 2018: Britt Mjellem (Chair), Leif Haukom and Gisle Rike.

The audit committee is a sub-committee of the Board, and its objective is to act as a preparatory body with respect to financial reporting. The committee shall ascertain that accounting reporting are organized appropriately and carried out efficiently, with high professional quality. The audit committee is elected based on qualifications and independence from the company as described in the Code.

At present, the Board does not have a compensation committee. There are no other committees in the Board of Directors, and TTS does not have a deputy chair. The Board assess the need for additional roles and functions for the Board and its directors 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

The Board focuses on ensuring adequate control of TTS' internal control and overall risk management. On an annual basis, the Board discusses and assesses the Group's risk exposures, systems, routines, and internal control to mitigate these risks. Internal control procedures, limiting authorizations, organizational changes and increased reporting are part of the improvements.

The Board's work with internal control and applicable systems encompasses the company's corporate values, Code of conduct and guidelines for corporate social responsibility.

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

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

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

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

CODE OF CONDUCT

The TTS Code of Conduct describes TTS' ethical commitments and requirements to expected behavior in areas such as anti-corruption and conflict of interest. It sets expectations for personal conduct and business practice.

The Code of Conduct has been communicated to all employees, and implemented in order to ensure that our ethical commitments and requirements are reflected in the organizational behavior. The Code of Conduct includes the most important ethical principles, and provides references to more detailed requirements for the expectations related to business and personal conduct.

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

The Code of Conduct is translated to Chinese, German, Korean, Polish, Swedish and Vietnamese, in addition to English, in order to ensure that TTS employees can get a complete understanding of the Code.

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

Members of the Board of Directors, or companies with whom they are associated, are usually not given separate assignments by TTS in addition to their function as directors. Such assignments will be based on the approval of the Board of Directors. There were no such assignments in 2018.

The nomination committee's proposal for remuneration of the Board of Directors will be presented in the call for the AGM in 2019.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The Board determines the principles applicable to the Group's policy for compensation of the executive management. The Board is directly responsible for determining the CEO's salary and other benefits. The CEO is, in consultation with the Chair of the Board, responsible for determining the salary and other benefits for the Group's other senior executives.

The guidelines for salaries and other remuneration is communicated yearly to the AGM, where so far, the Board 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 program where they have asked for approval. Executive management remuneration consists of three main elements: salary, bonus, and options.

The Boards' view on management compensation is that it should be competitive and motivating, but not above of the market. Bonuses are determined according to specific targets that set each year. Bonus schemes are limited to a portion of the salary, increasing according to the position category up to a maximum of 50% of base annual salary unless special circumstances apply. Guidelines and numbers are presented in the annual report.

Allocations of options 29 April 2019

Name	Position	Number of Options
Toril Eidesvik	President and CEO	300,000
Bjørn Rosén	EVP RCN	150,000
Mette Harv	EVP ENERGY	80,000
Rolf-Atle Tomassen	EVP SYS	150,000
Mark Bakelaar	CDO	80,000
Total Options		**760 000**

Total number of options equals 0,9% of total number issued shares.

13. INFORMATION AND COMMUNICATION

TTS' reporting of financial and other information is based on openness, taking into account the requirement for equal treatment of all participants in the financial markets.

The company has established guidelines for the reporting of financial and other information. The purpose of these guidelines is to ensure that timely and correct information about the company is made available to shareholders and other stakeholders. A financial calendar and shareholder information is available on the company's website.

Any dividend proposals are presented in the meeting call for the Annual General Meeting.

All information distributed to the company's shareholders is published on the company's website, as well as at https://newsweb.oslobors.no at the same time as it is sent to shareholders.

TTS Group ASA is entitled to publish all information (including the annual financial statements) in English only.

14. TAKE-OVERS

The company's Articles of Association do not include defence mechanisms aimed towards take-over bids, nor are any other obstacles implemented with the objective of reducing the trade and/or transferability of the company's shares. The shares are freely negotiable. Transparency and equal treatment of the shareholders are fundamental principles.

No additional principles have been established for how TTS will or should act with respect to any takeover bids, but the Board has discussed the matter and intends to act in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur.

15. AUDITOR

The external auditor is independent in relation to TTS and elected by the Annual General Meeting. The auditor's fee must be approved by the AGM.

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

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

It has not been deemed necessary by the Board to implement additional guidelines regarding the management's access to making use of the auditor for services other than auditing.

Consolidated statement of comprehensive income

1 JANUARY - 31 DECEMBER 2018

(Amounts in NOK 1000)

	Notes	IFRS 2018	IFRS 2017
CONTINUED OPERATIONS			
Operating revenue			
Project revenue	2	220 310	211 038
Total revenue and income	**1**	**220 310**	**211 038**
Operating expenses			
Cost of sales		142 108	137 196
Personnel costs	4, 5	44 338	46 426
Losses on accounts receivable		537	332
Other operating expenses	4, 19	16 326	16 568
Depreciation of fixed assets	6, 7	1 887	1 680
Total Operating Expenses		**205 197**	**202 203**
Operating profit/loss		**15 113**	**8 835**
Financial income and expenses			
Financial income	23	15 126	4 676
Financial expense	23	16 935	9 284
Net Finance costs		**-1 808**	**-4 608**
Profit/loss before tax	**1**	**13 305**	**4 228**
Income tax expenses	18	1 490	-3 970
Profit/loss from continued operations		**11 814**	**8 197**
DISCONTINUED OPERATIONS			
Profit / (loss) after tax for the period from discontinued operation	28	-26 758	-26 330
Profit for the period		**-14 944**	**-18 132**
Attributable to equity holders of the company		-28 593	-33 540
Attributable to non-controlling interests	27	13 649	15 408
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subseqently to profit or loss			
Foreign currency differences for foreign operations	24	-15 588	20 490
Other comprehensive income for the period		**-15 588**	**20 490**
Total comprehensive income for the period		**-30 532**	**2 358**
Attributable to equity holders of the company		-44 738	-16 421
Attributable to non-controlling interests		14 205	18 779
Earnings per share (NOK)	17	-0,33	-0,39
Diluted earnings per share (NOK)	17	-0,20	-0,25
Earnings per share - Continued operations (NOK)	17	0,14	0,09
Diluted earnings per share - Continued operations (NOK)	17	0,11	0,08

Consolidated statement of financial position

1 JANUARY - 31 DECEMBER 2018

(Amounts in NOK 1000)

	Notes	IFRS 2018	IFRS 2017
ASSETS			
Non-current assets			
Deferred tax assets	18	18 939	18 845
Intangible assets and Goodwill	7	6 081	6 473
Property, plant and equipment	6, 13	13 611	7 322
Total non-current assets		**38 631**	**32 641**
Current assets			
Inventories	3, 13	596	636
Trade receivables	11, 13	68 974	38 400
Other receivables	11, 13	3 279	17 304
Accrued, non-invoiced production	2, 3, 13	38 908	33 247
Derivative financial instruments	21	54	3 000
Prepayments to suppliers	2, 13	-	-
Bank deposits, cash in hand, etc.	14	349 445	261 843
Assets held for sale	29	1 916 148	1 941 413
Total current assets		**2 377 405**	**2 295 843**
Total assets	**1**	**2 416 036**	**2 328 483**

Consolidated statement of financial position

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	IFRS 2018	IFRS 2017
EQUITY AND LIABILTIES			
Equity			
Issued share capital	16	9 580	9 527
Treasury shares	16	-1	-12
Share premium	16	151 725	149 378
Other equity		196 399	297 186
Shareholders equity		**357 702**	**456 078**
Equity allocated to non-controlling interests	27	156 528	151 382
Total equity		**514 230**	**607 460**
Liabilities			
Non-current liabilities			
Deferred tax	18	-	-
Debt to financial institutions	12, 13, 14	-	-
Total non-current liabilities		**-**	**-**
Current liabilities			
Convertible Callable Unsecured Subordinated Bond	12, 14, 15	90 945	93 345
Debt to financial institutions	12, 13, 14	196 500	246 500
Payables to suppliers		9 715	16 277
Income tax payable	18	-	-
Social Security and Employee taxes		3 152	3 309
Prepayments from customers	2	130 538	58 469
Derivative financial instruments	21	25 797	19 100
Other current liabilities	22	88 523	32 781
Liabilities held for sale	29	1 356 637	1 251 241
Total current liabilities		**1 901 806**	**1 721 023**
Total liabilities	**1**	**1 901 806**	**1 721 023**
Total equity and liabilities		**2 416 036**	**2 328 483**

Bergen, 29 April 2019
Board of Directors, TTS Group

Trym Skeie
Chair of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Rakel Simmenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Consolidated statement of changes in equity

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

(Amounts in NOK 1000)	Note	Share capital	Treasury shares	Share premium	Other equity	Shareholders equity	Non-controlling interests	Total equity
Equity as of 1.1.2017		**9 526**	**-12**	**149 378**	**313 042**	**471 935**	**144 489**	**616 426**
Profit /(loss) for the period		-	-	-	-33 540	-33 540	15 408	-18 132
Other comprehensive income	24	-	-	-	17 119	17 119	3 371	20 490
Total comprehensive income	27	-	-	-	-16 421	-16 421	18 779	2 358
Equity transactions with non-controlling interests	27	-	-	-	-	-	-	-
Treasury shares (sale)	16	-	-	-	-	-	-	-
Share based payment	16	-	-	-	561	561	-	561
Dividend paid	27	-	-	-	-	-	-11 886	-11 886
Equity as of 31.12.2017		**9 526**	**-12**	**149 378**	**297 182**	**456 075**	**151 382**	**607 456**
Equity as of 1.1.2018		**9 526**	**-12**	**149 378**	**297 182**	**456 074**	**151 382**	**607 456**
Adjustment of initial application of IFRS 15 (net of tax)					-56 576	-56 576		-56 576
Adjusted equity balance 01.01.2018		9 526	-12	149 378	240 606	399 498	151 382	550 880
Profit /(loss) for the period		-	-	-	-28 593	-28 593	13 649	-14 944
Other comprehensive income	24	-	-	-	-16 145	-16 145	556	-15 589
Total comprehensive income	27	-	-	-	-44 738	-44 738	14 205	-30 532
Equity transactions with non-controlling interests	27	-	-	-	-	-	-	-
New Shares Issued	16	54	-	2 347	-	2 401	-	2 401
Treasury shares (sale)	16	-	11	-	-	11	-	11
Share based payment	16	-	-	-	531	531	-	531
Dividend paid	27	-	-	-	-	-	-9 055	-9 055
Equity as of 31.12.2018		**9 580**	**-1**	**151 725**	**196 399**	**357 702**	**156 528**	**514 230**

Consolidated statement of cash flows

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Note	2018	2017 restated *
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before tax		13 305	4 228
Adjustments for:			
Depreciation / impairment	6,7	1 887	1 680
Interest expense	23	8 256	8
Interest income	23	-4 992	-741
Gain of sale of other investments	8	-	-2 174
Share based payment	4	531	560
Income tax paid	18	-1 509	-4 430
Changes in:			
Inventories	3	40	-569
Trade receivables	11	-30 574	-7 706
Trade payables		-6 562	8 580
Other receivables and other payables		145 660	26 203
A. Net cash flow from operating activities		**126 040**	**25 640**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from sale of fixed assets	6,7	-	-
Acquisition of fixed assets	6,7	-7 783	-3 743
Disposal of discontinued operation, net of cash-value disposed		22 608	33 123
Proceeds from sale of investments	8	-	2 174
B. Net cash flow from investment activities		**14 825**	**31 554**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		2 400	-
Disbursement on short-term/ long-term debt	12	-52 400	-27 250
Interest received		4 992	741
Interest paid		-8 256	-8
C. Net cash flow from financing activities		**-53 264**	**-26 518**
Net change in cash and cash equivalents (A+B+C)		87 602	30 677
Cash and cash equivalents at the start of the period		261 843	231 167
Cash and cash equivalents at the end of the period		**349 445**	**261 843**

*) 2018 numbers reflect the operation in continued business. 2017 numbers has been restated.

Information on cashflow from discontinued businesses are available in note 28. Information on cash-position in discontinued businesses are available in note 29.

Accounting principles

TTS GROUP

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 Bernadottes vei 38, Fyllingsdalen in Bergen, Norway.

As per 31 December 2018 TTS Group holds subsidiaries in Norway, Sweden, Germany, China, USA, Italy, Singapore, Korea, Greece, Belgium and Dubai. Continued business will consist of TTS Group ASA and TTS Syncrolift AS, both located in Norway. The results of the remaining subsidiaries are presented as discontinued business, in accordance with IFRS 5.

On 8 February 2018, TTS Group ASA announced a signed asset sale transaction with Cargotec. The transaction was approved by an Extraordinary General Meeting on 12 March 2018. Closing of the transaction is expected during 2Q 2019.

The agreement implies a takeover by Cargotec of all TTS assets except for the companies TTS Group ASA and the Norwegian subsidiary TTS Syncrolift AS. Any and all assets included in the agreement have been presented as assets and liabilities held for sale.

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

The annual report is based on the assumption that the contemplated transaction between TTS and Cargotec will be completed. The content of the annual report is therefore focused on continued business and the BUSYS (Shipyard Solutions). Businesses included in the contemplated transaction with Cargotec include BURCN (RoRo/ Cruise/ Navy), BUCBT (Container/Bulk/Tank), BUMPG (Multi-purpose/ General Cargo), BUOFF(Offshore), and BUSER (Services), and are presented as discontinued business in profit and loss statement, and assets and liabilities held for sale in the balance sheet.

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

TTS Group is among the leading suppliers in its product market segments. Further information of the principal activities of the Group is included in Note 1. Information on ultimate parent is included in Note 16 and Note 20. Additional information on the agreement with Cargotec is included in Note 28.

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 on or after 1 January 2019 have not been applied in preparing these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the Board of Directors on 29 April 2019.

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

Preparation of financial statements in accordance 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 changes of these estimates. Estimates and their assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized during the period when the changes take place. If the changes also apply to future periods, the effect is divided between present and future periods. Areas that involve such evaluations, or a high degree of complexity, or areas where assumptions and estimates are material to the consolidated financial statements, are described in section 4.

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

2. SUMMARY OF KEY 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 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

Due to the transition method chosen by the Group in applying these standar ds, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying these standards is mainly postponed recognition of revenue from configure-to-order contracts in discontinued business.

In addition, several other amendments apply for the first time in 2018. 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:

IFRS 15 REVENUE

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time, or over time – requires judgement. For further information, see section 2.20 below.

The Group has adopted IFRS 15 using the modified retrospective implementation method, with the effect of initially applying this standard recognized at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The following table summarizes the impact, net of tax, of transition to IFRS 15 on retained earnings and NCI at 1 January 2018.

(NOK 000)	Impact of adopting IFRS 15 at January 1 2018
Retained earnings	
Construction contracts recognised at point-in-time	-64 515
Related tax	7 939
Impact on equity at January 1 2018 [1), 2)]	**-56 576**

[1)] Adoption of IFRS 15 have no effect on equity distribution to Non-controlling interest.

[2)] Adoption of IFRS 15 have no impact on revenue recognition timing in continued operations.

The following tables summaries the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

Impact of the consolidated statement of profit or loss and OCI

For the year ended December 31 2018 (NOK 000)	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	220 310	-	220 310
Cost of sales	-142 108	-	-142 108
Personel cost	-44 338	-	-44 338
Other operating expences/ Depreciation	-18 750	-	-18 750
Net finance	-1 808	-	-1 808
Income tax expense	-1 490	-	-1 490
Profit for the period from continued business	**11 814**	**-**	**11 814**
Profit for the period from discontinued operations	-26 758	25 246	-1 512
Profit for the period	**-14 944**	**25 246**	**10 302**
Other comprehensive income	-15 588	-	-15 588
Total comprehensive income for the period	**-30 532**	**25 246**	**-5 286**

Impact on the consolidated statement of financial position

For the year ended December 31 2018 (NOK 000)	As reported	Adjustments	Amounts without adoption of IFRS 15
Assets			
Fixed assets	38 631	-	38 631
Inventories	596	-	596
Contract assets	38 908	-	38 908
Trade and other receivables	72 253	-	72 253
Others	349 499	-	349 499
Assets held for sale [1)]	1 916 148	25 246	1 941 394
Total assets	**2 416 036**	**25 246**	**2 441 281**
Equity			
Retained earnings	196 399	25 246	221 645
Non-Controlling interest	156 528	-	156 528
Others	161 304	-	161 304
Total equity	**514 230**	**25 246**	**539 477**
Liabilities			
Financial debt	287 445	-	287 445
Current tax liabilities	-	-	-
Trade and other payables	9 715	-	9 715
Deferred income	-	-	-
Contract liabilities	-	-	-
Others	248 010	-	248 010
Liabilities held for sale	1 356 637	-	1 356 637
Total liabilities	**1 901 806**	**-**	**1 901 807**
Total equity and liabilities	**2 416 036**	**25 246**	**2 441 284**

[1)] IFRS 15 adoption have reduced the revenue in discontinued operations by MNOK 230 , and cost of sales by MNOK 204,7. The net value, MNOK 25,3 have been allocated as a reduction in assets held for sale.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The implementation of IFRS 9 has had no material effect on the recognition and measurement of financial instruments in the financial statements of the Group.

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 2018, and have not been applied in preparing the consolidated financial statements. The Group has not opted for early adoption. The most relevant changes for TTS Group ASA are;

IFRS 16 LEASES

The new standard, effective for annual reporting periods beginning from 1 January 2019, replaces the existing requirements of IAS 17 Leases. The new standard will significantly change how the group accounts for its leased assets and facilities.

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 and tested for impairment, 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. Only leases for items of low value and short-term leases may be exempt, and the group intends to apply these practical expedients.

Expected impact on consolidated financial statements:
The Group's leasing contracts mainly includes lease of buildings (warehouse/factory/office), cars and equipment (machinery/office equipment/etc.). The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16;

- Assets and liabilities are expected to increase with an amount close to net present value of future lease payments
- Earnings before interest, taxes, depreciation and amortization (EBITDA) will increase as lease payments will be presented as depreciation and finance cost, rather than as operating expense
- Operating cash flow will increase. Investing and financing cash flow will decrease as lease payments will be classified as financing rather than operating cash flows.

Committed nominal lease payments at the end of 2018 for continued business were MNOK 1, and for discontinued business MNOK 75. Based on the lease terms and incremental borrowing rate, right-of-use asset and lease liability in continued business is estimated at MNOK 2, and MNOK 86 for discontinued business.

TTS will use the modified retrospective approach at the date of initial application; 1 January 2019 with no restatement of comparable periods. The right of use asset will be recognized at the same value as the lease liability at time of implementation.

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 the normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to be settled in 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 2018.

The Group's consolidated financial statements comprise TTS Group ASA and subsidiaries. Subsidiaries are entities which TTS Group ASA controls. 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 has de facto control over the entity.

Non-controlling interests are included in the Group's equity. Subsidiaries are 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 a residual. 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 in line with the Group's accounting policies.

b) Associates and 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 or 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 and joint ventures 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 (business units). The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and assessing performance. 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 at Group level, and is not allocated to operating segments.

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 reclassified to 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 recognized in the financial statements at cost less accumulated depreciation and accumulated impairment. 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 profit or loss in the period when the expenses are incurred.

Land is not depreciated. Other property, plant and equipment 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

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

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

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

2.6 INTANGIBLE ASSETS

Intangible assets that have been acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through acquisition business combination 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 incurred.

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 its fair value at the acquisition date. The customer relationship and customer portfolios have limited useful life, and are amortized using 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 amortized using 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 costs include materials, direct labor, directly attributable overheads and capitalized borrowing costs. Development costs are depreciated over their expected useful life (2 to 15 years).

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

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

2.7 BUSINESS COMBINATIONS AND GOODWILL

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

The consideration paid in a business combination is measured at fair value at the acquisition date and may consist of cash, shares issued in TTS Group ASA and contingent consideration. The contingent consideration is classified as a liability in accordance with IFRS 9. Subsequent changes in the fair value are recognized in profit or loss.

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

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

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

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

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

2.8 FINANCIAL INSTRUMENTS

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 and is recognized when the Group becomes party to the contractual provisions of the instrument.

Initial recognition and measurement of financial assets
At initial recognition, a financial asset is classified in one of three principal classification categories: financial assets subsequently measured at amortized cost, fair value through other comprehensive income or as fair value through profit and loss.

Financial assets subsequently measured at amortized cost
Financial assets are classified as financial assets subsequently measured at amortized cost if it's not an equity instrument and both of the following criteria is met: (i) The financial asset's contractual cash flow is solely principal and interest and (ii) the entity's business model is to hold the asset to collect the contractual cash flow.

Fair value through other comprehensive income
Financial assets are classified as FVOCI if it's not an equity instrument and: (i) The financial asset's contractual cash flow is solely principal and interest and (ii) the entity's business model is both to hold the asset to collect the contractual cash flow and to by selling the financial asset.

Fair value through profit and loss (FVTPL)
Unless classified as financial assets subsequently measured at amortized cost or fair value through other comprehensive income, all financial assets are classified as FVTPL. The Group has not used the fair value option on additional financial assets for the consolidated financial statements.

Except for trade receivables, 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. Trade receivables is measured at initial recognition at the transaction cost.

Initial recognition and measurement of financial liabilities
All financial liabilities in the Group are classified as financial liabilities as subsequently measured at amortized cost unless the financial liabilities are derivatives or financial liabilities held for trading, which are classified and measured at fair value

Subsequent measurement and impairment
In subsequent periods, financial instruments are measured in accordance with classifications described above.

Financial assets not measured at FVTPL be subject to impairment requirements. The Group measures and recognize an loss allowance equals the expected credit loss for the next twelve months. For financial assets with a significant increase in credit risk since initial recognition, the loss allowance is measured and recognized equal to the expected loss for the remaining lifetime of the financial assets.

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 21. 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

Finance 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.

Operating 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 (for project in which revenue recognition is "point-in-time"), the cost consists of product design expenses, consumption of materials, direct labor costs, other direct costs, and indirect production costs (based on a normal capacity level), and attributable borrowing cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

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

2.12 ACCOUNTS RECEIVABLE

Accounts receivable are on initial recognition measured at fair value. For subsequent measurement, accounts receivable is 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 account's 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 profit or loss, 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 various pension plans. The pension plans are in general financed by payments to insurance companies or pension funds. As of 31 December 2018 TTS Group has only defined contribution plans.

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

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

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

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

IFRS 15 Revenue from contracts with customers was adopted on 1 January 2018. The new standard replaced IAS 11 Construction contracts, IAS 18 Revenue and related interpretations. TTS Group has applied a modified retrospective implementation method and the information for 2017 has accordingly not been restated. Upon transition to the new standard, the effect on equity was MNOK 0 for continued business and MNOK -56,6 for discontinued business. The effect on discontinued operations is due to not being able to recognize revenue over time under IFRS 15.

IFRS 15 introduces a new five step model that applies to all customer contracts;

1. Identify the contract
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognized revenue as performance obligation is satisfied

During the application process, step 2 and 5 has been the most complex due to the contract structure within TTS Group. Below are further details on the 5-step model, focusing on step 2 and 5.

1. Identification of contract
TTS Group's revenue derives from contracts with customers in one of the following revenue streams;

a. Long-term construction contracts (engineer-to-order)
b. Contracts for delivery of pre-designed products (configure-to-order)
c. Service contracts
d. After sales

All these revenue streams are based on a contract with the customer.

2. Identification of performance obligations
TTS Group has performed an extensive review of contracts upon the implementation of IFRS 15. Contracts from both

continued and discontinued business has been subject to the review. Due to contract structure, there are differences within the contracts with regards to identification of performance obligations. The review has shown;

Continued business
The deliveries in contracts are reviewed to identify if there are distinct performance obligations. Contracts held within continued business ordinarily represent one performance obligation, ref section 5 below. It could be argued that there could be more than one performance obligations in some of the contracts, but those potential additional performance obligations identified has been assessed immaterial.

Discontinued business
For discontinued business the review of contracts has shown a wider variety of contracts. There are some contracts where it is identified one performance obligation, while other contracts normally include multiple performance obligations (BU CBT), ref section 5 below. For discontinued business, those contracts where multiple performance obligations have been identified, normally include batches of indvidual tailormade goods within one contract, where each delivery is assessed as one performance obligation, and revenue is recognized based on delivery (point-in-time).

3. Transaction price
Revenue from construction contracts includes original contract amount, approved variation orders and disputed amounts to the extent that it is likely that the income will be realized. For contracts where it is identified multiple performance obligations, a stand-alone selling price is identified to each of the performance obligation. Potential liquidated damages are recognized as a reduction of the transaction price unless it is highly probable that they will not be incurred. As per year-end, transaction price for continued business is considered not to be constrained by variable consideration. For discontinued operation, revenue is mainly recognized at point in time, hence transaction price is adjusted for variable consideration when project status indicates a risk of constraints related to variable considerations.

4. Allocation of transaction price to performance obligation
Based on the extensive review of contracts upon the implementation of IFRS 15 the following has been identified;

Continued business
Contracts held within continued business ordinarily represent one performance obligation, hence allocation of transaction price to performance obligation is 1:1.

Discontinued business
For discontinued business the review of contracts has shown a wider variety of contracts, from contract with one clear performance obligation, to other contracts which normally include multiple performance obligations. For contracts with multiple performance obligations the pricing in the contracts reflects the sum of the stand-alone selling prices of the performance obligations identified.

5. Revenue recognition as performance obligation is satisfied
Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies.

Type of contract	Nature and timing of satisfaction of performance obligation	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
CONTINUED BUSINESS (BU SYS)		
Construction contracts (Engineer-to-order)	*Continued business has long term construction contracts with a typical duration of 18-48 months from contracts are signed, to the projects are closed. These projects are engineer-to-order projects, which delivers highly customized turnkey systems for shipyards around the world. The projects are highly specialized systems for each individual project, with no alternative use for the company, and where each project is considered to be one performance obligation.* *For the performance obligations identified in the contracts, it is assessed that control will be transferred to the customer over time as the items are constructed.*	*Revenue recognition under IFRS 15 is either "over time" or "point in time". Revenue recognition over time is regulated in IFRS 15.35. After a thorough analysis of the criteria for "over time" revenue recognition the main issue relating to timing of revenue recognition was TTS' enforceable right to payment for the performance completed to date in a situation with termination by the customer for other reasons than TTS's failure to perform as promised (termination by convenience).* *TTS has assessed the right to payment to date from a legal point of view. The result of the contract review is that the relevant contract either includes a termination by convenience clause that is in favor of TTS Group, or that general legal basis in the relevant jurisdiction is in favor of TTS Group, thus TTS have the legal right to require payment from the customer for performance to date. Payment covers approximately the expected selling price of the goods and services transferred to date, which equals cost plus a reasonable profit margin. Based on this it is the company's assessment, that revenue recognition over time is correct for these contracts.* *Measure of progress is based on cost incurred relative to the total expected cost to satisfy the performance obligation , since this is assessed to reflect actual progress on the performance obligation.* *For projects within BU SYS prepayments are less than 12 months, hence no significant financing component is identified.*
Service- and after sales contracts	*The company delivers service-based business, where work is done on the customers equipment. These deliveries are man-hour based and considered over-time deliveries. Spare parts as part of the service delivery are recognized upon delivery. Lead time from order to completed customer delivery is normally less than three months.* *For after sales contracts, in which is sale of components etc, revenue are recognized upon delivery.*	*Revenue from contracts with customers for other services is recognized over-time using a cost progress method or is recognized over-time as manhours and materials are delivered to the customer.* *Revenue from contracts with customers for after sales, are recognized at point-in-time upon delivery.*

Type of contract	Nature and timing of satisfaction of performance obligation	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
DISCONTINUED OPERATIONS		
Construction contracts (Engineer-to-order and Configure-to-order contracts)	*Engineer-to-order* *These contracts are long term construction contracts with a typical duration of 6-30 months with customized equipment for different industries.* *Configure-to-order* *These contracts are relevant for BU CBT. The contracts deliver complete cargo handling solutions to container, tanker and bulk vessels. Products delivered from the BU are considered to be on a configure-to-order basis and consist of production of a sequel of distinct products.* *Lead time from order until completed delivery may wary from 9-18 months, however lead time form production start-up until product available for customer delivery is normally less than 6 months. Products delivered from BU CBT are typically standard products with an alternative use for the company.* *For the majority of performance obligations, the control has been assessed to be transferred to the customer point in time, at delivery to customer, hence revenue recognition at point in time as the performance obligation is satisfied.*	*Revenue from contracts with customers is mainly based on engineer-to-order and contracts for delivery of pre-designed products (configure-to-order).* *Revenue recognition under IFRS 15 is either "over time" or "point in time". After a thorough analysis of the criteria for "over time" revenue recognition the main issue relating to timing of revenue recognition is:* *Engineer-to-order* *These contracts do not ensure an enforceable right to payment for the performance completed to date upon termination (ref IFRS 15.35), hence revenue recognition follows the principle rule for recognition point in time for these revenue streams.* *For these contracts, the control of the asset is transferred to the customer upon delivery, and revenue is recognized at this point.* *Configure-to-order* *These contracts are typically for standard products with an alternative use for the company, hence it does not qualify for revenue recognition over time according to IFRS 15.35. Revenue from the BU is recognized at point-in-time basis.*
Service- and after sales contracts	*The company delivers service-based business, where work is done on the customers equipment. These deliveries are man-hour based and considered over-time deliveries.* *Spare parts as part of the service delivery are recognized upon delivery. Lead time from order to completed customer delivery is normally less thatn three months.* *For after sales contracts, in which is sale of components etc, revenue are recognized upon delivery.*	*Revenue from contracts with customers for other services is recognized over-time using a cost progress method or is recognized over-time as manhours and materials are delivered to the customer.* *Revenue from contracts with customers for after sales, are recognized at point-in-time upon delivery.*

2.21 CONTRACT COSTS

Contract costs include all costs directly related to the contract, hence included direct labor and materials, allocation of costs that relate directly to the contract, costs that are explicitly chargeable to the customer under the contract, and other costs to fulfill the contract. Costs that cannot be attributed to a contract activity are expensed. Tender costs are expensed as incurred.

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.

Balance sheet classification
For contracts recognized "over-time", an amount equal to completed, not invoiced, performance obligations based on transaction price are recognized as contract asset, while prepayments from customers are recognized as contract liability. For project where there is both a contract asset and a contract liability, it is presented net in the consolidated statement of financial position.

Onerous contracts
The full loss is recognized immediately if contracts are forecast to be loss making. The full loss includes all relevant project costs as defined above.

2.21 IMPAIRMENT OF ASSETS

Financial assets
On the reporting date, non-derivative financial assets that are not measured at fair value through profit or 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 using 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.

2.22 CASH FLOW STATEMENT

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

2.23 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 are adjusted.

2.24 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.

2.25 EQUITY

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

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

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

2.26 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, except for contingent liabilities that are unlikely to incur.

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

2.27 EVENTS AFTER THE REPORTING PERIOD

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

2.28 DISCONTINUED BUSINESS

A discontinued business 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 major and separate 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 for-sale.

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

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

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

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

The Group engages in international operations and is especially exposed to currency risk. The Group uses 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 25.

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 24.

Significant currencies throughout the year:

	Spot rate		Average exchange rates				Spot rate
	31.12.2016	31.12.2017	Q1	Q2	Q3	Q4	31.12.2018
SEK	0,9512	0,9996	0,9680	0,9249	0,9207	0,9330	0,9701
EUR	9,0863	9,8403	9,6373	9,5579	9,5254	9,6272	9,9483
USD	8,6200	8,2050	7,8431	8,0054	8,1867	8,4331	8,6885
CNY	1,2413	1,2609	1,2327	1,2572	1,2304	1,2197	1,2633
KRW	0,0072	0,0077	0,0073	0,0074	0,0074	0,0075	0,0078

SENSITIVITY ANALYSIS

EUR

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

	Equity	Profit after tax
31 December 2018	- 16 797	-4 076
31 December 2017	-9 632	-5 764

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 profit after tax with the figures given below. The analysis is subject to other variables being constant.

	Equity	Profit after tax
31 December 2018	31 001	-256
31 December 2017	37 837	994

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 profit after tax with the figures given below. The analysis is subject to other variables being constant.

	Equity	Profit after tax
31 December 2018	34 278	2 357
31 December 2017	36 988	4 413

A 10% weakening of CNY 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 consider 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 illustrates 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 after tax is affected trough the impact on floating rate debts as follows:

	Fluctuations in interest rate	Effect on net result after tax	Effect on equity
2018	+ 1% points	1 234	1 234
2017	+ 1% points	-4 569	-4 569

Calculations are made based on 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. In order to minimize the risk of losses TTS Group applies comprehensive use of Letters of Credit toward its customers.

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

Maximum risk exposure is represented by the extent of financial assets recognized in the balance sheet. Please find additional information in Note 25.

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

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

(NOK 1000)	Total	Not due	0-3 months overdue	3-6 months overdue	>6 months overdue
31.12.2018	68 974	40 797	27 118	1 059	-
31.12.2017	38 400	34 125	1 212	-	3 063

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.

Additional information on accounts receivable are available in Note 11.

LIQUIDITY RISK

As liquidity risk is unaffected by the split between continued and discontinued business the information below is based on the overall liquidity position of companies held by TTS Group.

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 31 December 2018, the Group's credit facilities are divided between three bank facilities Nordea, DNB and Kookmin Bank (ref note 12 for additional information), and a subordinated convertible bond (ref note 15 for additional information).

As of 31 December 2018, TTS has undrawn overdraft facilities of MNOK 49, of which MNOK 43 in Nordea and MNOK 6 in Korea. Furthermore, the Group has available liquidity in bank deposits of MNOK 242, of which MNOK 170 is held by 50/50 owned consolidated companies. Additional information is available in note 12 and 14.

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

TTS Group ASA has established a joint cash pool arrangement that includes most of its European subsidiaries. The joint cash pool arrangement improves accessibility and flexibility in the management of liquidity funds. As a consequence effect of the contemplated transaction with Cargotec, the cash pool arrangement will be changed, and the arrangements related to the discontinued business dissolved. The balance numbers as per 31 December 2018 reflects the changes to the cash pool where the discontinued business has been eliminated.

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

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

TTS Group's current financing expires at the following dates;

- 1 July 2019 Overdraft- and Guarantee facilities with Nordea
- 1 July 2019 Overdraft- and Guarantee facilities with DnB
- 18 July 2019 Bond loan

TTS Group announced in February 2018 an asset sale agreement with Cargotec Oyj. The contemplated transaction is approved by relevant competition authorities in Europe and Korea but is still subject to approval from the Chinese competition authorities. The closing will take place as soon as the approval has been given, and Cargotec confirms that the closing conditions are met. The transaction is expected to be closed during 2Q, 2019. All debt will be repaid upon closing of the transaction. The company expects to be cash positive and funded as a going concern after the transaction has been closed.

The company will require extension of the current financing facilities to the extent that the transaction is not closed prior to the maturity date. If this situation occurs there is a risk relating to the TTS Group's ability to continue as a going concern unless the extension is approved by the relevant financing institution.

In the unlikely event that the contemplated transaction is not completed, TTS Group has established a contingency plan to ensure that the company has adequate financing in place. If this situation occurs there is a risk relating to the TTS Group's ability to continue as a going concern, unless new financing is in place.

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

Remaining period:

2018	< 6 months	6-12 months	1-5 years	> 5 years	Total
Long-term financial obligations:					
Interest-bearing non-current liabilities [1]	-	-	-	-	-
Current financial obligations:					
First year's installment on non-current liabilities [1]	25 000	262 445	-	-	287 445
FX-derivatives	12 618	11 381	1799	-	25 798
Accounts payable and other current liabilities	101 389	130 538	-	-	231 927
Liabilities held for sale [2]	0	1 356 637	-	-	1 356 637
Total financial obligations	**139 007**	**1 761 001**	**1 799**	**-**	**1 901 806**

[1] All financial obligations is considered as short term debt based on the asset sale agreement between TTS Group and Cargotec Oyj and approved requirment from the financing syndicate.

[2] Allocation of held for sale timing are based on expected timing of the asset sale agreement

2017	< 6 months	6-12 months	1-5 years	> 5 years	Total
Long-term financial obligations:					
Interest-bearing non-current liabilities [1]	-	-	-	-	-
Current financial obligations:					
First year's installment on non-current liabilities [1]	26 663	313 182	-	-	339 845
FX-derivatives	11 842	7 258	-	-	19 100
Accounts payable and other current liabilities	88 670	22 168	-	-	110 838
Liabilities held for sale [2]	-	1 251 241			1 251 241
Total financial obligations	**127 175**	**1 593 849**	**-**	**-**	**1 721 024**

[1] All financial obligations is considered as short term debt based on the asset sale agreement between TTS Group and Cargotec Oyj and approved requirment from the financing syndicate.

[2] Allocation of held for sale timing are based on expected timing of the asset sale agreement

For further information on financial obligations, see Notes 12, 13, 14, 15, 21, 22, 23, 25, 27 and 29.

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 regarding 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, 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 December 31 2018 is illustrated below:

	2018	2017
Interest bearing debt [1]	287 445	339 845
- cash and cash equivalents [2]	349 445	261 843
Net interest bearing debt	**-62 000**	**78 002**
Interest bearing debt in companies classified as held for sale	530 656	364 733
- cash and cash equivalents in companies classified as held for sale	241 849	235 022
+ Net interest bearing debt in companies classified as held for sale	**288 807**	**129 711**
= Net interest bearing debt for TTS Group	**226 807**	**207 713**
+ Equity for TTS Group	514 230	607 460
= Employed capital	741 037	815 173
Gearing (net interest bearing debt/employed capital)	30,6%	25,5%

[1] Includes nominal value of convertible debt (ref Note 14).

[2] Additional information on cash and cash equivalents are available in the statement of cash flow

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 using valuation techniques (primarily discounted future prospective cash flows) or other relevant information for giving a best estimate of fair value on the balance sheet date.

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

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

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

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

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

4. USE OF JUDGEMENT AND ESTIMATES

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

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

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

a) Judgements

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

- Basis for classification as held for sale and discontinued operations – a critical judgement that forms the basis for the consolidated financial statement is whether the group has divestments that qualifies for classification as held for sale and discontinued operations under IFRS 5, please see note 28 and 29.
- Basis for consolidating JV companies – a critical judgement that forms the basis for the consolidated financial statement is whether the group de facto has control over an investee, so it qualifies for full consolidation for the group accounts. There have been no changes, nor indication of change from last year's financial statement. The judgement applies to the following investees:
  - TTS Hua Hai Ships Equipment Co Ltd
  - Shanghai TTS Hua Hai International Trade Co., Ltd
  - TTS SCM Marine and Offshore Machinery Co. Ltd
  - TTS SCM International Trading Co. Ltd

There have been no changes, nor indication of change from last year's financial statement. For further information see note 27 in 2018.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2018 is included below and in respective notes:

- ***Impairment related to disposal group held for sale:*** key assumption underlying carrying amount or fair value less cost to sell. For further description of assumptions and estimation uncertainties, please see note 29.
- ***Impairment test of intangible assets and goodwill:*** key assumptions underlying recoverable amounts. For further description of assumptions and estimation uncertainties, please see note 7.
- ***Revenue recognition of construction contracts:*** Recognition of income and appropriate contract costs from construction contracts is done in accordance with input method using incurred costs over total expected cost, ref. IFRS 15. The assessment of project revenues and project costs is based on several estimates and assessments each which have an inherent uncertainty. The percentage of completion method requires that the Group prepare reliable estimates for future revenue and costs for each project as well as degree of completion on the balance sheet date.
- ***Warranty liability:*** The Group customarily offers a warranty period of one/ two years on its delivered products. Management estimates accruals for future guarantee commitments based on information from historical guarantee claims, together with updated information of the quality of recent deliveries. Factors that may affect estimated obligations include the outcome of productivity and quality initiatives, as well as reference prices and labor costs.
- ***Deferred tax assets:*** The Group has recognized deferred tax assets related to the Norwegian 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 is a result of specific identifiable causes
- ***Financial assets and liabilities:*** The Group's financial assets and obligation are further discussed in sections 2.8, 2.9, 2.10, 2.12, 2.13, 2.15 and 2.17. Risk related to currency, interest, credit and liquidity, as well as asset management is discussed in section 3. These days' unrest in the financial market could significantly affect the basis for valuation, estimated cash flow and liquidity in the course of the next accounting year. For further discussion of this, reference is made to section 3 and, for accounting values see Note 11, 12, 14, 15, 21, 23 and 25.
- ***Inventory:*** Valuation of inventory is based on estimates on future selling prices in the ordinary course of business. Changes in market conditions may affect the value of inventory. See section 2.11 and accounting values in Note 3.

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

c) Market risks

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

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

Within BUSYS, the order backlog has improved during 2018, and represents a sound operational foundation for the coming quarters. Future demand for the current product portfolio depends on the shipyards' need to implement more efficient production lines. Currently there are no signs that the yard industry's focus on restructuring and increased productivity will diminish. From the volume of identified prospects, we expect there is potential for further growth in the segment.

Following the expected closing of the contemplated Cargotec transaction, markets risk and potential are terminated. Until the transaction is completed, TTS Group will continue to monitor and compete in different market segments in order to maintain long term established relationship and market position.

Note 1 – Operating segments

(Amounts in NOK 1000)

Primary reporting format – business segments
From 2014 and onwards TTS Group has based its reporting focus on shiptype. The reclassification of accounts according to IFRS 5 requirements changed the segment reporting in 2017, after which the activity is presented on a Continued and Discontinued basis. Additional information on discontinued businesses are presented in note 29.

The segments structure in TTS are as follows:

CONTINUED BUSINESS CONSIST OF	
BU SYS	Shipyard Solutions segment
TTS Group ASA	Parent Company
DISCONTINUED BUSINESS CONSIST OF	
BU RCN	RoRo/ Cruise/ Navy segment
BU CBT	Container/ Bulk/ Tank segment
BU MPG	Multipurpose/ General Cargo segment
BU OFF	Offshore segment
BU SER	Services segment
Other:	Misc. business, including sourcing hubs activity in Poland (engineering pool), Vietnam (engineering pool) and China (purchase pool)

CONTINUED BUSINESS

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

DISCONTINUED BUSINESS

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

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

Multipurpose/ General Cargo segment (BU MPG):
The MPG segment delivers supporting solutions to the vessels which are designed to operate in the multipurpose or general cargo market, requiring specialized operating capabilities. The product range includes 40-2200 t 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.

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

Services segment (BU SER):
The 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.

Intragroup transactions are based on the arm's length principle, and have been eliminated according to the set structure of IFRS 5.

	2018			2017		
	BU SYS	TTS Group ASA	Total	BU SYS	TTS Group ASA	Total
Revenue	220 277	32	220 310	204 347	6 690	211 038
Total revenue and income	**220 277**	**32**	**220 310**	**204 347**	**6 690**	**211 038**
Earnings before depreciation, finance and tax (EBITDA)	41 677	-24 677	17 001	31 300	-20 784	10 516
Depreciation/amortisation	876	1 012	1 887	962	719	1 680
Operating profit/loss	**40 802**	**-25 689**	**15 113**	**30 339**	**-21 504**	**8 835**
Financial income	1 558	13 569	15 126	1 593	3 083	4 676
Financial cost	678	16 257	16 935	585	8 698	9 284
Segment profit/loss before tax	**41 681**	**-28 376**	**13 305**	**31 346**	**-27 119**	**4 228**
Assets [1]	217 453	282 435	499 888	159 203	227 868	387 071
Total segment assets	**217 453**	**282 435**	**499 888**	**159 203**	**227 868**	**387 071**
Liabilities [2]	**144 414**	**400 756**	**545 169**	**88 186**	**381 597**	**469 783**
This year's capital expenditures	914	6 869	7 783	111	3 338	3 449

"1) TTS Group ASA - Not including assets held for sale, MNOK 1.916

2) TTS Group ASA - Not including liabilities held for sale, MNOK 1.357

Information about geographical areas
The activity in continued businesses are primarily distributed in the following regions:

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

Sales revenue (external)	2018	2017
Europe	7 608	10 926
Asia	103 082	112 448
USA/Canada	23 991	33 587
Rest of the world	85 628	54 076
Total sales revenue	**220 310**	**211 038**

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

Total assets	2018	2017
Europe	499 888	387 071
Asia	-	-
USA/Canada	-	-
Rest of the world	-	-
Total assets	**499 888**	**387 071**

Assets are reported based on their location.

Segment information on discontinued businesses - Revenue:

	2018			2017
	Revenue	Adjustments on Revenue	Revnue without adoption of IFRS 15	Revenue
BU RCN	150 685	-194 967	345 652	298 425
BU CBT	684 698	-	684 698	894 233
BU MPG	63 157	-55 040	118 197	126 870
BU OFF	174 568	45 066	129 502	142 238
BU SER	543 618	-	543 618	507 879
OTHER	23 251	-	23 251	1 920
	1 639 976	**-203 941**	**1 843 918**	**1 971 564**

Segment information on discontinued businesses - EBITDA :

	2 018			2017
	EBITDA	Adjustments on EBITDA	EBITDA without adoption of IFRS 15	EBITDA
BU RCN	-53 043	-41 711	-11 332	4 872
BU CBT	20 292	-	20 292	77 237
BU MPG	-42 842	-16 251	-26 591	-62 449
BU OFF	18 524	32 716	-14 192	-15 764
BU SER	76 380	-	76 380	27 260
OTHER	18 192	-	18 192	11 613
	37 502	**-25 246**	**62 749**	**42 769**

Note 2 – Revenue

(Amounts in NOK 1000)

REVENUE STREAMS

Description of revenue streams are presented under "Accounting principles" in section 2.20.

	2018	2017
Revenue from construction contracts, continued operations	193 285	182 154
Sale of goods	-	-
Revenue from service contracts, continued operations	27 025	28 884
Total revenue from projects, continued operations, classified as "Project revenue" [1)]	**220 310**	**211 038**
CONTRACT BALANCES		
Current Assets		
Completed production	149 218	107 768
Invoiced production	110 311	74 520
Contract assets, classified as "Accrued, non-invoiced production"	**38 907**	**33 247**
Prepayments to suppliers	-	-
Total current assets	**38 907**	**33 247**
Current liabilities		
Completed production	367 232	318 729
Invoiced production	-497 770	377 198
Contract liabilities	**-130 538**	**-58 469**
Non-invoiced production cost, suppliers	-	-
Contract liabilities, classified as "Prepayments from customer"	**-130 538**	**-58 469**

[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 2.21 in Accounting principles. Risks related to the estimation of the posted values are further discussed under accounting principles, in sections 2.21 and 4 in the Accounting principles.

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market under segment information in note 1.

Transaction price allocated to the remaining performance obligation

The following table shows the remaining performance obligation on committed projects:

Revenue on ongoing projects	1 113 914
Revenue recognized per 31 December 2018	484 846
Aggregated amount of the transaction price allocated tounsatisfied performance obligation	**629 068**

Production time for typical TTS Syncrolift AS projects are up to 48 months, hence revenue allocated to the remaining performance obligation is expected to be recognized within the next 48 months.

Note 3 – Inventories

(Amounts in NOK 1000)

	2018	2017
Inventories, incl. non-current	596	636
Obsolescence	-	-
Total inventories	**596**	**636**
Inventories classified as held-for-sale - ref note 29	101 146	165 917
Book value of inventories pledged as security for liabilities [1]	19 308	60 497

[1] Pledged inventories consist of inventories in both continued and discontinued businesses.

Raw materials in storage identified for use in ongoing production is presented as accrued, non-invoiced production.

Note 4 – Payroll expenses and employee information

(Amounts in NOK 1000)

Payroll expenses:	2018	2017
Salaries	32 997	33 535
Employer's social security contribution	6 907	5 482
Defined benefit pension costs (note 5)		
Defined contribution pension costs (note 5)	2 634	3 004
Other benefits	1 800	4 405
Total payroll expenses continued operations	44 338	46 426
Number of employees at the end of the year	**38**	**38**

Board remunerations[1]		2018	2017
Trym Skeie	Board member since 06.2017. Re-elected for the period 06.2018 - 06.2020	420	400
Bjarne Skeie	Board member until 06.2016	-	230
Leif Haukom	Board member since 06.2017. Elected for the period 06.2017 - 06.2019	294	-
Britt Mjellem	Board member since 06.2016. Re-elected for the period 06.2018 - 06.2020	336	320
Gisle Rike [2]	Board member since 06.2015. Re-elected for the period 06.2017 - 06.2019	294	280
Marianne Sandal	Board member since 06.2014. Re-elected for the period 06.2018 - 06.2020	242	280
Morten Aarvik	Board member since 07.2016, employee representative re-elected for the period 07.2016 - 07.2018	121	115
Rakel Simmenes	Board member since 07.2018, employee representative elected for the period 07.2018 - 07.2020	-	-
Anita Kråkenes	Board member until 07.2018, employee representative	121	115
Total		**1 827**	**1 740**

[1] The Annual General Meeting determines the remuneration to the Board from one General Meeting to the next. For the financial year 2018, the reported remuneration is based on the remuneration paid in 2018 based on the amounts determined by the Board at the Annual General Meeting for 2018. The same applies to the nomination committee.

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

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

NOMINATION COMMITTEE REMUNERATION

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

The nomination committee remuneration for 2018 was TNOK 63 for the chair of committee and TNOK 36,75 for each of the members, a total of TNOK 136,5.

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 intended to be competitive and motivating, but in line with general market terms.
- Bonus for the President & CEO and other executives is determined on the basis of target results and on individual targets. Bonus targets are revised annually. Bonus is up to 50% of base salary for other executives. Bonus payment reported in 2018 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2017. 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 16 Share capital and shareholder information for further information regarding option program.

The President & CEO has a notice period of six months, and a severance pay period of 6 months. Other senior executives have notice six months, and severance pay periods of up to 6 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.

REMUNERATION AND OTHER BENEFITS FOR THE PRESIDENT & CEO AND OTHER SENIOR EXECUTIVES: 2018

(Amounts in NOK 1000)

Name	Position	Base salary	Other benefits	Bonus paid	Share options	Pension cost
Toril Eidesvik	President & CEO	2 629	12	3 375	182	171
Leiv Kallestad	CFO	1 891	358	500	64	171
Björn Rosén	EVP, Roro/Cruise/Navy	1 977	12	200	91	813
Holger Elies (until 07.2018)	EVP, Container /Bulk/Tank	1 976	-	1 062	-	151
Mette Harv	EVP, Offshore & Multipurpose/ General Cargo	1 568	12	611	48	171
Rolf-Atle Tomassen	EVP, Shipyard Solutions	1 477	12	600	182	171
Trond Larsen	EVP, Services	1 398	12	300	-	171

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

Remuneration of Auditor:	2018	2017
Statutory audit	2 166	4 224
Other attestation services	116	1 068
Tax advisory	42	383
Other non-audit service	1 559	534
Total	**3 883**	**6 209**

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				2018			2017
		Insured	Uninsured	Total	Insured	Uninsured	Total
	Defined benefit plans		-	-	-	-	-
+	Defined contribution plan	2 634	-	2 634	3 004	-	3 004
=	**Total pension cost**	**2 634**	**-**	**2 634**	**3 004**	**-**	**3 004**
	- of which recognized as payroll cost	2 634		3 004	3 004		3 004
	- of which recognized as finance cost						

Annual contribution to pension plan in discontinued business is MNOK 25 409 for 2018 and MNOK 33 908 for 2017.

Note 6 - Fixed assets

(Amounts in NOK 1000)

	Property	Buildings	Machinery and vehicles	Furniture, office-equipment, etc.	Total
As of 1.1.2017					
Acquisition cost 1.1.	21 555	19 176	178 432	148 207	367 370
Accumulated depreciation as of 1.1.	-1 162	-11 436	-151 098	-109 337	-273 033
Book value as of 1.1.2017	**20 393**	**7 740**	**27 334**	**38 870**	**94 338**
2017 Financial year					
Book value as of 1.1.	20 393	7 740	27 334	38 870	94 338
Foreign currency differences	1 707	2 061	-468	490	3 790
Acquisitions	-	-	-	-	-
Additions	-	-	2 544	7 876	10 420
Disposals	-180	-2 362	31	-725	-3 236
Depreciation, amortization and impairments	-	413	-5 346	-10 828	-15 761
Reclassified as held for sale	-21 921	-7 852	-24 095	-28 362	-82 229
Book value as of 31.12.2017	**-**	**-**	**-**	**7 322**	**7 322**
As of 31.12.2017					
Acquisition cost 31.12.	23 083	19 575	180 112	147 649	370 419
Accumulated depreciation and impairments as of 31.12.	-1 162	-11 723	-156 018	-111 965	-280 868
Reclassified as held for sale	-21 921	-7 852	-24 095	-28 362	-82 229
Book value as of 31.12.2017	**-**	**-**	**-**	**7 322**	**7 322**
2018 Financial year					
Book value as of 1.1.	-	-	-	7 322	7 322
Foreign currency differences	-	-	-	-	-
Acquisitions	-	-	-	-	-
Additions	-	-	5 739	2 044	7 783
Disposals	-	-			-
Depreciation, amortization and impairments	-	-		-1 495	-1 495
Book value as of 31.12.2018	**-**	**-**	**5 739**	**7 872**	**13 611**
As of 31.12.2018					
Acquisition cost 31.12.	-	-	5 739	14 980	20 719
Accumulated depreciation and impairments as of 31.12.	-	-	-	-7 108	-7 108
Book value as of 31.12.2018	**-**	**-**	**5 739**	**7 872**	**13 611**
DISCONTINUED					
2018 Financial year					
Reclassified as held for sale Book value as of 1.1	21 921	7 852	24 095	28 362	82 229
Change in Reclassified as held for sale	269	-390	2 766	-6 375	-3 730
Book value as of 31.12.2018	**22 189**	**7 461**	**26 861**	**21 987**	**78 499**

OPERATING LEASE CONTRACTS:

	Lease payments 2017	Lease payments 2018	Est. lease payment 2019	Est. Lease payments 2020-2022	Est. Lease payments > 2022	Est. Total future lease payments
Lease of premises	63 047	38 078	38 205	46 018	1 578	85 800
Lease of equipment and vehicles	4 702	8 462	3 725	3 135	-	6 860
Total	**67 749**	**46 540**	**41 930**	**49 153**	**1 578**	**92 660**

Continued	Lease payments 2017	Lease payments 2018	Est. lease payment 2019	Est. Lease payments 2020-2022	Est. Lease payments > 2022	Est. Total future lease payments
Lease of premises	10 354	2 540	2 940	8 819		11 759
Lease of equipment and vehicles	60	60	80	241		321
Total	**10 414**	**2 600**	**3 020**	**9 060**		**12 080**

Discontinued	Lease payments 2017	Lease payments 2018	Est. lease payment 2019	Est. Lease pay-ments 2020-2022	Est. Lease payments > 2022	Est. Total future lease payments
Lease of premises	52 693	35 538	35 265	37 198	1 578	74 041
Lease of equipment and vehicles	4 642	8 402	3 645	2 894	-	6 539
Total	**57 335**	**43 940**	**38 910**	**40 093**	**1 578**	**80 581**

Note 7 - Intangible assets

(Amounts in NOK 1000)

	Customer portfolio	Patents, licences etc	R&D	Goodwill	Total
As of 31.12.2016					
Acquisition cost 31.12.	109 726	7 747	62 453	689 967	932 562
Accumulated depreciation and impairment as of 31.12.	-20 370	-5 240	-50 033	-114 169	-88 934
Book value as of 31.12.2016	**89 356**	**2 507**	**12 420**	**575 798**	**680 081**
2017 Financial year					
Book value 1.1.	89 356	2 507	12 420	575 798	680 081
Foreign currency effects	-680	489	270	29 983	30 062
Additions					-
Acquisitions	-	-	-	-	-
Disposals	-503	-	-253	-21 807	-22 563
Depreciation and amortization	-19 692	-587	-3 756	-	-24 036
Impairment	-	-	-		-
Reclassified as held for sale	-62 435	-1 982	-8 681	-583 974	-657 072
Book value as of 31.12.2017	**6 046**	**427**	**-**	**-**	**6 473**
As of 31.12.2017					
Acquisition cost 31.12.	106 028	8 516	64 706	698 143	877 393
Accumulated depreciation and amortization as of 31.12.	-37 547	-6 107	-56 025	-114 169	-213 848
Reclassified as held for sale	-62 435	-1 982	-8 681	-583 974	-657 072
Book value as of 31.12.2017	**6 046**	**427**	**-**	**-**	**6 473**

	Customer portfolio	Patents, licences etc	R&D	Goodwill	Total
2018 Financial year					
Book value 1.1.	6 046	427	-	-	6 473
Foreign currency effects	-	-	-	-	-
Additions	-	-	-	-	-
Acquisitions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation and amortization	- 339	-53	-	-	-393
Other	-	-		-	-
Book value as of 31.12.2018	**5 707**	**374**	**-**	**-**	**6 081**
As of 31.12.2018					
Acquisition cost 31.12.	9 616	534	-	-	10 150
Accumulated depreciation and amortization as of 31.12.	-3 909	-160	-	-	-4 070
Book value as of 31.12.2018	**5 707**	**374**	**-**	**-**	**6 081**
DISCONTINUED					
2018 Financial year					
Reclassified as held for sale Book value as of 1.1	62 435	1 982	8 681	583 974	657 072
Change in Reclassified as held for sale	-13 381	-516	-1 332	-3 688	-18 917
Book value as of 31.12.2018	**49 054**	**1 466**	**7 349**	**580 286**	**638 155**

GOODWILL IMPAIRMENT ASSESSMENT

Prior to reclassification of assets and liabilities held for sale under IFRS 5, an impairment test in accordance with IAS 36 was performed. Assets classified as held for sale are defined as one combined cash generating units (CGU). At the time of reclassification as held for sale, TTS Group defined GCU at the lowest level that generates cash inflows that are largely independent of those from other assets or groups of asset. The group had the following Goodwill in the group accounts;

CGU	Goodwill 31.12.18 (MNOK)	Goodwill 31.12.17 (MNOK)
TTS Marine AS	26	26
TTS Marine AB	198	204
TTS Marine GmbH*	92	91
TTS Hua Hai**	125	124
TTS Neuenfelder Maschinenfabrik GmbH***	124	123
TTS Poland	14	15
TTS Liftec Oy		
Total	**580**	**584**

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

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

*** The CGU includes the TTS-SCM Marine and Offshore Machinery Co. Ltd and TTS SCM International Trading Co. Ltd.

For impairment testing of the disposal group held for sale, please see note 29.

Note 8 – Investments in other companies

(Amounts in NOK 1000)

As per 31 December 2018 TTS Group do not hold any positions in other companies.

As per 31 December 2018 TTS Group holds a call option of 51% of the shares in Intellilift AS. The option was called on 1 April 2019.

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

Note 9 – Subsidiaries

The following subsidiaries are basis for the consolidated accounts:

TTS GROUP ASA:

Subsidiary	Registered office	Held-for-sale company	Acquisition year	Owner-ship	Voting share	Local currency	Share capital in local currency
TTS Syncrolift AS	Drøbak, Norway	NO	1994	100%	100%	NOK	950 000
Nekkar AS	Bergen, Norway	NO	2018	100%	100%	NOK	30 000
Norlift AS	Bergen, Norway	YES	1994	100%	100%	NOK	500 000
TTS Marine AB	Gothenburg, Sweden	YES	2002	100%	100%	SEK	2 000 000
TTS Marine Shanghai Co Ltd	Shanghai, China	YES	2002	100%	100%	CNY	47 093 503
Hydralift Marine AS	Kristiansand, Norway	YES	2003	100%	100%	NOK	100 000
TTS Cranes Norway AS	Bergen, Norway	YES	2007	100%	100%	NOK	500 000
TTS Marine AS	Bergen, Norway	YES	2009	100%	100%	NOK	3 000 000
TTS Singapore Pte. Ltd.	Singapore	YES	2009	100%	100%	SGD	1 141 813
TTS Greece Ltd.	Pireus, Greece	YES	2009	100%	100%	EUR	200 000
TTS Offshore Solutions AS	Bergen, Norway	YES	2012	100%	100%	NOK	2 112 500
TTS Neuenfelder Maschinenfabrik GmbH	Hamburg, Germany	YES	2012	100%	100%	EUR	3 000 000
TTS Poland sp. z o.o.	Gdansk, Poland	YES	2013	100%	100%	PLZ	250 000

Joint venture	Registered office	Held-for-sale company	Acquisition year	Ownership	Voting share
TTS BoHai Machinery Co., Ltd	Dalian, China	YES	2005	50%	50%
TTS Bohai Trading (Dalian) Co., Ltd	Dalian, China	YES	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	Held-for-sale company	Acquisition year	Owner-ship	Voting share	Local currency	Share capital in local currency
TTS Marine Inc.	Virginia, USA	YES	1994	100%	100%	USD	190 000
TTS Marine GmbH	Bremen, Germany	YES	1997	100%	100%	EUR	255 646
TTS Marine S.r.l	Genova, Italy	YES	2006	100%	100%	EUR	10 400
TTS Vietnam [2]	Haiphong, Vietnam	YES	2014	100%	100%	VND	
TTS Hua Hai Ships Equipment Co Ltd [3]	Shanghai, China	YES	2002	50%	100%	CNY	11 000 000
Shanghai TTS Hua Hai International Trade Co., Ltd [3]	Shanghai, China	YES	2012	50%	100%	CNY	1 000 000

[1] TTS Liftec Oy was sold in 2017

[2] The activity in TTS Vietnam is organized as a Permanent Establishment of TTS Marine AB in Vietnam.

[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 associated companies	Registered office	Held-for-sale company	Acquisition year	Ownership	Voting share
Jiangnan TTS Ships Equipment Manufaturing Co. LTD [4]	Jiangnan, China	YES	2012	20%	40%

[4] TTS Hua Hai Equipment co. Ltd owns 40%. TTS Group indirectly controls 40% of the votes and is indirectly entitled to 20% of the dividend payment. The activity in the company is currently being wind down, and is expected to close in 2019.

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

TTS MARINE GMBH HAS THE FOLLOWING SUBSIDIARIES:

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

TTS NEUENFELDER MASCHINENFABRIK GMBH HAS THE FOLLOWING SUBSIDIARIES:

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

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

TTS MARINE AS HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary	Registered office	Held-for-sale company	Acquisition year	Owner-ship	Voting share	Local currency	Share capital in local currency
TTS Brazil Services [7]	Rio de Janeiro, Brazil	YES	2014	99%	100%	BRL	2 389 429

[7] TTS Group ASA holds the remaining 1%. The company has been winded down through 2018, and has been removed from enterprise records as per 31.01.2019

TTS HYDRALIFT MARINE AS HAS THE FOLLOWING SUBSIDIARIES:

Subsidiary	Registered office	Held-for-sale company	Acquisition year	Owner-ship	Voting share	Local currency	Share capital in local currency
TTS Marine Services LLC (Dubai)	Dubai, United Arab Emirates	YES	2016	100%	100%	AED	100 000
TTS Benelux NV (Rotterdam)	Rotterdam, Netherlands	YES	2016	100%	100%	EUR	62 000
TTS Energy AS	Kristiansand, Norway	YES	2017	100%	100%	NOK	30 000

Note 10 – Equity accounted investments

(Amounts in NOK 1000)

As presented in the Board of Directors report, TTS Group has entered into an agreement with Cargotec Oyj to divest a large portion of its business. The divestment includes any and all investments accounted for under the equity method. The information included in this note provide additional information on these investments.

The steel production in JiangNan TTS Ships Equipment Manufacturing Co Ltd (JNTTS) have for the past three years suffered from increased price pressure, and have not been able to maintain its profitability. TTS Hua Hai Co Ltd (THH) holds a minority 40% ownership in JNTTS, and have an operational obligation to use JNTTS as a sourcing partner, if JNTTS is competitive with respect to price and quality. TTS Group recognized an impairment of the investment in JNTTS in 2016, and asset values were impaired by MNOK 43,0 to zero. After selling of assets, and clearing the financial position of the company, JNTTS is expected to be closed during 2019. TTS Group and THH have no commitment to support funding or financing of activities in JNTTS.

TTS GROUP HOLDS THE FOLLOWING EQUITY-ACCOUNTED INVESTEES AS PER 31 DECEMBER 2018:

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	2015	40%	40%

Equity accounted investments	TTS Bohai Machinery / Trading	JiangNan TTS Ships Equipment Manufacturing Co.Ltd	Total
Opening balance 1.1.2017	29 160	-	29 160
Share of profit/loss (net of withholding tax)	6 264	-	6 264
Dividends (net of withholding tax)	-	-	-
Currency effect	1 658		1 658
Reclassified as held for sale	-37 082	-	-37 082
Closing balance 31.12.2017	**-**	**-**	**-**
Opening balance 1.1.2018	37 082	-	37 082
Share of profit/loss (net of withholding tax)	-1 121	-	-1 121
Dividends (net of withholding tax)	-2 169	-	-2 169
Currency effect	857	-	857
Reclassified as held for sale	-34 649	-	-34 649
Closing balance 31.12.2018	**-**	**-**	**-**

EQUITY ACCOUNTED INVESTMENTS TOTAL(100%) PROFIT/LOSS, ASSETS AND LIABILITIES PER 31.12.2018

	Long term assets	Current assets	Long term liabilities	Current liabilities	Revenue	Net Profit/ (loss) after tax
TTS Bohai Machinery / TTS Bohai Trading	2 444	157 177	-	83 964	211 233	-1 807
JiangNan TTS Ships Equipment Manufacturing Co.Ltd	326 695	85 386	-	478 061	63 012	-117 403
Total	**329 139**	**242 563**	**-**	**562 025**	**274 245**	**-119 210**

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

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

Note 11 – Trade and other receivables

(Amounts in NOK 1000)

Trade receivables	2018	2017
Trade receivables	69 490	38 770
Loss provisions	-516	-370
Net trade receivables	68 974	38 400
For terms and conditions related to relating party receivables, ref. to Note 21.		
Net trade receivables classified as held for sale - ref note 29	322 461	244 583

Trade receivables (gross) per currency:	2018	2017
EUR	38 695	15 142
USD	29 885	11 199
NOK	131	11 969
Other currencies	263	460
Total	**68 974**	**38 770**

For additional information on accounts receivables and associated risks, see Accounting Principles and sections 2.12, 3.1 and 4 and Note 25.

Other receivables under short-term receivables:	2018	2017
VAT	2 161	171
Prepayments	1 118	5 979
Hold back amount	-	-
Other receivables	-	11 153
Other short-term receivables	**3 279**	**17 304**
Other short-term receivables classified as held for sale - ref note 29	103 505	88 753

Note 12 – Loans and non-current liabilities

(Amounts in NOK 1000)

As presented in the Board of Directors report, TTS Group have entered into an agreement with Cargotec Oyj to divest a large portion of its business. The credit facility is set up to cover both businesses planned for divestment, and continued businesses. Unless clearly expressed, the presentation of credit facilities in this note is based on the overall activity in TTS Group. Information on pledges and guarantees are available in note 13. Additional information on financial risk are available in the Accounting principles section 3.

SPECIFICATION OF LOANS:

	Loan type	Currency	Nominal interest rate	Limit 2018	Maturity	Instalment terms	Nominal value 2018	Nominal value 2017
Nordic Trustee ASA [1]	Convertible bond	NOK	Coupon - 10%	90 945	2019	Balloon	90 945	93 345
Nordea	Mortgage loan	NOK	Nibor + 3,75%	100 000	2019	Term loan	62 500	87 500
Nordea [2]	Drawdown facility, mortgage based	NOK	Nibor/Euribor/ Libor + 3,50%	200 000	2019	Balloon	156 946	72 591
DNB	Mortgage loan	NOK	Nibor + 3,00%	171 750	2019	Term loan	134 000	159 000
Kookmin Bank	Draw dawn facility	KRW	3,86%	31 140	2019	Balloon	25 169	27 622
Kookmin Bank	Mortgage loan	KRW	3,37%	2 336	2019	Balloon	2 336	3 076
Overall debt facilities				596 171			471 895	443 134
Allocated to discontinued				233 476			184 450	103 289
Total debt				362 695			287 445	339 845

[1] Presentation in this note is based on allocation and information applicable as per 31 December 2017. On 22 March 2017 the interest rate of the Subordinated Bond Loan was reduced from 12% p.a. to 10% p.a. Additional information available in note 15.

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

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

	Cash	Bond loan	Mortgage loan	Liability held for sale	Net
Bond loan		90 945			90 945
Mortgage loan			196 500	2 336	198 836
Drawdown facilities [2]	(345 816)			527 931	182 115
Total	(345 816)	90 945	196 500	530 266	471 895

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

REPAYMENT PROFILE AND MATURITY:

	Nominal value 31.12.2018	2019	2020	2021	2022	2021 and later
Convertible Subordinated Bond Loan 2011/2019	90 945	90 945				-
Term based financial facilities	198 836	198 836			-	-
Drawdown facilities	182 021	182 021				
Total loans incl. first year instalment and short term loans [1]	471 802	471 802	-	-	-	-
- short term loans and second year instalment of non-current debt	-471 802	-471 802		-	-	-
Total non-current liabilities	-	-	-	-	-	-
Expected interest payments		14 381	-	-	-	-

[1] Presentation in this table is an effect of the asset sale agreement with Cargotec Oyj and all debt facilites in TTS Group are classified as short-term debt.

MANDATORY REPAYMENT

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

Recognized nominal value of the Group's non-current liabilities in various currencies are as follows:

(NOK 1000)	2018	2017
NOK	444 391	412 436
EUR	-	-
USD	-	-
RMB	-	-
KRW	27 504	30 698
Total	471 895	443 134

COVENANTS

TTS Group has loans, draw down facilities and guarantee limits with Nordea and DNB. TTS Group have met the financial covenant requirements from Nordea and DNB at the end of 2018. On the 13th of December 2018 TTS Group ASA entered into a prolongation agreement with Nordea and DNB, which represents an extension of covenant terms and the agreements the company had at the beginning of the fiscal year 2016. Information on pledges are in note 13.

COVENANTS IN 2018

During 2018 TTS Group met the covenant requirements stated in the agreements with Nordea, DNB and the Convertible Bond Agreement.
The agreements have a separate set of definitions on:

- NIBD; excluded convertible bond debt. Includes 50% of cash in 50/50 owned entities
- EBITDA; includes 100% of EBITDA from fully owned subsidiaries, and 50% of EBITDA from 50/50 owned companies.
- EBITDA effects caused by restructuring/ impairment/ profits and accounting based one-offs are eliminated from the calculation
- EBITDA and NIBD effects derived from changes to the IFRS regulations effective on or after 01.01.2017

NIBD/ EBITDA COVENANT:

TTS Group's NIBD/ EBITDA ratio shall at a maximum be 3,0 at yearend 2018. At yearend 2017 the maximum NIBD/ EBITDA ratio was maximum 4,0.
The equity ratio calculation involves adjustment elements to both NIBD and EBITDA. Additional information is provided in the table below.

EQUITY COVENANT:

TTS Group's equity ratio shall at least be equal to 25,0%. The equity ratio calculation involves adjustment elements. Details are provided in the table below.

MINIMUM LIQUIDITY

Covenant related to minimum liquidity reserve is MNOK 50. As per 31.12.2018, based on the set calculation definitions, the liquidity reserve was MNOK 124,3.

OTHER

A multiple of other standard default clauses related to the Convertible Bond Loan, inclusive cross default clauses, are apparent.

COVENANTS IN 2019

On the 13th of December 2018 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 fiscal year 2016. As of 4Q-2018 the financial covenants are;

- Equity ratio min 25,0 % in 1Q-4Q 2019 (inclusive nominal value of remaining bond-debt).
- Minimum liquidity reserve of MNOK 50 in fully owned subsidiaries.
- Maximum NIBD/ EBITDA:
  - 1Q 2019-4Q 2019: 3,0
- In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent.

- The agreements have a separate set of definitions on:
  - NIBD; excluded convertible bond debt. Includes 50% of cash in 50/50 owned entities
  - EBITDA; includes 100% of EBITDA from fully owned subsidiaries, and 50% of EBITDA from 50/50 owned companies.
  - EBITDA effects caused by restructuring/ impairment/ profits and accounting based one-offs are eliminated from the calculation
  - EBITDA and NIBD effects derived from changes to the IFRS regulation effective on or after 01.01.2017

Covenant test - NIBD/ EBITDA	2018	2017
Calculation of NIBD - relevant for covenant measure		
NIBD in Continued businesses	-62,0	78,0
+ NIBD from Discontinued businesses	303,0	129,4
- NIBD in 50/50 owned consolidated companies	-170,0	-165,0
+ 50% of NIBD in 50/50 owned companies	117,0	127,0
+ Adjust effects from changes in IFRS regulation	0,0	0,0
= Calculated NIBD - covenant adjusted	**188,0**	**169,4**
Calculation of EBITDA - relevant for covenant measure		
EBITDA from Continued operations	17,0	10,5
+ EBITDA from Continued operations	38,0	42,7
- EBITDA from 50/50 owned consolidated companies	-47,9	-57,1
+ 50% of EBITDA from 50/50 owned companies	24,0	35,5
+ Restructuring cost	24,0	50,4
+ accounting effects from changes to IFRS	25,0	0,0
= Calculated EBITDA - covenant adjusted	**80,1**	**82,0**
NIBD/ EBITDA - covenant measure	**2,3**	**2,1**
Maximum NIBD / EBITDA - covenant requirement	**3,0**	**4,0**

Covenant test - EQUITY	2018	2017
Calculation of Equity - covenant measure base		
Equity as stated	514,2	607,5
+ Nominal vale of Subordinated Bond Debt	90,9	93,3
+ Restructuring provisions- unutilized portion	13,7	0,0
+ Adjust effects from changes in IFRS regulation	25,2	0,0
= Equity - covenant measure base	**644,2**	**700,8**
Calculation of Assets - covenant measure base		
Assets - as stated in the consolidated statement of financial position	2416,0	2328,5
+ Unutilized restructuring allocation	13,7	0,0
+ / - Adjust effects from changes in IFRS regulation	-66,0	0,0
= Assets - covenant measurement base	**2363,8**	**2328,5**
Equity % - covenant measure	**27,3 %**	**30,1 %**
Minimum Equity % - covenant requirement	**25,0 %**	**25,0 %**

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).

As presented in the Board of Directors report, TTS Group has entered into an agreement with Cargotec Oyj to divest a large portion of its business. The credit facility is set up to cover both businesses planned for divestment, and continued businesses. Unless clearly expressed, the presentation of credit facilities is based on the overall activity in TTS Group.

13 December 2018 TTS Group ASA entered into an agreement with Nordea and DNB for an extension of the financing agreements for credit and guarantee facilities, which the company had at the beginning of the fiscal year 2016. The extended agreements expire at 1 July 2019.

The total frame of the credit facility in the agreement is MNOK 1.072, consisting 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 minimum liquidity reserve. The covenants are described in note 12.

The finance agreements include pledges of plant and machinery, inventory, accounts receivables in the major Norwegian companies. In addition, shares in TTS Marine AB have been pledged.

According to the set condition in the agreement between TTS and Cargotec, TTS will set its bank debt after closing of the Cargotec transaction, and the banks has agreed to subsequently lift the pledges.

TTS GROUP HAS THE FOLLOWING CREDIT FACILITIES THROUGH ITS FACILITATORS:

	2018		2017	
	Limit	Drawn	Limit	Drawn
Group cash pool overdraft facility	200 000	156 946	200 000	72 591
Drawdown facility, operations	271 750	196 500	271 750	246 500
Guarantee limit for Group	600 000	366 568	600 000	401 994

As per 31 December 2018 all Norwegian companies (ref Note 9), as well as TTS Marine AB, TTS NMF GmbH and TTS Marine GmbH are part of the Group cash pool arrangement with Nordea. The pledges will be released when the asset sale transaction Cargotec Oyj is closed.

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

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

Assets pledged as collateral for secured debt:	2018	2017
Shares in TTS Marine AB	358 084	430 036
Account/Group receivables	179 398	70 043
Inventory/Work in progress, including non-invoiced production	19 308	60 497
Property	-	-
Assets pledged as collateral *)	556 790	560 577

*) Assets pledged as collateral is partly presented in the balance sheet under the different categories and partly included in the category Assets held for sale. In addition, investments in subsidiaries and intercompany balances and loans are eliminated in the group accounts.

OTHER ASSETS PLEDGED AS SECURITY AND GUARANTEES:

TTS MARINE AB

As per 31 December 2018, guarantees of MSEK 174.6 (MNOK 180.0) were drawn. This amount is included in the total guarantees drawn with Nordea/DNB of MNOK 366.6 in the above table.

TTS MARINE GMBH

31 December 2018, guarantees of MEUR 3.0 (MNOK 29.9) were drawn. This amount is included in the total guarantees drawn with Nordea/DnB of MNOK 366.6 in the above table.

OTHER DEBT AND PLEDGE AGREEMENTS:

TTS MARINE KOREA CO. LTD

TTS Marine Korea Co., Ltd has re-established a debt agreement of MKRW 400 (MNOK 3,1) with Kookmin Bank in Korea. The company also has a credit line of MKRW 4 000 (MNOK 31.1), of which 3 233 MKRW (MNOK 25.2) was drawn. The bank has security in the company's building and land. The building and land is valued to MKRW 3 295 (MNOK 25.6).

Note 14 – Net interest-bearing debt

(Amounts in NOK 1000)

Net interest-bearing debt	2018	2017
Bank deposits, cash etc. in fully owned subsidiaries	349 445	261 843
Convertible Bond loan	-90 945	-93 345
Non-current interest bearing debt	0	-246 500
Other current interest bearing debt	-196 500	0
Interest-bearing debt	-287 445	-339 845
Net interest-bearing debt	62 000	-78 002

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

Net interest-bearing debt in discontinued companies, ref Note 29	2018	2017
Bank deposits, cash etc. in fully owned subsidiaries	71 681	70 173
Bank deposits, cash etc. in consolidated 50/50 owned companies [1]	170 168	164 849
Deposits in discontinued business (included in assets held-for-sale)	241 849	235 022
Drawdown from Cash pool facility with Nordea as of 31.12.	-502 762	-333 483
Other current interest bearing debt	-27 505	-30 698
Interest-bearing debt in discontinued business (included in "Liabilities held for sale")	-530 267	-364 181
Net interest-bearing debt in discontinued business	-288 418	-129 159

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

Note 15 – Convertible Bond loan

(Amounts in NOK 1000)

The Extraordinary General Meeting in TTS Group ASA on 10 January 2011 approved the establishment of a subordinated convertible bond facility of MNOK 200 with maturity date 18 January 2016, and a 8% annual coupon.

At yearend 2015 the remaining nominal value of the bond facility was MNOK 95,345, with a conversion strike price of NOK 4,97 per share.

The Extraordinary General Assembly approved a renewal of the subordinated convertible bond facility 05 January 2016. New expire date was set to 18 April 2017, with an annual coupon of 12%, and no change to the conversion strike price.

The bondholders agreed on 22 March 2017 to renew the Subordinated Convertible Bond Debt, which represented 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 30 March 2017 . The change represents moving the maturity date from 18 April 2017 to 18 January 2019, a reduction in fixed coupon rate from 12% to 10% p.a, termination of a drag along call option clause and a prolongation of the conversion rights for the bond holders at 4,97 per share. As part of the renewal agreement TTS Group agreed to a MNOK 2,0 bond redemption. Changes in overall terms represented a change to the overall agreement which exceeds the IAS 39 thresholds for de-recognition and re-recognition. TTS Group find the effects from de-recognition and re-recognition to be immaterial, and handled the renewal as a prolonging of the existing bond debt agreement

On 11 December 2018 the bondholders agreed to extend the repayment of the debt facility until 18 July 2019. The nominal bond value as per 31 December 2018 was MNOK 90,945. The parties agreed to an extension fee of 0,25%. The annual coupon remains unchanged at 10%. The conversion strike price is NOK 4,97 per share. Following the Cargotec Closing Notice, bondholders will have 10 business days to exercise their conversion right(s) are entitled to accrued, but not paid interest up to the conversion date. Bondholders who have not excercised their conversion right(s) within 10 business days following the Closing, will be subject to a conversion of their bonds at a price of 100% of the outstanding bonds plus accrued interest, on the 20th Business day after the Cargotec Closing Notice. The extension was approved by the Extraordinary General Assembly at TTS Group ASA on 14 December 2018. The terms and conditions in the renewed agreement have been evaluated according to IAS 39. Changes in overall terms do not represent a change to the overall agreement which exceeds the IAS 39 thresholds for de-recognition and re-recognition. As such the debt facility is presented according to nominal values.

The bondholders converted bonds of MNOK 2,4 into 482 895 new shares during 2018. As per 31.12.2018 the conversion price of the convertible bond loan is 4.97 per share. The remaining nominal value of the bond debt is MNOK 90.945 giving rights to 18 298 793 new shares if all rights are converted.

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;

1. consolidation or subdivisions of shares
2. distribution of profits or reserves to shareholders by issue of new shares
3. dividend payments to shareholders
4. issue or grant shareholders rights, options, warrants or other subscription rights

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

The Extraordinary General Meeting 15 August 2012 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 26 October 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 11 June 2013.

The conversion strike price at yearend 2018 was NOK 4.97 per share.

	2018	2017
Subordinated convertible bond loan - nominal value at drawdown 2011	200 000	200 000
Converted debt to shares in 2011	-7 500	-7 500
Converted debt to shares in 2012	-97 155	-97 155
Partial redemption in 2017	-2 000	-2 000
Converted debt to shares in 2018	-2 400	-
Nominal debt value as per 31.12	**90 945**	**93 345**

	Repayment profile and maturity:		
	2017	2018	2019 *
Subordinated convertible bond loan - repayment profile	-	-	90 945
Nominal interest cost	9 967	9 095	4 933
Calculated effective interest cost	9 967	9 095	4 933

* Interest cost for the period 01.01.-18.07.2019

Principal bondholders as of 31.12.2018:

Bondholder:			Conversion rights	Share portion if fully converted
MP PENSJON PK			6 639 839	6,3 %
SKEIE TECHNOLOGY AS	1)		3 912 475	3,7 %
RBC INVESTOR SERVICES BANK S.A.	Nominee		1 750 503	1,7 %
SKEIE CONSULTANTS AS	1)		1 207 243	1,1 %
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee 2)		985 915	0,9 %
TAMAFE HOLDING AS	1)		804 829	0,8 %
SKEIE CAPITAL INVESTMENT AS	1)		704 225	0,7 %
PIMA AS			528 169	0,5 %
NORDA ASA			503 018	0,5 %
TEAM ATLANTIC AS			382 294	0,4 %
Other			880 282	0,8 %
Total			**18 298 793**	**17,4 %**

1) Companies controlled by the Skeie family
2) Converted in 2019

Note 16 – Share capital and shareholder information

(Amounts in NOK)

Date	Number of shares	Nominal value	Share capital
31.12.2018	87 088 555	0.11	9 579 741
31.12.2017	86 605 660	0.11	9 526 623

In 2018 bond holders TTS Group have converted NOK 2 400 000 into 482.895 new shares in TTS Group ASA. The number of shares is 87.088.555 as per 31 December 2018.

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

DIVIDENDS PAID AND PROPOSED:

(NOK 1000)	2018	2017
Declared and paid during the year:	0	0
Dividends on ordinary shares	0	0
Dividend for shareholders proposed for 2018, to be paid in 2019: NOK 0 per share.		
Total dividend amount proposed: NOK 0.		

TREASURY SHARES:

	Number of shares	Share capital (NOK 1 000)
Treasury shares as of 01.01.2017	112 882	-12 417
Sale of treasury shares 2017		-
Treasury shares as of 31.12.2017	**112 882**	**-12 417**
Sale of treasury shares 2018	106 250	-11 688
Treasury shares as of 31.12.2018	**6 632**	**-730**

Principal shareholders of TTS Group ASA as of 31.12.2018:

Shareholder	Number of shares	Ownership	Voting share [2]
SKEIE TECHNOLOGY AS [1]	22 655 763	26,01%	26,02%
RASMUSSENGRUPPEN AS	11 512 506	13,22%	13,22%
BARRUS CAPITAL AS	5 803 500	6,66%	6,66%
VINTERSTUA AS	5 060 000	5,81%	5,81%
SKEIE CAPITAL INVESTMENT AS [1]	4 203 361	4,83%	4,83%
DnB NOR MARKETS, AKSJEHAND/ANALYSE	3 411 911	3,92%	3,92%
GMC JUNIOR INVEST AS	1 825 000	2,10%	2,10%
PIMA AS	1 728 195	1,98%	1,98%
FIRST PARTNERS HOLDING 16 AS	1 495 275	1,72%	1,72%
ITLUTION AS	1 475 261	1,69%	1,69%
AVANZA BANK AB	1 228 699	1,41%	1,41%
TRAPESA AS	1 206 351	1,39%	1,39%
TIGERSTADEN AS	1 107 500	1,27%	1,27%
SALT VALUE AS	1 082 625	1,24%	1,24%
LEOVILLE AS	800 000	0,92%	0,92%
TIGERSTADEN INVEST AS	750 000	0,86%	0,86%
Espedal & Co AS	743 557	0,85%	0,85%
AVANT AS	700 000	0,80%	0,80%
SKANDINAVISKA ENSKILDA BANKEN	674 999	0,78%	0,78%
SJAP AS	670 000	0,77%	0,77%
Total, 20 largest shareholders	**68 134 503**	**78,24%**	**78,24%**
own shares	6 632	0,01%	0,00%
Total other	18 947 420	21,76%	21,76%
Total	**87 088 555**	**100,00%**	**100,00%**

[1] Trym Skeie holds 323.140 TTS shares in person and 250.000 via Skeie Alpha Invest AS, which is a 100% subsidiary of Skeie Alpha Equity AS, which is 100% owned by Trym Skeie. Skeie Alpha Equity also holds 23,5% stake in both Skeie Capital Invest and Skeie Technology, which subsequently holds 4.203.361 and 22.655.763 TTS shares.

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

Shares, share options and conversion rights owned or controlled by Board members, Group executives and their relatives:

	Shares			Share options			Conversion rights from subordinated convertible loan		
Board	**29.4.2019**	**31.12.2018**	**31.12.2017**	**29.4.2019**	**31.12.2018**	**31.12.2017**	**29.4.2019**	**31.12.2018**	**31.12.2017**
Trym Skeie [1), 2)]	573 140	573 140	573 140	-	-	-	804 829	804 829	804 829
Group Executives									
Toril Eidesvik - CEO [3)]	50 000	50 000	50 000	300 000	300 000	300 000	-	-	-
Leiv Kallestad - CFO [4)]	-	-	-	-	-	170 000	-	-	-

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

[2)] Per 29 April 2019 shares held and controlled by companies or members of the Skeie family is 27.732.264. The number of shares is unchanged from yearend 2017 to yearend 2018.

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

[4)] Mr. Kallestad redeemed 106.250 share options as per October 2018, and sold 106 250 shares in November 2018. 63 750 share options is expired as Mr. Kallestad leaves the company by the end of April 2019.

On 31 May 2018, 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 acquisitions of business or assets. The authority is valid until the next Annual General Meeting or latest 30 June 2019. No shares have been issued on the basis of this authorization as of 29 April 2019.

On 31 May 2018, the Annual General Meeting adopted a resolution to give the Board of directors authority to buy back a portion of the convertible callable unsecured subordinated bond 2011/2019 up to a total of NOK 150 000 000. The authority is valid until the next Annual General Meeting or latest 30 June 2019.

On 31 May 2018, 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 next Annual General Meeting or latest 30 June 2019. No shares have been bought on the basis of this authorization as of 29 April 2019.

On 31 May 2018, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 1 500 000 shares against cash redemption for the benefit of the company's executive management. This authorization is valid until 30 June 2020. As per 29 April 2019 no share options have been issued.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 1 500 000 shares against cash redemption for the benefit of the company's executive management. This authorisation is valid until 30 June 2019. As per 29 April 2019 a total of 1 270 000 shares have been issued in the form of options, with a possible first time exercise of options following the presentation of the first quarterly results for 2018, equivalent to a maximum of 50 percent of the allocated options. The number of shares for further exercise of options constitutes 12.5 percent following the presentation of the results for the second, third and fourth quarter of 2018 and the first quarter of 2019, in addition to options not previously exercised. Options granted to people leaving TTS Group are terminated.

ALLOCATION OF OPTIONS PER 31.12.2018:

Name	Position	Company	Number of options exercisable until 08.06.2019	Exercise price	Total
Senior executives					
Toril Eidesvik	President & CEO	TTS Group ASA	300 000	3,43	300 000
Leiv Kallestad [1)]	CFO	TTS Group ASA	-		-
Bjørn Rosén	EVP BU RCN	TTS Marine AB	150 000	3,43	150 000
Mette Harv	EVP BU ENERGY	TTS Group ASA	80 000	3,43	80 000
Rolf-Atle Tomassen	EVP BU SYS	TTS Syncrolift AS	150 000	3,43	150 000
Total number of options to executives			**680 000**		**680 000**

[1)] Mr. Kallestad redeemed 106 250 share options as per October 2018, and sold 106 250 shares in November 2018. 63 750 share options is expired as Mr. Kallestad leaves the company by the end of April 2019.

In accordance with authorities granted by the Annual General Meeting in 2017 and 2018, 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 in 2017 was 64%. Risk-free interest rate applied for options issued in 2017 was 0,70%. For 2018 (2017), option premium of MNOK 0,5 (MNOK 0,6) has been charged as expenses classified as salary in the profit and loss statement. Payroll tax is charged if share options are redeemed.

SUBORDINATED CONVERTIBLE LOAN:

On 22 March 2017 TTS Group ASA reached an agreement with its bondholders to extend its subordinated convertible bond loan. The bond renewal was approved in an extraordinary general meeting at 30 March 2017. The maturity date was 18 January 2019.

On 11 December 2018 TTS Group ASA reached an agreement with its bondholders to further extend the subordinated convertible bond loan. The bond renewal was approved in an extraordinary general meeting on 14 December 2018. The maturity date is set to 18 July 2019.

The conversion strike price remains the same at NOK 4,97/share.

During 2018 bonds with a nominal value of MNOK 2,4 have been converted to 482.895 new shares. Following the remaining nominal bond debt of MNOK 90,945, the maximum number of shares to be issued is 18 298 793, equivalent to a dilution effect of 17,36%.

Additional information on the subordinated convertible loan is available in Note 15.

Note 17 - Earnings per share

(Amounts in NOK 1000)

BASIC EARNINGS PER SHARE

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

	2018	2017
Net profit attributable to ordinary equity holders of the parent from		
continuing operations	11 814	8 197
Net profit attributable to ordinary equity holders of the parent from		-
discontinued operations	-40 407	-41 738
Net profit attributable to ordinary equity holders of the parent from		-
total	**-28 593**	**-33 540**
		-
		-
Weighted average of issued shares excluding own shares	87 089	86 493
		-
Earnings per share - continuing operation (NOK per share)	0,14	0,09
Earnings per share - discontinued operation (NOK per share)	-0,46	-0,48
Earnings per share - total (NOK per share)	**-0,33**	**-0,39**

DILUTED EARNINGS PER SHARE:

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

CONVERTIBLE BOAND LOAN

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

The company has a convertible callable unsecured subordinated bond, ref Note 15. The conversion price is fixed, and was NOK 4,97 per share as per 31 December 2018. The remaining nominal convertible bond debt is MNOK 90.945, corresponding to 18.540.241 conversion rights based upon the fixed conversion price as per 31.12.2018.

SHARE OPTIONS

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

	2018	2017
Profit used to calculate diluted earnings per share - continuing operation	11 814	8 197
Interest expense on convertible bond loan, net of tax*	-	-
Profit (loss) attributable to ordinary shareholders (diluted)	**11 814**	**8 197**
		-
Profit used to calculate diluted earnings per share - discontinued operation	-40 407	-41 738
Interest expense on convertible bond loan, net of tax	7 003	7 672
Profit (loss) attributable to ordinary shareholders (diluted)	**-33 404**	**-34 066**
		-
Profit used to calculate diluted earnings per share - total	-28 593	-33 540
Interest expense on convertible bond loan, net of tax	7 003	7 672
Profit (loss) attributable to ordinary shareholders (diluted)	**-21 590**	**-25 868**
		-
Average of ordinary issued shares excluding own shares	87 082	86 493
Adjustment for share options	-	-
Adjustment for average of coversion right in convertible bond	18 540	18 782
Average number of ordinary shares for calculation of diluted earnings per share	**105 622**	**105 274**
Diluted earnings per share - continuing operation (NOK per share)	0,11	0,08
Diluted earnings per share - discontinued operation (NOK per share)**	-0,32	-0,32
Diluted earnings per share - total (NOK per share)**	-0,20	-0,25

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

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

For 2018, the incremental shares from assumed conversions are included in calculating the diluted per-share amounts, since they are considered dilutive for continuing operations. For assumed share options (760.000 for 2018), the effect is dilutive. Because of this, the entity has included 18.540.241 convertion rights totalling 19.300.241 potential ordinary shares in the calculation of the diluted other earnings per share amounts, even though the resulting earnings per share amount are antidilutive to their comparable basic earnings per share amount for discontinued operations and for the profit or loss in total.

For 2017, the incremental shares from assumed conversions are included in calculating the diluted per-share amounts, since they are considered dilutive for continuing operations. For assumed share options (635.000 for 2017), the effect is antidilutive, hence not included in diluted earnings per share. Because of this, the entity has included 18.872.000 convertion rights totalling 18.872.000 potential ordinary shares in the calculation of the diluted other earnings per share amounts, even though the resulting earnings per share amount are antidilutive to their comparable basic earnings per share amount for discontinued operations and for the profit or loss in total.

Share structure:	2018	2017
Issued shares	87 088 555	86 605 660
Own shares	6 632	112 882
Unused share options that can be settled by issue	760 000	475 000
Conversion right related to convertible bond loan	18 540 241	19 184 105

Note 18 - Tax

(Amounts in NOK 1000)

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. Considered expected effects from the expected asset sale to Cargotec Oyj, which is expected to be completed in 2019, and future utilisation of Norwegian Tax Contribution regulation, tax asset of MNOK 18,9 have been recognized as per 31 December 2018.

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

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.

In December 2018 changes to the tax law were enacted in Norway, including a decrease in the corporate tax rate from 23 to 22%.

Income tax expense:	2018	2017 restated *
Payable tax on profit	-	-
Payable withholding taxes, taxes outside Norway	1 509	4 430
Not allocated tax losses	-	-
Change in deferred tax	-19	-8 400
Impairment of tax assets	-	-
Tax expense on continued operations	**1 490**	**-3 970**

Reconciliation of the effective tax rate in TTS Group	2018	2017 restated *
Profit before tax	**13 305**	**4 228**
Expected income tax according to income tax rate in Norway (23 / 24%)	3 060	1 015
Prior period adjustment deferred taxes	-	-
Not allocated deferred tax losses	-26 082	-9 536
Effect of change in tax rate1)	-	-
Permanent differences	24 513	4 551
Tax rate outside Norway, different from 23% / 24%	-	-
Impairment of tax assets	-	-
Tax expense in the profit and loss statement	**1 490**	**-3 970**
Payable tax including withholding taxes	1 509	4 430
Effective tax rate	< 23%	< 24%

Origin of tax expense payable:	2018	2017 restated *
Norway	-	-
China	1 509	4 430
Rest of Europe	-	-
Rest of Asia	-	-
North / South America	-	-
Payable tax expenses	**1 509**	**4 430**

Tax payable in the balance sheet	2018	2017 restated *
Tax payable, (including withholding taxes)	-	-
Prepaid tax	-	-
Net tax payables related to companies held for sale	-	-
Total tax payable in balance sheet at year end	**-**	**-**

Deferred tax assets:	2018	2017 restated *
Fixed assets	-346	-138
Current assets	76	-
Other temporary differences / provisions	504	309
Tax losses to be carried forward	65 266	72 196
Gross deferred tax asset	**65 500**	**72 368**
- Unrecognized tax losses	-46 560	-53 522
Net recognized deferred tax assets [1)]	18 939	18 845
- Deferred tax assets to be recovered after 12 months	15 257	15 257
- Deferred tax assets to be recovered within 12 months	3 682	3 588
Net recognized deferred tax assets	**18 939**	**18 845**

[1)] Deferred tax asset relating to tax losses carried forward have been recognized as deferred tax asset to the extent that it is probable that future profits will be available.

Changes in tax rates in Norway from 23% to 22% have reduced the gross deferred tax assets per 01.01.2019. As deferred tax assets from Norwegian companies are somewhat limited, the change has no effect on the 2018 tax cost. 2017 Restated; 2018 numbers reflect the operation in continued business. 2017 numbers has been restated.

Note 19 - Other operating expenses

(Amounts in NOK 1000)

	2018	2017
Premises and office expenses	2 600	3 061
Computer expenses	1 958	440
Marketing and travel expenses	5 084	6 950
Consultancy and external services	4 472	1 754
Other expenses	2 212	4 364
Total other operating expenses	**16 326**	**16 568**

Note 20 - Related parties

(Amounts in NOK 1000)

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

In 2018 TTS Group has entered into a shareholder agreement with the owners of Intellilift AS with the intent to purchase 51% of the shares of the company. Skeie Consultants AS, which is owned by primary insiders of TTS Group ASA, holds 40,8% of the shares in Intellilift AS. During 2017 TTS Group ASA sold its shares in Sigma Drilling AS to Skeie Technology AS. The transaction were approved in the general meeting at 1 June 2017. Additional information on the transaction have been included in Note 8.

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

TTS Group has carried out various transactions with subsidiaries and equity accounted investments. All the transactions have been carried out as part of the ordinary business and on an arm's length basis. For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to the amounts owed by related parties (2017: MNOK 0). In the TTS Group ASA 2017 company accounts a prior year impairment of receivables from subsidiaries were reversed by MNOK 108 (ref. note 16 to the TTS Group ASA accounts). The effect is eliminated in the Group accounts. The 2017 reversal reflects the structure of the agreement between TTS Group ASA and MacGregor. Impairment assessment is part of the annual evaluation with regard to the financial position of the related party, and the market in which the related party operates.

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

Note 21 - Derivatives

(Amounts in NOK 1000)

	2018			2017		
Forward currency contracts - Market values	**Assets**	**Liabilities**	**Net market value**	**Assets**	**Liabilities**	**Net market value**
Forward currency contracts - effective hedging contracts	54	25 797	-25 743	3 000	19 100	-16 100
Forward currency contracts - ineffective hedging contracts - included in other liabilities (ref Note 19)	-	1 682	-1 682	-	438	-438
Currency option contracts - not designated as hedging contracts - presented as other current assets (ref Note 11)	723	-	723	874	-	874
Forward currency contracts - market value	777	27 479	-26 702	3 874	19 538	-15 664
Forward currency contracts - discontinued companies - Market values						
Forward currency contracts - effective hedging contracts - included in held-for-sale	4 627	27 983	-23 355	10 457	13 967	-3 510
Forward currency contracts - ineffective hedging contracts - included in held-for-sale		5 442	-5 442		2 267	-2 267
Currency option contracts - not designated as hedging contracts - included in held-for-sale	5 421		5 421	4 575		4 575
Forward currency contracts - market value - discontinued companies	**10 048**	**33 425**	**-23 376**	**15 032**	**16 234**	**-1 201**
Forward currency contracts - total market value	**10 825**	**60 904**	**-50 079**	**18 906**	**35 772**	**-16 865**

Maturity distribution of currency contracts and MTM:	**Continued**	**Held-for-sale**	**Total MTM values**	**Continued**	**Held-for-sale**	**Total MTM values**
Within 3 months	-12 370	-7 306	-19 676	-11 741	-3 365	-15 105
> 3 months, < 6 months	-1 153	-7 406	-8 558	-3 120	3 354	234
> 6 months, < 9 months	-4 793	-2 250	-7 043	-814	1 448	634
> 9 months, < 12 months	0	-1 289	-1 289	0	1 140	1 140
> 12 months, < 24 months	-6 588	-4 000	-10 588	0	-3 266	-3 266
> 24 Months	-1 799	-1 126	-2 925	0	-502	-502
Total	**-26 702**	**-23 376**	**-50 079**	**-15 675**	**-1 190**	**-16 865**

Nominal value currency contracts, original currency	**2018**		**2017**	
(Amounts in currency*1000)	**Sold**	**Bought**	**Sold**	**Bought**
NOK	44 865	718 357	1 898	
USD	93 050	4 018	7 150	83 318
EUR	88 755	39 383	3 908	78 737
SEK	47 450	572 049	-	-
KRW	513 413	1 896 637	-	-
CNY	138 959	148 079		
CAD	133	-		

FORWARD CURRENCY CONTRACTS:

The nominal value of the overall forward currency contracts on 31.12.2018 is MNOK 3 865 compared to MNOK 1 557 in 2017.

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 25.

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 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, section 2.10

Note 22 - Provisions for liabilities

(Amounts in NOK 1000)

	Completed projects *	Guarantees	Other	Total
1.1.2017	54 510	58 064	69 912	182 486
Provisions for the year	70 626	69 031	59 996	199 653
Utilized provisions during the year	-113 774	-47 924	-26 609	-188 308
Currency exchange deviation	3 006	2 527	1 527	7 059
Reclassified as held for sale	-14 368	-77 111	-76 631	-168 110
31.12.2017	**0**	**4 587**	**28 194**	**32 781**

	Completed projects *	Guarantees	Other	Total
1.1.2018	0	4 587	28 194	32 781
Provisions for the year	36 205	29 954	118 370	184 528
Utilized provisions during the year	1 180	-2 638	-28 484	-29 942
Currency exchange deviation	-1 180	159	290	-731
Reclassified as held for sale	-36 205	-28 475	- 33 434	- 98 114
31.12.2018	**-0**	**3 587**	**84 936**	**88 523**

Classification in the balance:	2018	2017
Presented as other current liabilities, ref. note 22	20 176	32 781

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

Risk related to the estimates that form the basis for the book values are further described in Accounting principles, under sections 2.18 and 4.

Note 23 - Financial items and foreign currency gains/losses

(Amounts in NOK 1000)

	2018	2017
Interest income [1]	4 992	741
Agio	10 134	3 935
Financial income	**15 127**	**4 676**
Interest expenses [2]	-8 256	-8
Disagio	-3 066	-4 095
Other financial expenses [3]	-5 613	-5 180
Financial expenses	**-16 935**	**-9 284**
Net finance cost	**-1 808**	**-4 608**

[1] Interest income of MNOK 22,7 (MNOK 41,6 in 2018) between continued and discontinued business are allocated as part of profit/ loss from discontinued operations (ref note 29).

[2] Interest expenses of MNOK 24,4 (MNOK 32,0 in 2017) between continued and discontinued business are allocated as part of profit/ loss from discontinued operations (ref note 29).

[3] Other financial expenses relates to amortized cost and annual fees paid on debt agreements and annual fees related to public listing of TTS Group.

Note 24 - Currency effects on equity

(Amounts in NOK 1000)

Translation differences consist of all currency differences that arise from translations of the financial statements of the foreign entities that are not an integrated part of the operation of the company. All currency effect relates to assets and libilities held for sale, see further information in note 29.

Total equity currency effects per 31.12.2016	**146 294**
Equity currency differences 2017:	
Group companies	19 820
+ Equity consolidated companies	670
= Net changes 2017	**20 490**
Total equity currency effects per 31.12.2017	**166 784**
Equity currency differences 2018:	
Group companies	-14 731
+ Equity consolidated companies	857
= Net changes 2018	**-15 588**
Total equity currency effects per 31.12.2018	**151 196**

Note 25 - Financial risk management

(Amounts in NOK 1000)

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities are described in Accounting Principles, under sections 2.8, 2.10, 2.12, 2.13, 2.14 and 2.17.

Risks associated with the underlying estimates of the recognized values and financial risk management is described in Accounting Principles, ref section 3.

CLASSIFICATION OF FINANCIAL ASSETS:

2018	Financial derivative contracts not designated for hedging	Financial derivative contracts designated for hedging	Loans and receivables	Total
Non current financial assets:				
Shares available for sale				-
Other receivables				-
Financial current assets:				
Trade receivables			68 974	68 974
Other current receivables			3 279	3 279
Acquired, non-invoiced production			38 908	38 908
Derivatives [1]	723	54		777
Cash and cash equivalents		349 445	-	349 445
Total financial assets	**723**	**349 499**	**111 162**	**461 384**

2017	Financial derivative contracts not designated for hedging	Financial derivative contracts designated for hedging	Loans and receivables	Total
Non current financial assets:				
Shares available for sale				-
Other receivables				-
Financial current assets:				
Trade receivables			38 400	38 400
Other current receivables			17 304	17 304
Acquired, non-invoiced production			33 247	33 247
Derivatives [1]	2 308	3 000		5 308
Cash and cash equivalents			261 843	261 843
Total financial assets	**2 308**	**3 000**	**350 794**	**356 102**

CLASSIFICATION OF FINANCIAL LIABILITIES:

2018	Financial derivative contracts not designated for hedging	Financial derivative contracts designated for hedging	Other financial liabilities	Total
Non-current financial liabilities				
Interest-bearing non-current debt			-	-
Current financial liabilities				
First year instalment of non-current debt			90 945	90 945
Interest-bearing current liabilities			196 500	196 500
Prepayments from customers			130 538	130 538
Derivatives [1]		25 797		25 797
Accounts payable and other financial debt			98 590	98 590
Total financial liabilities	**-**	**25 797**	**516 572**	**542 369**

2017	Financial derivative contracts not designated for hedging	Financial derivative contracts designated for hedging	Other financial liabilities	Total
Non-current financial liabilities				
Interest-bearing non-current debt			-	-
Current financial liabilities				
First year instalment of non-current debt			93 345	93 345
Interest-bearing current liabilities			246 500	246 500
Prepayments from customers			58 469	58 469
Derivatives [1]		19 100		19 100
Accounts payable and other financial debt			52 367	52 367
Total financial liabilities	**-**	**19 100**	**450 681**	**469 781**

[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 thats use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2018				2017			
Assets measured at fair value	Overall	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Foreign exchange contracts - hedging	54	-	54	-	3 000	-	3 000	-
Foreign exchange contracts - non-hedging	723	-	723	-	2 308	-	2 308	-

	2018				2017			
Liabilities measured at fair value	Overall	Level 1	Level 2	Level 3	Overall	Level 1	Level 2	Level 3
Foreign exchange contracts - hedging	25 797	-	25 797	-	19 100	-	19 100	-
Foreign exchange contracts - non-hedging	1682	-	1 682	-	438	-	438	-

Note 26 - Business combinations

(Amounts in NOK 1000)

ACQUISITION AND DIVESTMENTS IN 2018

Acquisitions

Nekkar AS, a Norwegian shelf company was purchased in January 2018. The company is owned 100% by TTS Group ASA. The company was established late 2017 and have not had any operational activity during 2017 or 2018. Expenses related to the company acquisition are marginal and have been charged to profit and loss on a running base.

Divestments

During 2018 TTS Group liquidated TTS Brazil Ltd., a minor Brazilian company. The company had no activity in the latter part of 2018.

On 8 February 2018 TTS Group and Cargotec Oyj presented an assets sales agreement. TTS Group has prepared the annual financial statement of 2018 and 2017 reflecting IFRS 5. As such the assets included in the agreement have been presented as held-for-sale. Post-tax loss in discontinued companies has been on a separate reporting line. Sales expenditures of MNOK 28,6 related to the agreement are expensed and presented as part of the profit from discontinued business. Please find additional information in note 28.

ACQUISITION AND DIVESTMENTS IN 2017

Acquisitions
TTS Energy AS, a Norwegian based company was founded in June 2017. The company is owned 100% by Hydralift Marine AS, and reported as part of BU OFF. The company have had no operational activity in 2017. Expenses related to acquisition are marginal and have been charged to profit and loss on a running base.

Divestments
TTS Liftec Oy, a Finnish based company, was sold in February 2017. The divestment contributed to an profit of MNOK 18,4, presented as discontinued operations. Expenses related to the divestment have been adjusted in the profit calculation.

During 2017 TTS Group liquidated TTS Marine Ostrava s.r.o, a minor Czech company. The company had no activity during 2017 or 2016.

On 8 February 2018 TTS Group and MacGregor presented an assets sales agreement. TTS Group has prepared the annual financial statement in 2017 reflecting IFRS 5. As such the assets and liabilities included in the agreement have been presented as held-for-sale, and the post-tax loss as a single amount reported to discontinued operations. Please find additional information in note 28. Expenses related to the agreement are allocated as prepaid expenses as per yearend 2017.

Note 27 - Non controlling interest (NCI)

(Amounts in NOK 1000)

The following table summarizes the information relating to each of TTS Groups' subsidiaries that has material non controlling interest, before intra group eliminations. The Non-controlling interest (NCI) refers to discontinued business

2018	TTS Hua Hai Ships Equipment (THH)	TTS SCM Marine and Offshore machinery Co .Ltd (TSG)	TTS-SCM International Trading Co.,Ltd	Total
Number presented on 100% basis				
Non current assets	169 645	98	-	169 743
Current assets	238 317	24 231	-	262 548
Cash and cash equivalents *)	127 340	40 421	2 406	170 168
Non current liabilities	-12 629	-	-	-12 629
Short term liabilities to financial institutions	-	-	-	-
Current liabilities	-251 610	-25 164	-	-276 775
Net assets	**271 062**	**39 586**	**2 406**	**313 055**
Revenue	543 275	67 234	7 053	617 562
Profit after tax	29 116	-2 016	198	27 298
Other comprehensive income (OCI)	1 344	-19	9	1 334
Total comprehensive income	**30 460**	**-2 035**	**207**	**28 632**
NCI percentage	**50%**	**50%**	**50%**	
Net assets attributable to NCI	135 531	19 793	1 203	156 528
Profit after tax allocated to NCI	14 558	-1 008	99	13 649
OCI allocated to NCI	561	-9	5	556

*) Cash and Cash Equivalents: Dividend paid out to minority shareholders of THH was KNOK 9055

2017	TTS Hua Hai Ships Equipment (THH)	TTS SCM Marine and Offshore machinery Co .Ltd (TSG)	TTS-SCM International Trading Co.,Ltd	Total
Number presented on 100% basis				
Non current assets	185 756	409	-	186 166
Current assets	264 367	15 833	10 241	290 440
Cash and cash equivalents	116 493	45 914	2 442	164 849
Non current liabilities	-15 360	-	-	-15 360
Short term liabilities to financial institutions	-	-		-
Current liabilities	-293 409	-19 437	-10 484	-323 331
Net assets	**257 847**	**42 719**	**2 199**	**302 765**
Revenue	590 613	71 313	333 770	995 695
Profit after tax	30 821	-941	936	30 816
Other comprehensive income (OCI)	5 128	621	30	5 779
Total comprehensive income	**35 949**	**-320**	**967**	**36 595**
NCI percentage	**50%**	**50%**	**50%**	
Net assets attributable to NCI	128 923	21 359	1 099	151 382
Profit after tax allocated to NCI	15 410	-470	468	15 408
OCI allocated to NCI	3 045	310	15	3 371

Note 28 - Discontinued Business

Cargotec Transaction
TTS Group ASA signed an asset sale agreement on February 8th 2018 with Cargotec Oyj, where the company agreed to sell a major part of its business. The company qualified for reclassification of accounts as ""asset held-for-sale"" according to IFRS 5 in 4Q 2017. As it represents a major line of business for the Group, hence net profit is classified as discontinued business.

Completion of the contemplated transaction is subject to approval, unconditional or on conditions acceptable to Cargotec, from relevant competition authorities in China, South Korea and Germany. Approvals from German and South Korean competition authorities were announced 6. November 2018 and 27. December 2018 respectively. Due to longer than expected regulatory processes in China, expected closing of the transaction will move to 2Q 2019.

TTS Group ASA, as a company and separate entity, will continue, under the new name Nekkar ASA, but in a new strategic direction, initially concentrating on the business around Business Unit Shipyard Solutions.

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

The principles for the reclassification to discontinued business, see note 29, have been as follow;

- All revenue and expenses from legal entities included in the disposal group has been reclassified
- Revenue and costs directly attributable to activities relating to the disposal group that is performed within legal entities that forms the basis for continuing business are allocated to discontinued business
- Revenue and costs directly attributable to activities relating to the continued business, that is performed within legal entities that forms the basis for the discontinued business, are allocated to continued business.
- Transactions between continued business and discontinued business are expected to cease when the transaction with Cargotec Oyj is completed during 2Q 2019, therefore all intercompany transactions in 2018 and 2017 are eliminated.
- Intercompany interest related to cash pool arrangement is not eliminated based on the accounting treatment of the cash pool arrangement. See further information included in note 14.
- Interest from bank loans and bond loan have been allocated to the discontinued business as these loans have funded the discontinued businesses. The debt will be settled as part of the transaction.

Results of discontinued business	2018	2017
Revenue	1 639 976	1 971 564
Elimination of inter-segment revenue		
External revenue	1 639 976	1 971 564
Expenses	1 602 475	1 969 537
Elimination of expenses related to inter-segment sales	-	-
External expenses	1 602 475	1 969 537
Results from operating activities	**37 502**	**2 028**
Net finance [1)]	-49 562	-32 511
Income tax	-14 698	-14 253
Gain on sale of discontinued operation (Liftec)	-	18 406
Income tax on gain on sale of discontinued operation	-	-
Profit (loss) from discontinued business, net of tax	**-26 758**	**-26 330**
Basic earning (loss) per share	-0,31	-0,48
Diluted earnings (loss) per share	-0,25	-0,48

[1)] Includes selling cost in TTS Group of MNOK 26,8

Cash flow from (used in) discontinued business	2018	2017
Net cash from in operating activities	- 30 290	41 756
Net cash from investing activities	- 44 211	18 750
Net cash from financing activities	- 35 782	- 35 348
Net cash flow from the year	**- 110 284**	**25 157**

Cash flow from discontinued business is adjusted for cash flow from Syncrolift AS and TTS Group ASA. Please see Consolidated statement of cash flow for total Group cash flow.

TTS LIFTEC TRANSACTION

TTS Liftec Oy was sold during 1Q 2017. As the company represented a major line of business for the Group, the net profit has been classified as discontinued business

Effect of disposal of TTS Liftec OY on the financial position of the Group	2017
Total intangible assets	22 563
Property, plant and equipment	1 370
Inventories	6 763
Trade and other receivables	27 366
Cash and cash equivalents	7 226
Trade and other payables	-23 180
Net assets and liabilities	**42 109**
Consideration received, satisfied in cash	64 374
Cash and cash equivalents disposed of	-7 226
Net cash inflows	**57 148**

Note 29 - Disposal group held for sale

TTS Group ASA signed an asset sale agreement on February 8th 2018 with Cargotec Oyj, where the company agreed to sell a major part of its business. The disposal group consist of the following legal entities.

- TTS Marine AS	- Hydralift Marine AS	- TTS Marine Shanghai Co Ltd
- TTS Offshore Solutions AS	- TTS Marine AB	- TTS Greece Ltd
- TTS Cranes Norway AS	- TTS Singapore Pte. Ltd.	- TTS Poland SP. Z.O.O
- Norlift AS	- TTS NMF GmbH	- TTS Marine Services LLC (Dubai)
- TTS Marine Inc	- TTS Marine GmbH Korea Co. Ltd	
- TTS Marine GmbH	- TTS Marine Equipment Ltd	- TTS Benelux NV (Rotterdam)
- TTS Marine S.r.l.	- TTS SCM Marine and Offshore Machinery Co. Ltd	- TTS Energy AS
- TTS Hua Hai Ships Equipment Co. Ltd		
- Shanghai TTS Hua Hai International Trade Co. Ltd.	- TTS SCM International Trading Co. Ltd.	

The following equity accounted investments are also included in the transaction;

- TTS Bohai Machinery Co. Ltd.	- TTS Bohai Trading Co. Ltd.	- JiangNan TTS Ships Equipment Manufacturing Co. Ltd.

On 25 March 2019 TTS Group ASA provided an update on the competition filing process for the contemplated Cargotec transaction. Completion of the contemplated transaction is subject to approval, unconditional or on conditions acceptable to Cargotec, from relevant competition authorities in China, South Korea and Germany. Approvals from German and South Korean competition authorities were announced 6 November 2018 and 27 December 2018 respectively. According to stock exchange notification of 20 December 2018, the parties expected to receive clearance from all competition authorities in 1Q 2019. Due to longer than expected regulatory processes in China, expected closing of the transaction will move to 2Q 2019.

The disposal group includes the business units; BU RCN, BU CBT, BU MPGC, BU OFF, BU SER and Other. For further information, reference is made to note 1 - Operating Segments.

For accounting purposes, the disposal group represented a major line of business for the Group, and qualified for reclassification as held-for-sale. Accordingly, the majority of the group's assets and liabilities is presented as a disposal group held for sale. The transaction is expected to be completed during 2Q 2019. TTS Group ASA will continue to operated as a listed company under the name Nekkar ASA after closing of the transaction. The directors report provide further information about the strategy and focus of the company going forward.

The principles used for reclassification to held-for-sale is as follows;

- All assets and liabilities from the legal entities included in the disposal group has been reclassified
- Since transactions between continuing business and discontinuing business are expected to cease when the transaction with Cargotec is completed, all intercompany balances are eliminated
- Due to the terms in the asset sale agreement, the group financing through the Cash Pool arrangement, Cash pool balances has not been eliminated between continuing and discontinuing business. The basis for this is that each company will be responsible for refinancing the cash pool receivables/liabilities post transaction.
- Non controlling interest related to the disposal group continues to be presented within equity.

Assets and liabilities of disposal group held for sale
At December 31st the disposal group held for sale comprises the following assets and liabilities.

	2018	2017
Deferred tax assets	12 772	22 632
Intangible assets and goodwill	638 155	657 072
Property, plant and equipment	122 497	82 229
Equity-accounted investees	34 679	37 198
Inventories	101 742	165 917
Trade and other receivables	764 454	741 343
Bank deposits/cash	241 849	235 022
Assets held for sale	**1 916 148**	**1 941 413**
Provisions	44 544	47 300
Long term interest bearing debt	-	343
Current interest bearing debt	530 656	364 390
Other Current liabilities	781 437	839 209
Liabilities held for sale	**1 356 637**	**1 251 241**
Net Assets held for sale	**559 511**	**690 171**

Cumulative income or expenses included in OCI
There are cumulative income or expenses included in OCI relating to the disposal group that will be realized upon final transaction with Cargotec. Reference is made to note 24 in the financial statement where it is stated that there are translation differences that consist of all currency differences that arise from the translation of the financial statement of the foreign entities.The total currency effect on equity as of 31 December 2018 that will be realized as a result of the expected Cargotec transaction is MNOK 151,2 (MNOK 166.8 in 2017).

Measurement of fair value
During Q4 2017, prior to the reclassification of assets and liabilities to disposal group held for sale, the company performed an impairment test based on fair value less cost of sales in accordance with IAS 36 for all CGUs, please see note 7.

The non recurring fair value measurement for the disposal group has been estimated to MNOK 607 (MNOK 700 in 2017) based on the inputs to the valuation technique used. The carrying amount on the disposal group is MNOK 557 (MNOK 690 in 2017) hence no impairment is recognized at year-end.

As per 31 December 2018 cost of sale of MNOK 26,8 have been expensed. The cost is attributed as part of profit from discontinued operations.

Fair value hierarchy
The fair value measurement was categorised as Level 3 fair value, based on non observable input related to the overall transactions price and the SPA adjustments and cost to sell, to the overall transaction price.

Valuation technique and significant unobservable inputs
"The fair value less cost of disposal was estimated using the transaction price from the expected transaction with Cargotec. Significant unobservable inputs used for estimating the transaction price is; net working capital adjustments, net interest bearing debt adjustments, and cost of sales.

The valuation technique used is the transaction price estimated based on the agreement with Cargotec. The transaction price is negotiated between independent parties under arms length pricing, and MacGregor is seen as a general market participant. Based on this, it is considered that the transaction price does not deviate from the best estimate of fair value.

Sensitivity
Management has identified that a reasonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. Hence, a net decrease in the transaction price of more than MNOK 50 would result in an impairment.

Note 30 - Going Concern / Contingent liabilities / Material disputes

GOING CONCERN

TTS Group's current financing expires at the following dates;

- 1 July 2019 Overdraft- and Guarantee facilities with Nordea
- 1 July 2019 Overdraft- and Guarantee facilities with DnB
- 18 July 2019 Bond loan

TTS Group announced in February 2018 an asset sale agreement with Cargotec Oyj. The contemplated transaction is approved by relevant competition authorities in Europe and Korea, but is still subject to approval from the Chinese competition authorities. The closing will take place as soon as the approval has been given, and Cargotec confirms that the closing conditions are met. The transaction is expected to be closed during 2Q 2019. All debt will be repaid upon closing of the transaction. The company expects to be cash positive, and funded as a going concern after the transaction has been closed.

The company will require extension of the current financing facilities to the extent that the transaction is not closed prior to the maturity date. If this situation occurs there is a risk relating to the TTS Group's ability to continue as a going concern unless the extension is approved by the relevant financing institution.

In the unlikely event that the contemplated transaction is not completed, TTS Group has established a contingency plan to ensure that the company has adequate financing in place. If this situation occurs there is a risk relating to the TTS Group's ability to continue as a going concern, unless new financing is in place.

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 22. 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 12 March 2019 TTS Group ASA reported that bonds with a value of NOK 4.900.000 were converted to 985.915 shares based on the conversion rate of 4,9700 per share. Subsequent to this conversion, the remaining nominal convertible bond debt is NOK 86.045.000,- corresponding to 17.312.877 conversion rights. The new share capital in TTS Group ASA of NOK 9.688.191,70 divided into 88.074.470 shares, has been registered in the Norwegian Registry of Business Enterprises.

On 25 March 2019 TTS Group ASA provided an update on the competition filing process for the contemplated Cargotec transaction. Completion of the contemplated transaction is subject to approval, unconditional or on conditions acceptable to Cargotec, from relevant competition authorities in China, South Korea and Germany. Approvals from German and South Korean competition authorities were announced 6 November 2018 and 27 December 2018 respectively. According to stock exchange notification of 20 December 2018, the parties expected to receive clearance from all competition authorities in 1Q 2019. Due to longer than expected regulatory processes in China, expected closing of the transaction move to 2Q 2019.

NEW CONTRACTS IN THE PERIOD 1 JANUARY 2019 - 29 APRIL 2019

TTS Group has announced contracts awards with a value of MNOK 389, of which MNOK 75 is related to continued business and MNOK 314 to discontinued business. Total order intake for 1Q 2019 will be presented in the 1Q 2019 Financial Report from TTS Group.

Profit and loss statement

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Notes	NGAAP 2018	NGAAP 2017
OPERATING INCOME			
Intra-Group operating income		-	4 517
Other operating income		33	2 174
Group service fee from TTS subsidiaries	15	22 281	39 200
Total operating income		**22 314**	**45 891**
OPERATING COSTS			
Personnel costs etc.	1, 2	30 256	45 799
Depreciation on tangible fixed assets	3	1 012	719
Other operating costs	1, 14	14 194	20 852
Total operating costs		**45 462**	**67 370**
Operating profit		**-23 148**	**-21 479**
FINANCIAL INCOME AND EXPENSES			
Income from investments in subsidiaries	16	139 218	22 511
Income from investments in equity accounted investments	16	2 552	13
Interest received from group companies	16	25 597	20 947
Other interest income	16	1 207	534
Other financial income	16	78 084	60 537
Interest expenses to group companies	16	4 755	3 706
Other interest expenses	16	27 271	28 274
Other financial expenses	16	104 040	71 587
Net financial items		**110 592**	**144 148**
Profit before tax		87 443	122 669
Tax	11	1 509	-13 570
Profit for the year		**85 935**	**136 239**
Provision dividend	**10**	**-**	**-**
Transferred to other equity		**85 935**	**136 239**

Balance sheet

1 JANUARY - 31 DECEMBER

(Amount in NOK 1000)

	Notes	NGAAP	NGAAP
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	11	17 871	18 000
Total intangible assets		**17 871**	**18 000**
Fixed assets			
Machinery and vehicles	3	-	-
Furniture, office and computer equipment	3	11 659	5 802
Total fixed assets		**11 659**	**5 802**
Financial fixed assets			
Shares in subsidiaries	5, 8	597 316	564 986
Investments in joint ventures	5	4 122	4 122
Loans to companies in the Group	6, 8	15 787	65 429
Investments in shares and other financial instruments	4	-	-
Total financial fixed assets		**617 226**	**634 537**
Total non-current assets		**646 756**	**658 339**
CURRENT ASSETS			
Current receivables			
Trade debtors		87	-
Intra-group accounts receivable	6, 8, 15	15 869	6 685
Other receivables from equity accounted investments	6, 15	2 315	9 540
Other receivables	6	2 789	14 805
Other intra-group receivables	6, 8, 12,15	229 444	166 127
Total current receivables		**250 504**	**197 157**
Bank deposits, cash in hand etc.	12	898	401
Total current assets		**251 402**	**197 558**
Total assets		**898 158**	**855 898**

Balance sheet

1 JANUARY - 31 DECEMBER

(Amount in NOK 1000)

	Note	NGAAP 2018	NGAAP 2017
EQUITY AND LIABILITIES			
EQUITY			
Paid up equity			
Share capital	10	9 580	9 527
Treasury shares	10	-1	-12
Share premium		151 725	149 378
Total paid up equity		**161 304**	**158 893**
Retained earnings			
Other equity		361 192	274 530
Total retained earnings		**361 192**	**274 530**
Total equity	**17**	**522 496**	**433 422**
LIABILITIES			
Other non-current liabilities			
Pension liabilities	2	-	-
Convertible subordinated bond loan	7, 9	-	-
Bond loan	7, 8	-	-
Liabilities to financial institutions	7, 8	-	-
Total other non-current liabilities		**-**	**-**
Current liabilities			
Convertible subordinated bond loan	7, 9	90 945	93 345
Liabilities to financial institutions	7, 8	196 500	248 164
Bank overdraft	8, 12	-	-
Trade payables		5 142	3 372
Intra-group trade payables	15	2 829	4 285
Social security and employees` tax deduction		1 736	2 622
Payable corporate tax	11	-	-
Other intra-group liabilities	12,15	59 617	55 359
Other current liabilities	13	18 892	15 328
Total current liabilities		**375 662**	**422 476**
Total liabilities		**375 662**	**422 476**
Total equity and liabilities		**898 158**	**855 898**

Bergen, 29 April 2019
TTS Group ASA

Trym Skeie
Chair of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Rakel Simmenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Equity statement

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	Share capital	Treasury shares	Share premium	Other equity	Total
Equity as of 31.12.2016	**9 527**	**-12**	**149 377**	**137 731**	**296 623**
Equity as of 1.1.2017	9 527	-12	149 377	137 731	296 623
Change in treasury shares		-		-	-
Option schemes				559	559
Provision for dividends				-	-
Net profit for the year				136 240	136 240
Equity as of 31.12.2017	**9 527**	**-12**	**149 377**	**274 530**	**433 422**
Equity as of 1.1.2018	**9 527**	**-12**	**149 377**	**274 530**	**433 422**
New share issued	53		2 347	-	2 400
Change in treasury shares		11		353	364
Option schemes				504	504
Provision for dividends				-	-
Other changes to equity				-129	-129
Net profit for the year				85 935	85 935
Equity as of 31.12.2018	**9 580**	**-1**	**151 723**	**361 192**	**522 496**

Cash flow statement

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	2018	2017
Cash flow from operating activities		
Net profit before tax	87 443	122 669
Dividend from investments in subsidiaries	-139 218	-22 511
Dividend from investment in joint ventures	-2 552	-13
Paid tax	-1 509	-4 430
Depreciation	1 012	719
Option cost without cash effect	504	559
Impairment on shares and receivables	-	-138 340
Net interest costs	5 222	10 499
Difference between pension charges and payments to/from pension scheme	-	-
Other receivables and other short term liabilities	7 631	9 904
Net cash flow from operating activities	**-41 467**	**-20 943**
Cashflow from investments		
Disbursements on acquisitions of shares and other financial instruments	-	-
Acquisition of subsidiaries	-30	-
Additional equity into subsidiaries	-32 300	-
Proceeds from sale shares in subsidiaries	-	-
Net contribution received from subsidiaries	72 048	-
Dividend from subsidiaries and equity accounted investments	69 722	22 524
Disbursements on acquisitions of tangible fixed assets	-6 869	-3 338
Proceeds to and repayment from intra-group loans	49 642	58 054
Net cashflow from investments	**152 212**	**77 240**
Cashflow from financing		
Repayment of convertible subordinated bond loan	-	-
Proceeds from liabilities to financial institutions	-	-
Repayment of bond loan	-2 400	-2 000
Repayment of liabilities to financial institutions	-51 664	-25 250
Net change overdraft facility	-53 726	-18 443
Disbursements of dividends	-	-
Repayment of capital to shareholders	-	-
Sale treasury shares	364	-
Interest costs	-5 222	-10 499
Paid in equity capital	2 400	-
Net cashflow from financing	**-110 247**	**-56 192**
Effects of exchange-rate fluctuations on cash and cash equivalents		
Net change in cash and cash equivalents	498	104
Cash and cash equivalents (opening balance)	401	297
Cash and cash equivalents (closing balance)	**899**	**401**
This consists of:		
Bank and cash pool deposits	898	401
Available unused overdraft facility	219 160	127 409

Accounting principles

TTS Group ASA

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.

DERIVATIVE FINANCIAL INSTRUMENTS

The company have entered FX-derivatives to reduce overall Group currency exposure from the cash pool. Fair value of the derivatives is classified as short-term asset or short-term liabilities. Changes to the fair value of the FX-derivatives are recognized in the profit and loss.

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 the 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 as22% 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	2018	2019
EUR	9,948	9,843
SEK	0,970	1,000
USD	8,689	8,205
CNY	1,263	1,261

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:	2018	2017
Salaries	21 075	38 407
Employer's social security contribution	4 196	3 018
Pension costs	1 738	1 502
Other benefits	3 248	2 871
Total payroll expenses	**30 256**	**45 799**
Number of employees at the end of the year	**11**	**12**

BOARD REMUNERATIONS[1)]

		2018	2017
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2018 - 06.2020	420	400
Bjarne Skeie	Board member until 06.2017	-	230
Gisle Rike [2)]	Board member since 06.2015. Elected for the period 06.2017 - 06.2019	294	280
Leif Haukom	Board member since 06.2017. Elected for the period 06.2017 - 06.2019	294	-
Marianne Sandal	Board member since 06.2014. Re-elected for the period 06.2018 - 06.2020	242	280
Britt Mjellem	Board member since 06.2016. Re-elected for the period 06.2018 - 06.2020	336	320
Morten Aarvik	Board member since 07.2016, employee representative re-elected for the period 07.2018 - 07.2020	121	115
Rakel Simmenes	Board member since 07.2018, employee representative elected for the period 07.2018 - 07.2020	-	-
Anita Kråkenes	Board member until 07.2018, employee representative	121	115
Total		**1 827**	**1 740**

1) The Annual General Meeting determines the remuneration to the Board from one General Meeting to the next. For the financial year 2018, the reported remuneration is based on the remuneration paid in 2018 in accordance with the amounts determined by the Board at the Annual General Meeting for 2018. The same applies for the remuneration of the nomination committee.

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

The board has not received any remuneration beyond directors fee. No loans or severance pay have been given to any directors.

NOMINATION COMMITTEE REMUNERATION

The TTS nomination committee was comprised of the following members: Petter Sandtorv (Chair), Kate Henriksen and Anders Nome Lepsøe. The nomination committee remuneration for 2018 was TNOK 63 for the chair and TNOK 36,75 for each of the directors, a total of TNOK 136,5.

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

For Group management; TTS Group ASA's remuneration policy is to offer competitive terms. Remunerations should reflect that TTS is a listed company with an international focus.

The total annual remuneration reflects that Group management if applicable is rewarded based on 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 intended to be competitive and motivating, but in line with general market terms.
- Bonus for the President & CEO and other executives is determined on the basis of target results and on individual targets. Bonus targets are revised annually. Bonus is up to 50% of base salary for other executives. Bonus payment reported in 2018 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31 December 2018. Bonus payments are based on individual employment contracts.
- A share option program has been active for the Group management of TTS since 1998, the objective is to aligned Group management incentives with value creation for the shareholders with respect to 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 16 Share capital and shareholder information for further information regarding option program.

The President & CEO has a notice period of six months, and a severance pay equals 6 months salary. Other senior executives have notice six months, and severance pay periods of up to 6 months.

The share option program is contingent on the Annual General Meeting's approval, and that the Board is 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: 2018

(Amounts in NOK 1000)

Name	Position	Base salary	Other benefits	Bonus paid
Toril Eidesvik	President & CEO	2 629	12	3 375
Leiv Kallestad	CFO	1 891	358	500
Mette Harv	EVP, Offshore & Multipurpose/General Cargo	1 568	12	611

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

Auditors' fees (excl. VAT)	2018	2017
Statutory audit	1 926	2 135
Other attestation services	116	40
Tax advisory	42	-
Other assistance including tax advice	1 522	664
Total	**3 606**	**2 839**

Note 2 - Pensions

(Amounts in NOK 1000)

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

	Net pension costs from defined contribution plan.	2018	2017
	Service cost	1 738	1 502
+	Payroll tax of net pension cost	245	212
=	**Net periodic pension cost**	**1 983**	**1 714**

Note 3 – Tangible fixed assets

(Amounts in NOK 1000)

	Machinery and vehicles	Furniture and office equip.	Total
Book value as of 31.12.2016	**66**	**3 117**	**3 183**
2017 Fiscal year			
Book value as of 1.1.	66	3 117	3 183
Additions	-	3 338	3 338
Disposals	-	-	-
Depreciation for the year	-66	-653	-719
Book value as of 31.12.2017	**-**	**5 802**	**5 802**
As of 31.12.2017			
Acquisition cost 31.12.	680	9 081	9 761
Accumulated depreciation as of 31.12.	-680	-3 279	-3 959
Book value as of 31.12.2017	**-**	**5 802**	**5 802**
2018 Fiscal year			
Book value as of 1.1.	-	5 802	5 802
Additions	-	6 869	6 869
Disposals	-	-	-
Depreciation for the year	-	-1 012	-1 012
Book value as of 31.12.2018	**-**	**11 659**	**11 659**
As of 31.12.2018			
Acquisition cost 31.12.	680	15 950	16 630
Accumulated depreciation as of 31.12.	-680	-4 291	-4 971
Book value as of 31.12.2018	**-**	**11 659**	**11 659**
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 expired in November 2018, and have been prolonged until August 2019.

Total lease payment in 2018 is MNOK 5,7, of which joint cost is MNOK 1,1.

A major part of the offices are subleased to subsidiaries. Net received from subleased contracts is MNOK 4,4.

Note 4 – Investments in other companies

(Amounts in NOK 1000)

As per 31 December 2018 TTS Group does not hold any positions in other companies.

TTS Group holds a call option corresponding to 51% of the shares in Intellilift AS. The option was called on 1 April 2019.

In 2017 TTS Group ASA sold its 16,1% share of Sigma Drilling AS to Skeie Technology AS, a company controlled by the Skeie family. The transaction price was USD 256.750, giving basis for a finance profit of USD 256.750 which was recognized in the 2017 accounts. The transaction was approved by the general meeting at 01 June 2017.

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 [3]	Drøbak, Norway	1994	100%	100%	NOK
Nekkar AS	Bergen, Norway	2018	100%	100%	NOK
Norlift AS [2]	Bergen, Norway	1994	100%	100%	NOK
TTS Marine AB [2]	Gothenburg, Sweden	2002	100%	100%	SEK
TTS Marine Shanghai Co Ltd [2]	Shanghai, China	2002	100%	100%	CNY
Hydralift Marine AS [2]	Kristiansand, Norway	2003	100%	100%	NOK
TTS Cranes Norway AS [2]	Bergen, Norway	2007	100%	100%	NOK
TTS Marine AS [2]	Bergen, Norway	2009	100%	100%	NOK
TTS Singapore Pte. Ltd. [2]	Singapore	2009	100%	100%	SGD
TTS Greece Ltd. [2]	Piraeus, Greece	2009	100%	100%	EUR
TTS Offshore Solutions AS	Bergen, Norway	1996	100%	100%	NOK
TTS NMF GmbH [2]	Hamburg, Germany	2012	100%	100%	EUR
TTS Poland SP.Z.O.O. [2]	Gdansk, Poland	2013	100%	100%	PLZ
TTS Brazil Services [1]	Rio de Janeiro, Brazil	2014	100%	100%	BRL
Total					

[1] TTS Marine AS own 99%, TTS Group ASA own 1%. The company is closed as per January 2019

[2] Included in the Asset sale agreement between TTS Group and Cargotec Oyj.
Sales value as set out in the assets agreement between TTS and Cargotec Oyj
is expected to fully compensate the net book values, and generate a moderate sales profit.

[3] At yearend 2018 TTS Syncrolift AS received a net group contribution of MNOK 32,3 from TTS Group ASA.
TTS Group ASA simultaneously received a gross group contribution of MNOK 41,9, of which MNOK 9,6 is set off against deferred tax assets.

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

Several of the companies referred to in the tables above is part of the Asset sale agreement between TTS Group and Cargotec Oyj.

Please find additional details on companies included in the Assets sale agreement in Note 9 to the TTS Group Consolidated Accounts.

Share capital	Number of shares	Equity 31.12.2018	Net Result 2018	Cost	Net book value 2018	Net book value 2017
950 000	95 000	62 579	30 561	78 678	78 678	46 378
30 000	30 000	5	-	30	30	-
500 000	500	10 660	407	11 262	11 262	11 262
2 000 000	2 000	173 771	6 404	295 816	295 816	295 816
47 093 503	3 500	20 928	2 790	55 176	20 214	20 214
100 000	1 000	-170	-27	115	115	115
500 000	1 000	-7 921	-394	516	516	516
3 000 000	1 000	75 554	15 507	201 020	53 020	53 020
1 141 813	1 141 813	19 940	3 552	5 064	5 064	5 064
200 000	2 000	5 615	1 169	1 812	1 812	1 812
2 112 500	100	-145 685	-29 547	280 040	-	-
3 000 000	3 000	-337 661	-42 648	130 340	130 340	130 340
250 000	250	14 425	3 838	436	436	436
400 000	400	95	-586	12	12	12
		- 107 865	**- 8 974**	**1 060 318**	**597 316**	**564 986**

Share capital	Number of shares	TTS Part of Equity 31.12.2018	TTS part of net Result 2018	Cost	Net book value 2018	Net book value 2017
22 000 000	2 200	34 649	-1 121	8 683	4 122	4 122

Note 6 - Trade and other receivables

(Amounts in NOK 1000)

	2018	2017 [1]
Trade receivables	87	-
Group fee/trade receivables within group	15 869	6 686
Trade receivables from Joint Ventures	2 315	9 540
Other short term receivables from group companies	10 284	240
Other receivables, including prepayments	2 789	14 565
Intragroup deposit on Cash pool arrangement	219 160	166 127
Short-term receivables	**250 504**	**197 157**
Receivables maturing at over one year:		
Other receivables	-	-
Loans to subsidiaries [2]	15 787	65 429
Total	**15 787**	**65 429**

Receivables based on intercompany trade and group fees are settled on a regular basis.

[1] Based on value estimates related to the terms set out in the assets sale agreement between TTS and Cargotec Oyj, prior years impairment of TNOK 108.000 for intercompany receivables in subsidiaries was reversed in 2018.

[2] Settled as per March 2019.

Note 7 – Loans and non-current liabilities

(Amounts in NOK 1000)

SPECIFICATION OF LOANS:

	Loan type	Currency	Nominal interest rate	Limit 2018	Maturity	Instalment terms	Nominal value 2018	Nominal value 2017
TTS Group ASA								
Nordic Trustee ASA [1]	Convertible bond	NOK	Coupon - 10%	90 945	2019	Balloon	90 945	93 345
Nordea	Mortgage loan	NOK	Nibor + 3,75%	100 000	2019	Term loan	62 500	87 500
Nordea [2] [3]	Drawdown facility, mortgage based	NOK	Nibor/Euribor/ Libor + 3,50%	200 000	2019	Balloon	-	-
DNB	Mortgage loan	NOK	Nibor + 3,00%	171 750	2019	Term loan	134 000	159 000
Total loans				**562 695**			**287 445**	**339 845**

[1] Presentation in this note is based on allocation and information applicable as per 31 December 2018. On 22 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.

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

[3] TTS Group ASA has a positive cash position within the Nordea cash pool facility of 219,2 MNOK. Total drawn at group level is 157,0 MNOK.

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

	Cash	Bond loan	Mortgage loan	Net
Bond loan		90 945		90 945
Mortgage loan			196 500	196 500
Total	-	90 945	196 500	287 445

REPAYMENT PROFILE AND MATURITY:

	Nominal value 31.12.2018	2019	2020	2021	2022	2021 and later
Convertible Subordinated Bond Loan 2011/2019 [1)]	90 945	90 945				-
Term based financial facilities	196 500	196 500			-	-
Total loans incl. first year instalment and short term loans	**287 445**	**287 445**	**-**	**-**	**-**	**-**
- short term loans and second year instalment of non-current debt	-	-		-	-	-
Total non-current liabilities	-	-	-	-	-	-
Expected interest payments		**13 331**	**-**	**-**	**-**	**-**

[1)] Presentation in this note is based on allocation and information applicable as per 31 December 2018. On 14 December 2018 the expiry date of the Subordinated Bond Loan was moved from 18 January 2019 to 4 July 2019. Additional information available in note 9.

MANDATORY REPAYMENT

On the 8 February 2018, TTS Group ASA signed an asset sale agreement with Cargotec Oyj, for the sale of the majority the activities in TTS Group ASA to MacGregor a division in Cargotec Oyj.

The financial facilities of the company will mature, and outstanding debt be repaid at the closing of the contemplated transaction.

COVENANTS

TTS Group has loans, draw down facilities and guarantee limits with Nordea and DNB. TTS Group have met the financial covenant requirements from Nordea and DNB at the end of 2018. On the 13th of December 2018 TTS Group ASA entered into a prolongation agreement with Nordea and DNB, which represents an extension of covenant terms and the agreements the company had at the beginning of the fiscal year 2016.

COVENANTS IN 2018

During 2018 TTS Group met the covenant requirements stated in the agreements with Nordea, DNB and the Convertible Bond Agreement.

The agreements have a separate set of definitions on:

- NIBD; excluded convertible bond debt. Includes 50% of cash in 50/50 owned entities
- EBITDA; includes 100% of EBITDA from fully owned subsidiaries, and 50% of EBITDA from 50/50 owned companies.
- EBITDA effects caused by restructuring/ impairment/ profits and accounting based one-offs are eliminated from the calculation
- EBITDA and NIBD effects derived from changes to the IFRS regulations effective on or after 01.01.2017

NIBD/ EBITDA COVENANT:

TTS Group's NIBD/ EBITDA ratio shall at a maximum be 3,0 at yearend 2018. At yearend 2017 the maximum NIBD/ EBITDA ratio was maximum 4,0.

The equity ratio calculation involves adjustment elements to both NIBD and EBITDA. Additional information is provided in the table below.

EQUITY COVENANT:

TTS Group's equity ratio shall at least be equal to 25,0 %. The equity ratio calculation involves adjustment elements. Details are provided in the table below.

MINIMUM LIQUIDITY

Covenant related to minimum liquidity reserve is MNOK 50. As per 31.12.2018, based on the set calculation definitions, the liquidity reserve was MNOK 124,3.

OTHER

A multiple of other standard default clauses related to the Convertible Bond Loan, inclusive cross default clauses, are apparent.

COVENANTS IN 2019

On the 13th of December 2018 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 fiscal year 2016. As of 4Q-2018 the financial covenants are;

- Equity ratio min 25,0% in 1Q-4Q 2019 (inclusive nominal value of remaining bond-debt).
- Minimum liquidity reserve of MNOK 50 in fully owned subsidiaries.
- Maximum NIBD/ EBITDA:
  - 1Q 2019-4Q 2019: 3,0
- In addition a multiple of other standard default clauses related to the bond loan inclusive cross default clauses are apparent.
- The agreements have a separate set of definitions on:
  - NIBD; excluded convertible bond debt. Includes 50% of cash in 50/50 owned entities
  - EBITDA; includes 100% of EBITDA from fully owned subsidiaries, and 50% of EBITDA from 50/50 owned companies.
  - EBITDA effects caused by restructuring/ impairment/ profits and accounting based one-offs are eliminated from the calculation
  - EBITDA and NIBD effects derived from changes to the IFRS regulation effective on or after 01.01.2017

Covenant test - NIBD/ EBITDA	2018	2017
Calculation of NIBD - relevant for covenant measure		
NIBD in Continued businesses	-62,0	78,0
+ NIBD from Discontinued businesses	303,0	129,4
- NIBD in 50/50 owned consolidated companies	-170,0	-165,0
+ 50% of NIBD in 50/50 owned companies	117,0	127,0
+ Adjust effects from changes in IFRS regulation	0,0	0,0
= Calculated NIBD - covenant adjusted	**188,0**	**169,4**
Calculation of EBITDA - relevant for covenant measure		
EBITDA from Continued operations	17,0	10,5
+ EBITDA from Continued operations	38,0	42,7
- EBITDA from 50/50 owned consolidated companies	-47,9	-57,1
+ 50% of EBITDA from 50/50 owned companies	24,0	35,5
+ Restructuring cost	24,0	50,4
+ accounting effects from changes to IFRS	25,0	0,0
= Calculated EBITDA - covenant adjusted	**80,1**	**82,0**
NIBD/ EBITDA - covenant measure	**2,3**	**2,1**
Maximum NIBD / EBITDA - covenant requirement	**3,0**	**4,0**

Covenant test - EQUITY	2018	2017
Calculation of Equity - covenant measure base		
Equity as stated	514,2	607,5
+ Nominal vale of Subordinated Bond Debt	90,9	93,3
+ Restructuring provisions- unutilized portion	13,7	0,0
+ Adjust effects from changes in IFRS regulation	25,2	0,0
= Equity - covenant measure base	**644,2**	**700,8**
Calculation of Assets - covenant measure base		
Assets - as stated in the consolidated statement of financial position	2416,0	2328,5
+ Unutilized restructuring allocation	13,7	0,0
+ / - Adjust effects from changes in IFRS regulation	-66,0	0,0
= Assets - covenant measurement base	**2363,8**	**2328,5**
Equity % - covenant measure	**27,3%**	**30,1%**
Minimum Equity % - covenant requirement	**25,0%**	**25,0%**

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).

As presented in the Board of Directors report, TTS Group has entered into an agreement with Cargotec Oyj to divest a large portion of its business. The credit facility is set up to cover both businesses planned for divestment, and continued businesses. Unless clearly expressed, the presentation of credit facilities is based on the overall activity in TTS Group.

On 13 December 2018 TTS Group ASA entered into an agreement with Nordea and DNB for an extension of the financing agreements for credit and guarantee facilities, which the company had at the beginning of the fiscal year 2016. The extended agreements expire at 01 July 2019.

The total frame of the credit facility in the agreement is MNOK 1.072, consisting 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 minimum liquidity reserve. The covenants are described in note 12.

The finance agreements include pledges of plant and machinery, inventory, accounts receivables in the major Norwegian companies. In addition shares in TTS Marine AB have been pledged.

According to the set condition in the agreement between TTS and Cargotec, TTS will settle its bank debt after closing of the Cargotec transaction, and the banks has agreed to subsequently lift the pledges.

TTS GROUP HAS THE FOLLOWING CREDIT FACILITIES THROUGH ITS FACILITATORS:

	2018		2017	
	Limit	Drawn	Limit	Drawn
Group cash pool overdraft facility	200 000	156 946	200 000	72 591
Drawdown facility, operations	271 750	196 500	271 750	246 500
Guarantee limit for Group	600 000	366 568	600 000	401 994

As per 31 December 2018 all Norwegian companies (ref Note 9), as well as TTS Marine AB, TTS NMF GmbH and TTS Marine GmbH are part of the Group cash pool arrangement with Nordea. The pledges will be released when the Cargotec Transaction is closed.

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

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

Assets pledged as collateral for secured debt - Group values:	2018	2017
Shares in TTS Marine AB	358 084	430 036
Account/Group receivables	179 398	70 043
Inventory/Work in progress, including non-invoiced production	19 308	60 497
Assets pledged as collateral *	**556 790**	**560 577**

*) Assets pledged as collateral is partly presented in the balance sheet under the different categories and partly included in the category Assets held for sale. In addition, investments in subsidiaries and intercompany balances and loans are eliminated in the group accounts.

OTHER ASSETS PLEDGED AS SECURITY AND GUARANTEES:

TTS MARINE AB

As per 31 December, guarantees of MSEK 174.6 (MNOK 180.0) were drawn. This amount is included in the total guarantees drawn with Nordea/DNB of MNOK 366.6 in the above table.

TTS MARINE GMBH

As per 31 December 2018, guarantees of MEUR 3.0 (MNOK 29.9) were drawn. This amount is included in the total guarantees drawn with Nordea/dB of MNOK 366.6 in the above table.

Note 9 – Convertible Bond loan

(Amounts in NOK 1000)

The Extraordinary General Meeting in TTS Group ASA on 10 January 2011 approved the establishment of a subordinated convertible bond facility of MNOK 200 with maturity date 18 January 2016, and an 8% annual coupon.

At yearend 2015 the remaining nominal value of the bond facility was MNOK 95,345, with a conversion strike price of NOK 4,97 per share.

The Extraordinary General Assembly approved a renewal of the subordinated convertible bond facility 05 January 2016. New expire date was set to 18 April 2017, with an annual coupon of 12%, and no change to the conversion strike price.

The Extraordinary General Assembly approved 30 March 2017 an extension of the subordinated convertible bond facility until 18 January 2019. As a part of the agreement, the bondholders were offered an option for partial repayment of nominal debt value, giving basis for a repayment of MNOK 2,0. Interest until April 18 2017 was agreed at a 12% annual coupon. As of 19 April 2017 the annual coupon was agreed at 10%. The conversion strike price remained at NOK 4,97 per share. No debt conversions into equity were made during 2017.

On 11 December 2018 the bondholders agreed to extend the repayment of the debt facility until 18 July 2019. The nominal bond value as per 31 December 2018 was MNOK 90,945. The parties agreed to an extension fee of 0.25%. The annual coupon remains unchanged at 10%. The conversion strike price is NOK 4,97 per share. Following the Cargotec Closing Notice, bondholders will have 10 business days to exercise their conversion right(s) are entitled to accrued, but not paid interest up to the conversion date. Bondholders who have not exercised their conversion right(s) within 10 business days following the Closing, will be subject to a conversion of their bonds at a price of 100% of the outstanding bonds plus accrued interest, on the 20th Business day after the Cargotec Closing Notice. The extension was approved by the Extraordinary General Assembly at TTS Group ASA on 14 December 2018.

During 2018 MNOK 2.4 was converted into 482.895 new shares.

The bondholder 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;

1. consolidation or subdivisions of shares
2. distribution of profits or reserves to shareholders by issue of new shares
3. dividend payments to shareholders
4. issue or grant shareholders rights, options, warrants or other subscription rights

Development of the conversion strike price

Initial conversion strike price was fixed at NOK 9,2839 per share as of 10 January 2011

The Extraordinary General Meeting 15 August 2012 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 26 October 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 11 June 2013.

The conversion strike price at yearend 2018 was NOK 4.97 per share.

The bondholders agreed on 22 March 2017 to renew the Subordinated Convertible Bond Loan, which represented 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 30 March 2017. The renewal represented a 21-month extension of the maturity date from 18 April 2017 to 18 January 2019, a reduction in fixed coupon rate from 12% to 10%p.a, a termination of a drag along call option clause, and a prolongation of the conversion rights for the bond holders, unchanged with a conversion strike price of 4,97 per share. As part of the renewal agreement TTS group agreed to a MNOK 2,0 bond redemption. Changes in overall terms represented a change to the overall agreement which exceeds the IAS 39 thresholds for de-recognition and re-recognition. TTS Group find the impacts from de-recognition and re-recognition to be immaterial, and have handled the renewal as a prolongation of the existing bond agreement.

On 11 December 2018, the bondholders agreed to an additional extension of the subordinated debt until 18 July 2019. The TTS General Assembly approved the extension on 14 December 2018. The parties agreed to an extension fee of 0.25%. The terms and conditions in the renewed agreement have been evaluated according to IAS 39. Changes in overall terms do not represent a change to the overall agreement which exceeds the IAS 39 thresholds for de-recognition and re-recognition. As such the debt facility is presented according to nominal values.

The bondholders converted bonds of MNOK 2,4 into 482 895 new shares during 2018. As per 31 December 2018 the conversion price of the convertible bond loan is 4.97/share. The remaining nominal value of the bond debt is MNOK 90,945 giving rights to 18.298.793 new shares if all rights are converted.

	2018	2017
Subordinated convertible bond loan - nominal value at drawdown 2011	200 000	200 000
Converted debt to shares in 2011	-7 500	-7 500
Converted debt to shares in 2012	-97 155	-97 155
Partial redemption in 2017	-2 000	-2 000
Converted debt to shares in 2018	-2 400	-
Nominal debt value as per 31.12	90 945	93 345

REPAYMENT PROFILE AND MATURITY:

	2017	2018	2019 *
Subordinated convertible bond loan - nominal value	93 345	90 945	-90 945
Nominal interest cost	9 967	9 095	4 933
Calculated effective interest cost	9 967	9 095	4 933

* Interest cost for the period 01.01.-18.07.2019

PRINCIPAL BONDHOLDERS AS OF 31.12.2018:

Bondholder:		Conversion rights	Share portion if fully converted
MP PENSJON PK		6 639 839	6,3%
SKEIE TECHNOLOGY AS	1)	3 912 475	3,7%
RBC INVESTOR SERVICES BANK S.A.	Nominee	1 750 503	1,7%
SKEIE CONSULTANTS AS	1)	1 207 243	1,1%
SKANDINAVISKA ENSKILDA BANKEN AB	Nominee 2)	985 915	0,9%
TAMAFE HOLDING AS	1)	804 829	0,8%
SKEIE CAPITAL INVESTMENT AS	1)	704 225	0,7%
PIMA AS		528 169	0,5%
NORDA ASA		503 018	0,5%
TEAM ATLANTIC AS		382 294	0,4%
Other		880 282	0,8%
Total		**18 298 793**	**17,4%**

1) Companies controlled by the Skeie family

2) Converted in 2019

Note 10 – Share capital and shareholder information

(Amounts in NOK)

Date	Number of shares	Nominal value	Share capital
31.12.2018	87 088 555	0.11	9 579 741
31.12.2017	86 605 660	0.11	9 526 623

In 2018 bond holders TTS Group have converted NOK 2 400 000 into 482.895 new shares in TTS Group ASA.

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

DIVIDENDS PAID AND PROPOSED:

(NOK 1000)	**2018**	**2017**
Declared and paid during the year:	0	0

Dividend for shareholders proposed for 2018, to be paid in 2019: NOK 0 per share.
Total dividend amount proposed: NOK 0.

TREASURY SHARES:

	Number of shares	Share capital
Treasury shares as of 01.01.2017	112 882	-12 417
Sale of treasury shares 2017		-
Treasury shares as of 31.12.2017	**112 882**	**-12 417**
Sale of treasury shares 2018	106 250	-11 688
Treasury shares as of 31.12.2018	**6 632**	**-730**

PRINCIPAL SHAREHOLDERS OF TTS GROUP ASA AS OF 31.12.2018:

Shareholder	Number of shares	Ownership	Voting share [2]
SKEIE TECHNOLOGY AS [1]	22 655 763	26,01%	26,02%
RASMUSSENGRUPPEN AS	11 512 506	13,22%	13,22%
BARRUS CAPITAL AS	5 803 500	6,66%	6,66%
VINTERSTUA AS	5 060 000	5,81%	5,81%
SKEIE CAPITAL INVESTMENT AS [1]	4 203 361	4,83%	4,83%
DNB NOR MARKETS, AKSJEHAND/ANALYSE	3 411 911	3,92%	3,92%
GMC JUNIOR INVEST AS	1 825 000	2,10%	2,10%
PIMA AS	1 728 195	1,98%	1,98%
FIRST PARTNERS HOLDING 16 AS	1 495 275	1,72%	1,72%
ITLUTION AS	1 475 261	1,69%	1,69%
AVANZA BANK AB	1 228 699	1,41%	1,41%
TRAPESA AS	1 206 351	1,39%	1,39%
TIGERSTADEN AS	1 107 500	1,27%	1,27%
SALT VALUE AS	1 082 625	1,24%	1,24%
LEOVILLE AS	800 000	0,92%	0,92%
TIGERSTADEN INVEST AS	750 000	0,86%	0,86%
ESPEDAL & CO AS	743 557	0,85%	0,85%
AVANT AS	700 000	0,80%	0,80%
SKANDINAVISKA ENSKILDA BANKEN	674 999	0,78%	0,78%
SJAP AS	670 000	0,77%	0,77%
Total, 20 largest shareholders	**68 134 503**	**78,24%**	**78,24%**
own shares	6 632	0,01%	0,00%
Total other	18 947 420	21,76%	21,76%
Total	**87 088 555**	**100,00%**	**100,00%**

[1] Trym Skeie holds 323.140 TTS shares in person and 250.000 via Skeie Alpha Invest AS, which is a 100% subsidiary of Skeie Alpha Equity AS, which is 100% owned by Trym Skeie. Skeie Alpha Equity also holds 23.5% stake in both Skeie Capital Invest and Skeie Technology, which subsequently holds 4.203.361 and 22.655.763 TTS shares.

[2] Voting 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	29.04.2019	31.12.2018	31.12.2017	29.04.2019	31.12.2018	31.12.2017	29.04.2019	31.12.2018	31.12.2017
Trym Skeie [1), 2)]	573 140	573 140	573 140	-	-	-	804 829	804 829	804 829
Group Executives									
Toril Eidesvik - CEO [3]	50 000	50 000	50 000	300 000	300 000	300 000	-	-	-
Leiv Kallestad - CFO [4]	-	-	-	-	-	170 000	-	-	-

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

[2] Per 29 April 2019 shares held and controlled by companies or members of the Skeie family is 27.732.264. The number of shares is unchanged from yearend 2017 to yearend 2018.

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

[4] Mr. Kallestad redeemed 106.250 share options as per October 2018, and sold 106 250 shares in November 2018. 63 750 share options is expired as Mr. Kallestad leaves the company by the end of April 2019.

On 31 May 2018, 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 acquisitions of business or assets. The authority is valid until the next Annual General Meeting or latest 30 June 2019. No shares have been issued on the basis of this authorization as of 29 April 2019.

On 31 May 2018, the Annual General Meeting adopted a resolution to give the Board of directors authority to buy back a portion of the convertible callable unsecured subordinated bond 2011/2019 up to a total of NOK 150.000.000. The authority is valid until the next Annual General Meeting or latest 30 June 2019.

On 31 May 2018, 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 next Annual General Meeting or latest 30.06.2019. No shares have been bought on the basis of this authorization as of 29 April 2019.

On 31 May 2018, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 1.500.000 shares against cash redemption for the benefit of the company's executive management. This authorization is valid until 30 June 2020. As per 29 April 2019 no share options have been issued.

On the 1 June 2017, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 1.500.000 shares against cash redemption for the benefit of the company's executive management. This authorisation is valid until 30 June 2019. As per 29 April 2019 a total of 1.270.000 shares have been issued in the form of options, with a possible first time exercise of options following the presentation of the first quarterly results for 2018, equivalent to a maximum of 50 percent of the allocated options. The number of shares for further exercise of options constitutes 12.5 percent following the presentation of the results for the second, third and fourth quarter of 2018 and the first quarter of 2019, in addition to options not previously exercised. Options granted to people leaving TTS Group are terminated.

ALLOCATION OF OPTIONS PER 31.12.2018:

Name	Position	Company	Number of options exercisable until 08.06.2019	Exercise price	Total
Senior executives					
Toril Eidesvik	President & CEO	TTS Group ASA	300 000	3,43	300 000
Leiv Kallestad [1)]	CFO	TTS Group ASA	-		-
Bjørn Rosén	EVP BU RCN	TTS Marine AB	150 000	3,43	150 000
Mette Harv	EVP BU ENERGY	TTS Group ASA	80 000	3,43	80 000
Rolf-Atle Tomassen	EVP BU SYS	TTS Syncrolift AS	150 000	3,43	150 000
Total number of options to executives			680 000		680 000

[1)] Mr. Kallestad redeemed 106.250 share options as per October 2018, and sold 106 250 shares in November 2018. 63 750 share options is expired as Mr. Kallestad leaves the company by the end of April 2019.

In accordance with authorities granted by the Annual General Meeting in 2017 and 2018, 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 in 2017 was 64%. Risk-free interest rate applied for options issued in 2017 was 0,70%. For 2018 (2017), option premium of MNOK 0,5 (MNOK 0,6) has been charged as expenses classified as salary in the profit and loss statement. Payroll tax is charged if share options are redeemed.

SUBORDINATED CONVERTIBLE LOAN:

On 22 March 2017 TTS Group ASA reached an agreement with its bondholders to extend its subordinated convertible bond loan. The bond renewal was approved in an extraordinary general meeting at 30 March 2017. The maturity date was 18 January 2019. On 11 December 2018 TTS Group ASA reached an agreement with its bondholders to further extend the subordinated convertible bond loan. The bond renewal was approved in an extraordinary general meeting on 14 December 2018. The maturity date is set to 18 July 2019. The conversion strike price remains the same at NOK 4,97/share.

During 2018 bonds with a nominal value of MNOK 2,4 were converted into 482.895 new shares. Following the remaining nominal bond debt of MNOK 90,945, the maximum number of shares to be issued is 18 298 793, equivalent to a dilution effect of 17,36%.

Additional information on the subordinated convertible loan is available in Note 9.

Note 11 - Tax

(Amounts in NOK 1000)

CHANGE IN DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES:

	1.1.2017	Changes 2017	31.12.2017	Changes 2018	31.12.2018
Deferred tax					
Fixed assets	650	23	673	161	834
Pension fund / liabilities	-	-	-	-	-
Credit deduction carried forward	-	-	-	-	-
Allowance carried forward	-		-	-	-
Convertible debt	0		0	0	1
Tax loss carry forward	-59 701	-12 495	-72 196	6 910	-65 286
Gross deferred tax (assets = - / liabilities = +)	**-59 050**	**-12 472**	**-71 522**	**7 071**	**-64 451**
Unrecognized deferred tax assets related tax losses	59 701	-6 179	54 195	-129	47 414
Unrecognized deferred tax assets related to other temp. differences	-651	-23	-673	-161	-834
Net deferred tax reported (assets = - / liabilities = +)	**-**	**-18 000**	**-18 000**	**-**	**-17 871**

Deferred tax assets related to losses which can be carried forward for tax purposes, are reported if the management believes it is likely that the company can use these against future taxable income. Due to the tax exemption method related to share dividends from subsidiaries, and tax exemption method on profit from shares sale, tax assets was impaired as per 31 December 2014. Considered expected effects from the expected asset sale to Cargotec Oyj, which is expected to be completed in 2019, and utilization of Norwegian Tax contribution a tax asset recognition of MNOK 18 have been recognized as per 31 December 2018.

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

	2018	2017
Result before tax	87 443	122 669
Permanent differences	23	117
Change to temporary profit/loss differences	-	-
Reversed profits/losses from subsidiaries and joint ventures	-99 841	-163 025
Application of loss to be carried forward	-	-
Tax basis for year	**-12 375**	**-40 238**

Breakdown of tax costs:	2018	2017
Tax payable	-	-
Withholding tax from activities outside Norway	1 509	4 430
Effect of group contribution on deferred tax	9 644	-
Not allocated deferred tax related to tax losses	2 846	-
Changes to deferred tax	-12 490	-18 000
Tax cost	**1 509**	**-13 570**

Explanation as to why this year's tax costs are not 23% / 24 % of profit before tax:	2018	2017
23% / (24%) of profit before tax	20 112	29 441
Permanent differences	-22 958	-39 098
Allocated reduction of deferred tax asset from group	2 096	-8 746
Effect of change of tax rates this year	750	402
Withholding taxes	1 509	4 430
Estimated tax cost	**1 509**	**-13 570**

Note 12 – Cash and cash equivalents

(Amounts in NOK 1000)

	2018	2017
Bank deposits, cash etc. as per 31.12.[1)]	898	401
Deposits (+)/withdrawals (-) from cash pool account system as at 31.12.	219 160	165 803

[1)] Restricted bank deposits per 31 December 2018 were TNOK 0. TTS Group ASA has a bank guarantee for employees 'tax withholdings of TNOK 1250.

TTS Group have established a multicurrency cash pool structure utilized by large European subsidiaries. An overdraft facility of MNOK 200 is linked to the cash pool.

Net draw down in the Group cash pool as per 31.12.2018 was MNOK 157,0 and MNOK 72,6 as per 31.12.2017. Drawdown facilities, security and covenants are described in Note 7 and 8.

Note 13 - Other current liabilities

(Amounts in NOK 1000)

	2018	2017
Provision for holiday pay	1 969	1 453
Accrued interest cost	1 972	2 711
Other accrued expenses	14 951	10 855
Total other current liabilities	18 892	15 021

Note 14 - Other operating costs

(Amounts in NOK 1000)

	2018	2017
Cost of premises	1 356	4 069
IT costs	1 449	1 159
Marketing, travel	3 503	7 186
External services	6 793	6 716
Other	1 076	1 721
Total other operating costs	**14 176**	**20 852**

Note 15 - Related parties

(Amounts in NOK 1000)

Subsidiaries (ref Note 5), joint ventures (ref Note 5), members of the Board (ref Note 1) and members of the Senior Executive Group are considered as related parties. TTS Group ASA are involved in numerous different transactions with subsidiaries and joint ventures.

In 2018 TTS Group has entered into a shareholder agreement with the owners of Intellilift AS with the intent to purchase 51% of the shares of the company. Skeie Consultants AS, which is owned by primary insiders of TTS Group ASA, holds 40,8% of the shares in Intellilift AS.

During 2017 TTS Group ASA sold its shares in Sigma Drilling AS to Skeie Technology AS. The transaction were approved in the general meeting at 1 June 2017. Additional information on the transaction have been included in Note 4.

All transactions are based in the normal course of business and at arm's length prices.

	2018	2017
Sales, Royalties, Sales fees, Group fee:		
Subsidiaries	22 282	39 200
Joint ventures	-	4 517
Cost of sales:		
Subsidiaries	-	-
Joint ventures	-	-
Balance sheet items related to purchase and sale of goods and services:		
Receivables		
Loans to group companies	15 787	65 429
Subsidiaries accounts receivables	15 869	6 648
Subsidiaries other short term receivables	10 284	730
Deposit in cash pool	219 160	165 434
Joint ventures	2 315	9 540
Current liabilities		
Accounts payable to subsidiaries	2 829	4 285
Other short term payables to subsidiaries	59 617	55 359
Short term payables to Joint ventures	-	-

Information on the Board and Senior Executive Group's shares and options are stated in Note 1.

In addition to the above mentioned transactions and Note 1, 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)

	2018	2017
Dividend from subsidiaries and equity consolidated companies	70 929	22 524
Contribution from subsidiaries	72 048	-
Gain from sale of subsidiaries / shares in financial investments	-	2 173
Interest income from companies in same group	25 597	20 947
Other financial income	-	534
Interest paid to companies in same group	-4 755	-3 706
Interest paid to financial institutions	-27 260	-28 267
Impairment shares in subsidiaries	-	30 340
Impairment financial receivables from subsidiaries	-	108 000
Other financial costs [1)]	-32 263	-5 142
Net exchange rate gains (losses)	6 296	-3 254
Total	**110 592**	**144 148**

[1)] 2018 number include sales cost related to the Cargotec transaction of MNOK 26,7.

EXCHANGE RATE GAINS/LOSSES:

Currency differences booked to income and costs in the profit and loss account are as follows:	2018	2017
Currency exchange income	78 084	58 363
Currency exchange costs	-71 788	-61 618
Total	**6 296**	**-3 254**

Currency income and costs are net and shown as other financial costs.

Note 17 - Going Concern / Contingent liabilities / Material disputes

GOING CONCERN

TTS Group ASA current financing expires at the following dates;

- 1 July 2019 Overdraft- and Guarantee facilities with Nordea
- 1 July 2019 Overdraft- and Guarantee facilities with DNB
- 18 July 2019 Bond loan

The company announced in February 2018 an asset sale agreement with Cargotec Oyj. The contemplated transaction is approved by relevant competition authorities in Europe and Korea, but is still subject to approval from the Chinese competition authorities. The closing will take place as soon as the approval has been given, and Cargotec confirms that the closing conditions are met. The transaction is expected to be closed during 2Q, 2019. All debt will be repaid upon closing of the transaction. The company expects to be cash positive, and funded as a going concern after the transaction has been closed.

The company will require extension of the current financing facilities to the extent that the transaction is not closed prior to the maturity date. If this situation occurs the extension will be dependent on approval from relevant financing institutions.

In the unlikely event that the contemplated transaction is not completed, TTS Group has established a contingency plan to ensure that the company has adequate financing in place. If this situation occurs there is a risk relating to the TTS Group's ability to continue as a going concern, unless new financing is in place.

Contingent liabilities / Material disputes

There are no other on-going cases that are expected to lead to significant commitments for the TTS Group.

Note 18 - Subsequent events

Events regarding the TTS Group are listed in notes for TTS Group, ref note 31.

KPMG AS
Kanalveien 11
Postboks 4 Kristianborg
5822 Bergen

Telephone +47 04063
Fax +47 55 32 11 66
Internet www.kpmg.no
Enterprise 935 174 627 MVA

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, which comprise:

- The financial statements of the parent company TTS Group ASA (the Company), which comprise the balance sheet as at 31 December 2018, 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 consolidated financial statements of TTS Group ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 30 in the financial statements and the Board of Directors' report, which shows that the Company's external financing from banks fall due on 1 July 2019, and the bond loan falls due on 19 July 2019. As stated in Note 30 and the Board of Directors' report, management expects that the transaction with Cargotec Oyj will be completed before the maturity of the external financing 1 July 2019. There is no guarantee that the transaction will be completed prior to the due date on the external financing. If this situation occurs, there is a material risk relating to TTS Group ASA's ability to continue as a going concern, unless an extension is approved by the relevant financing institutions. Our opinion is not modified in respect of this matter.

KPMG

TTS Group ASA

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. *Revenue recognition for long term construction contracts related to continuing business*

Reference is made to Note 2, the Key Audit Principles and the Board of Directors' report.

The key audit matter	*How the matter was addressed in our audit*
The majority of the Group's revenues and profits in continuing business derive from long-term construction and service contracts. IFRS 15 Revenue from contracts with customers ("IFRS 15") was implemented by the Group 1 January 2018. The new accounting standard introduces a five step model for revenue recognition and new requirements and guidance relevant to project accounting estimates and judgements. IFRS 15 has introduced a higher degree of judgment in determining the number of performance obligations which can impact the timing and amount of revenue recognition for certain contracts. The standard also introduces complex criteria for assessing if revenue should be recognized over time or at a certain point in time. This assessment is complicated, due to the group's different revenue streams and the contract structures. Timing of revenue recognition is based on the assessment of contractual facts vs. criteria under IFRS 15, and is subject to a high degree of judgement. Accounting for long term construction contracts involves management estimates and judgments and complex assessments of future events for which there may be limited or no external information available. 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. Revenue and cost outcomes factored in management's forecasts include: - liquidated damages; and - expected cost to completion.	Our audit procedures relating to significant long term construction contracts, performed by the group team included: - assessing the implementation of IFRS 15, including the Group's updated accounting policies, transition impact assessment, application to construction and service contract accounting and disclosures; - challenging management's assumptions in determining if certain contracts contain single or multiple performance obligations by obtaining, reading, and critically assessing the terms and conditions of relevant contractual documents; - assessing contractual revenue forecasts including reconciling those forecasts with reference to signed contracts and variation orders; - obtaining and reading the terms and conditions of significant contracts and comparing these to management's assessment of the contract forecasts; - assessing variable considerations estimates included in forecasted revenue against the requirements of IFRS 15; - critically considering the terms and conditions of significant contracts and comparing these to management's assessment of the requirements in IFRS 15 relating to timing of revenue recognition; over time vs. point in time revenue recognition - for financially significant contracts and any contracts with a reasonable possibility of being in a significant loss-making position, we applied professional skepticism and critically assessed the accounting estimates and judgments against the requirements of IFRS 15; - evaluating management's process for assessing measurement of progress and the method applied; - challenging management on estimated recovery of liquidated damages;

2

Contract accounting estimates and timing of revenue recognition require significant attention during the audit and are subject to a high degree of auditor judgment. As such, revenue recognition is considered a key audit matter.	- reading and discussing project reports with management and comparing current forecasts to historical outcomes where relevant; - challenging management on the estimate of cost to complete and the risk assessment related to forecast cost; and - evaluating the adequacy and appropriateness of the disclosures in the financial statements related to IFRS 15 transition effects, revenue from construction contracts and service contracts.

2. Accounting for Disposal group held for sale – discontinued operations

Reference is made to Note 29, Note 32, and the Board of Directors' report.

The key audit matter	*How the matter was addressed in our audit*
In 2017, the Group committed to a plan to sell a major part of its business, which resulted in signing an asset sale agreement in February 2018. The transaction was expected to close during the second half of 2018, but was postponed, and management expects the transaction to be completed during first half of 2019. Management has assessed that the related activities should be presented as Held for sale and Discontinued operations in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The key audit matter in this regard pertains to the appropriate application of IFRS 5, in particular: - Whether the transaction still meets the criteria for separate presentation of assets and liabilities classified as held for sale. - Whether the assets and liabilities reflected as held-for-sale and the results presented as discontinued operations fairly present the financial position and results of the business covered by the sales agreement. - Whether the assets and liabilities are measured at the lower of the fair value less costs to sell or their carrying amounts.	Our audit procedures included, among others; - Assessing Group Management's assessment on the status of the Cargotec transaction. - Reconciling the reclassified assets, liabilities and results to the business unit reporting available in the Group's financial reporting system to determine whether the assets and liabilities reflected as held for sale and the results presented as discontinued operations fairly present the financial position and results of the business covered by the share purchase agreement. - By reference to the share purchase agreement, considering and challenging management's estimate of the net consideration to be received and disposal gain to assess whether the assets and liabilities are measured at the lower of the fair value less costs to sell or their carrying amounts. - Evaluating the adequacy of the financial statement disclosures, Including disclosures of key assumptions, judgements and sensitivities.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption 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 2019
KPMG AS

Knut Olav Karlsen
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 2018.

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 financial statements for 2018 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union, IFRSs as issued by IASB, and additional Norwegian disclosure requirements in the Norwegian Accounting Act
- the information presented in the 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, 29 April 2019

THE BOARD AND MANAGEMENT OF TTS GROUP ASA

Trym Skeie
Chair of the Board

Britt Mjellem
Director

Gisle Rike
Director

Marianne Sandal
Director

Leif Haukom
Director

Rakel Simmenes
Director

Morten Aarvik
Director

Toril Eidesvik
CEO

Appendix 1 - Alternative performance measures

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION - APM (EBITDA APM)

(Amounts in NOK 1000)

	2018	2017
TTS GROUP - CONTINUED BUSINESS		
Profit/loss from Continued Business	**11 814**	**8 197**
Income tax expenses	1 490	-3 970
Profit/loss before tax from Continued Business	**13 305**	**4 228**
Net Finance costs	1 808	4 608
Depreciation	1 887	1 680
EBITDA Continued Business (A)	**17 001**	**10 516**
Adjustment items (x)		
Restructuring charges	-	5 000
EBITDA APM - Continued Business	**17 001**	**15 516**
TTS GROUP - DISCONTINUED BUSINESS		
Profit/loss from Discontinued Business	**-26 758**	**-26 330**
Income tax expenses	14 698	14 253
Profit/loss before tax from Discontinued Business	**-12 060**	**-12 077**
Net Finance costs [1)]	49 562	14 105
Depreciation [2)]	-	40 742
IFRS 15 effects (from "over-time" to "point-in-time" revenue recognition)	25 246	-
EBITDA Discontinued Business (B)	**62 747**	**42 769**
Adjustment items (y)		
Inventory write down as part of restructuring [2)]	-	-
Restructuring charges	-	46 000
Loss on specific projects (impaired value according to terms established in the Sales Purchase Agreement)	24 000	13 000
EBITDA APM - Discontinued Business	**86 747**	**101 769**
TTS GROUP - OVERALL BUSINESS		
Reported EBITDA APM (A+B)	**79 749**	**53 286**
Adjustment items (x+y)	24 000	64 000
Adjusted EBITDA Group/Operational EBITDA Group	**103 748**	**117 285**

[1)] Running selling cost in 2018 (salaries, consultant fees and other attributable cost) related to the TTS / Cargotec transaction of MNOK 26,8 are presented as part of the finance cost in discontinued business.

[2)] An impairment test of discontinued businesses indicates that fair value exceeds booked value of the assets held-for-sale. Normalized depreciation would have been MNOK 44,0.

The company has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level, and it believes this measure is relevant for the understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortization, impairment losses/reversals related to goodwill, intangible assets, property, plant & equipment and the remeasurement of disposal groups, and share of profit for equity accounted investees.

Normalized EBITDA is not a defined performance measure in IFRS. The Group's definition of Normalized EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities

TTS GROUP ASA
Organization number: NO-932142104 MVA

PO Box 3577 Fyllingsdalen
N-5845 Bergen
Norway

Design
Alf Gundersen AS
Cover: TTS Colibri crane, Photo: Lars Djupevåg

TTS GROUP.COM

TTS GROUP ASA