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TO 30 JUNE  
2016

INTERIM REPORT

KVARTALSRAPPORT 2. KVARTAL 2016



TTS GROUP ASA

## HIGHLIGHTS FOR THE 2<sup>ND</sup> QUARTER 2016.

- Increased revenue compared to 1<sup>st</sup> quarter, and in line with 2<sup>nd</sup> quarter 2015 despite a challenging market
- Continued improvement in underlying operations, with an EBITDA year to date of MNOK 59, compared to MNOK 34 in the same period 2015
- Good visibility for 2016 revenue, with contract coverage close to 100% for 2<sup>nd</sup> quarter 2016
- The strategic process announced in February 2015 is closed
- Full focus on further development of a robust strategy for “stand alone” scenario

## KEY FIGURES

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	822	816	1 588	1 404	3 051
EBITDA **	32	138	59	138	155
EBITDA margin (%)	4,0	16,9	3,7	9,9	5,1
Order intake	639	868	1 168	1 315	2 733
Order backlog*	3 333	4 004	3 333	4 004	4 015
EPS (NOK) Total	-0,19	1,20	-0,21	0,88	-0,55
EPS (NOK) Continued	-0,19	1,20	-0,21	0,88	-0,55

(\*) Order backlog includes 50% of backlog from equity consolidated investments in China

(\*\*) 2015 EBITDA includes positive one off effect from consolidating TTS Hua Hai (THH) of MNOK 104 and negative effect of MNOK 38 from restructuring and impairment cost in the Offshore Segment.

The order intake for 2<sup>nd</sup> quarter 2016 was MNOK 639, a decrease compared to MNOK 868 in 2<sup>nd</sup> quarter 2015. The decrease is mainly related to business units RoRo/Cruise/Navy, Offshore and Multipurpose/General cargo. The decrease in these business units is partly offset by good order intake in the business units Container/Bulk/Tank and Shipyard Solutions.

The order backlog\* at the end of 2<sup>nd</sup> quarter reached NOK 3,3 billion (4,0 billion), of which approximately NOK 1,3 billion is expected to be turned into revenue in 2<sup>nd</sup> half of 2016. Consequently, close to 100% of the expected revenue from new build activity in 2016 is covered by existing contracts.

\*including 50% of the order backlog, 220 (257), from equity consolidated investments in China.

2<sup>nd</sup> quarter turnover was MNOK 822, in line with 2<sup>nd</sup> quarter 2015.

EBITDA in the 2<sup>nd</sup> quarter was MNOK 32, an improvement from MNOK 27 in 1<sup>st</sup> quarter 2016, and in line with 2<sup>nd</sup> quarter 2015 (adjusted for one time effects of MNOK 104, the underlying EBITDA for 2<sup>nd</sup> quarter 2015 was MNOK 34).

Non-recurring items related to a MNOK 10 loss in a major project in the RoRo/Cruise/Navy segment have been allocated to 2<sup>nd</sup> quarter 2016. A profit of MNOK 9 from sale of an office/warehouse is reported within business unit Shipyard Solutions.

## TOTAL ASSETS AND NET INTEREST BEARING DEBT

Total assets at the end of 2<sup>nd</sup> quarter 2016 (2015) was MNOK 2 842 (3 150), a decrease of MNOK 183 compared to end of 2015, and in line with 1<sup>st</sup> quarter 2016.

Net working capital at the end of the 2<sup>nd</sup> quarter was MNOK 30, an increase of MNOK 22 from 1<sup>st</sup> quarter, which mainly relates to changes in 50/50 owned subsidiaries in China.

In the 2<sup>nd</sup> quarter of 2016, net interest-bearing debt increased by MNOK 72 from MNOK 173 to MNOK 245. The increase of the net interest-bearing debt is mainly due to the decrease of cash in THH during the quarter, partly as an effect of payment of dividends to TTS. The effect of the consolidation of THH and TTS SCM represents a total reduction of the reported net interest bearing debt of MNOK 198.

## ACCOUNTING PRINCIPLES

The company has prepared the interim financial report in accordance with IAS 34. The accounting principles applied are explained in detail in the 2015 annual report. There are no changes to the accounting principles in 2016.

## SEGMENTS

TTS reports its operations in 6 business segments.

### RoRo/Cruise/Navy (RCN)

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	158	160	302	319	641
EBITDA	-1	16	10	31	62
Order backlog	769	785	769	785	941

Adjusted for a loss provision in the period, the RCN segment continues to report positive quarterly figures, however with a decrease in margin compared to last year. The margin reduction is an effect of changes in the product mix. Non-recurring items related to a MNOK 10 loss in a project are allocated to the quarter.

The overall outlook for the segment is still positive. The order backlog at the end of the quarter was MNOK 769 compared to MNOK 785 at the end of 2<sup>nd</sup> quarter 2015. Going forward, the Group expects lower activity in the market for car carriers, being replaced by higher activity in the market for RoPax and Cruise.

### Container/Bulk/Tank (CBT)

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	291	318	561	385	973
EBITDA **	18	111	22	113	141
Order backlog *)	1 718	2 075	1 718	2 075	2 090

(\*) Order reserve includes 50% of order reserve in equity consolidated investments in China.

(\*\*) One off effect of MNOK 104 from consolidating TTS Hua Hai included in full year 2015.

Change of consolidation method from the equity method to full consolidation of the 50 % owned company THH from 2<sup>nd</sup> quarter 2015, explains the major part of the reported difference in revenue and margin when comparing YTD 2016 vs. YTD 2015. YTD turnover



and EBITDA from THH 2016 (2015) represent MNOK 425 (261) and MNOK 31 (17) respectively. Reported EBITDA in Q2 2015 further included one off effects of MNOK 104.

Quarterly turnover from fully owned companies within this segment was MNOK 75, which is an increase from 2<sup>nd</sup> quarter 2015 (MNOK 57). Despite price pressure and currency effects on cost, the segment shows an improvement of EBITDA from MNOK -10 in Q2 2015 to MNOK 4 for Q2 2016, due to efficiency improvements and internal restructuring.

Reduced utilization of the Jiangnan steel fabrication plant in China (a company 40% owned by THH) results in a negative contribution from equity consolidated investments. For 2<sup>nd</sup> quarter 2016 (2015) the contribution was MNOK -8 (MNOK -4). Year to date the contribution from this business unit was MNOK -12 (+4).

The low market for winches in South-Korea has led to a reduced order intake in 2016 compared to 2015. In China however, THH had an order intake in 2<sup>nd</sup> quarter of around MNOK 200, supported by additional new orders of MNOK 123 reported in July 2016.

#### **Offshore (OFF)**

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	59	92	130	171	359
EBITDA	-2	-8	2	-32	-102
Order backlog	173	273	173	273	219

(\*) During 2015, EBITDA was reduced by MNOK 38 related to restructuring cost and inventory impairment in the business unit

The offshore market is still weak, with generally low visibility and demand, combined with fierce price competition.

TTS has reduced cost by adjusting activities and capacity to the current offshore market. The adjustments were mainly made in 2014/2015, but continue into 2016 in order to match capacity with order backlog and market. From the peak in 3<sup>rd</sup> quarter 2014 the number of full time employee equivalents has been reduced by close to 70%.

The market for offshore cranes is expected to remain challenging in 2016 and throughout 2017.

#### **Multipurpose/General Cargo (MPG)**

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	101	38	172	132	259
EBITDA	-1	1	-5	-3	-13
Order backlog	373	637	373	637	573

The Multipurpose/General Cargo segment shows a significant increase in turnover compared to the same quarter last year. The improvement is generally related to projects ongoing in China. Reported EBITDA is in line with 2<sup>nd</sup> quarter 2015. Customer initiated delays in project deliveries explain the weak EBITDA margin.

The company expects the activity level to remain low short term, and will during 2<sup>nd</sup> half consider the need for capacity adjustments. Medium to long term, the company expects a

positive development in the segment. The restructuring completed in 2014 gives reason to expect an improvement of profitability in the longer run, particularly within offshore wind installations.

### **Shipyard Solutions (SYS)**

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	72	43	142	93	216
EBITDA	18	0	25	4	17
Order backlog	317	251	317	251	204

TTS Group confirms its solid market position in the niche market for shiplift, transfer systems and other logistics solutions for the production industry.

A profit of MNOK 9 from sale of the office/warehouse utilized by TTS Syncrolift AS is reported in 2<sup>nd</sup> quarter. The profit reflects a release of surplus values from unutilized value of the land.

TTS Syncrolift, which is a leading ship lift provider, continues its stable positive trend from previous quarters, evidenced by the signing two contracts in 2<sup>nd</sup> quarter, followed by a third order reported in August.

TTS Liftec, which is a substantial supplier within the European niche market for translifters, delivers turnover and positive EBITDA on par with the same period last year.

The order backlog represents a sound operational basis for the quarters to come. The MNOK 135 order reported after the end of the quarter confirms the positive market development for shiplifts and transfer systems.

### **Services (SER)**

MNOK	Q2 Periodic		Q2 YTD		Full Year
	2016	2015	2016	2015	2015
Turnover	138	161	276	298	591
EBITDA	14	20	27	33	76

Both turnover and EBITDA for the Services segment in 2<sup>nd</sup> quarter 2016 is somewhat reduced compared to 2<sup>nd</sup> quarter 2015.

The market demand in the segment together with a substantial installed base provide a sound basis for stable turnover with acceptable margins, although the service market still remains influenced by low ship charter rates and increased competition, particularly within heavy lift equipment. During 1<sup>st</sup> half of 2016, TTS Group has strengthened the service network by the establishment of subsidiaries in United Arab Emirates (Dubai), and Belgium (Antwerp).

## OUTLOOK

The general shipbuilding market presently experiences lower level of new build activity, strong competition and resulting price pressure. However, within certain segments, demand and activity are still good. TTS Group is well diversified with respect to market segments as well as products. TTS benefits from this position, which has helped the company with maintaining its strong market position in a challenging market. Long term, a positive development of the market is expected in line with increased demand for seaborne transport, and TTS Group expects a growth at least in line with the overall market.

At the end of 2<sup>nd</sup> quarter 2016, the order backlog was BNOK 3,3, of which approximately BNOK 1,3 is expected to be turned into revenue in the second half of 2016. This means that almost 100% of the expected revenue from new build activities in 2016 is covered by existing contracts. Revenue from the business unit Services is not included in the Group's order backlog.

After Palfinger Marine GmbH decided not to complete the planned acquisition of TTS Group ASA - as a consequence of not achieving acceptance by at least 90% of the shareholders in TTS Group on a fully diluted basis before the end of the acceptance period on 12 August 2016 - the Board of TTS Group has closed the strategic process announced in February 2015.

TTS Group has a well-established market position as one of the three largest suppliers within its market segments. The company's strong position in China provides a good foothold in the world's largest shipbuilding market, which accounts for 40% of the global shipbuilding. TTS Group now fully concentrates its activities on further development of a robust strategy on "stand alone" basis, focusing on improvements in operations and profitability.

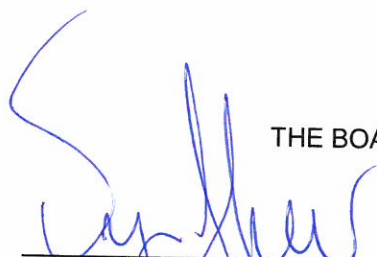
## Statement on compliance

Today, the Board of Directors, the President & CEO and the CFO has reviewed and approved the consolidated financial statements related to TTS Group ASA as of 30. June 2016.

To the best of our knowledge we confirm that;

- the consolidated financial statements for the first half of 2016 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union, IFRSs as issued by IASB, and additional Norwegian disclosure requirements in the Norwegian Accounting Act
- the 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
- the information presented in the financial statement gives a true and fair view of the development, performance, financial position, principle risk and uncertainties of the group.

Bergen, 17. August 2016  
THE BOARD AND MANAGEMENT OF TTS GROUP ASA



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Trym Skeie  
CHAIRMAN OF THE BOARD



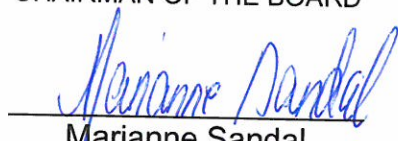
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Bjarne Skeie  
DIRECTOR



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Britt Mjellem  
DIRECTOR



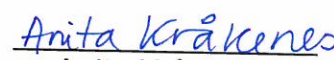
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Marianne Sandal  
DIRECTOR



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Gisle Rike  
DIRECTOR



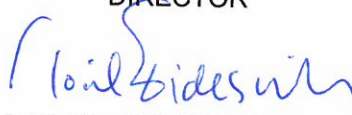
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Anita Kråkenes  
DIRECTOR



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Morten Aarvik  
DIRECTOR



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Toril Eidesvik  
PRESIDENT & CEO



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Henrik Solberg-Johansen  
CFO

**TTS Group ASA Q2.2016 / 30.06.2016**
**Consolidated statement of comprehensive income / Konsolidert oppstilling av totalresultat**

NOK 1 000	Unaudited/ Urevidert	Unaudited/ Urevidert	Unaudited/ Urevidert	Unaudited/ Urevidert*	Audited/ Revidert
PROFIT AND LOSS ACCOUNT/ RESULTAT	YTD 30.06.2016	YTD 30.06.2015	2 <sup>nd</sup> quarter 2016	2 <sup>nd</sup> quarter 2015	YTD 31.12.2015
Income from projects/ Driftsinntekter	1 587 229	1 404 483	821 647	811 126	3 051 243
Other operating income/ Andre driftsinntekter	-	-	-	-	-
<b>Total operating income/ Sum driftsinntekter</b>	<b>1 587 229</b>	<b>1 404 483</b>	<b>821 647</b>	<b>811 126</b>	<b>3 051 243</b>
Raw materials and consumables used/ Varekostnad	1 022 116	876 894	531 651	516 707	1 939 879
Other operating costs/ Andre driftskostnader	495 195	501 749	249 794	260 793	1 072 468
Result from JV (- is income)/ Resultat fra JV (- er inntekt)	11 274	-112 586	7 723	-104 204	-115 889
<b>EBITDA/ Driftsresultat før avskrivninger</b>	<b>58 644</b>	<b>138 426</b>	<b>32 470</b>	<b>137 831</b>	<b>154 984</b>
Depreciation/ Avskrivninger	23 567	29 892	8 245	21 310	58 134
Other depreciation/write-downs/ Andre avskrivninger/nedskrivninger	-	-	-	-	64 843
<b>Operating profit/ Driftsresultat</b>	<b>35 077</b>	<b>108 534</b>	<b>24 234</b>	<b>116 521</b>	<b>32 007</b>
Financial income/ Finansinntekter	14 017	16 578	2 959	4 282	38 442
Financial expense/ Finanskostnader	37 987	30 245	26 337	2 574	85 771
<b>Net finance/ Netto finans</b>	<b>-23 970</b>	<b>-13 668</b>	<b>-23 398</b>	<b>1 708</b>	<b>-47 329</b>
<b>Profit/loss before tax/ Resultat før skattekostnader</b>	<b>11 108</b>	<b>94 866</b>	<b>835</b>	<b>118 228</b>	<b>-15 322</b>
Tax/ Skattekostnad	16 435	13 930	6 421	9 412	24 841
<b>Net result continued business/ Periodens resultat videreført virksomhet</b>	<b>-5 327</b>	<b>80 936</b>	<b>-5 585</b>	<b>108 816</b>	<b>-40 163</b>
Net result divested business/ Resultat fra avhendet virksomhet	-	-	-	-	-
<b>Net result/ Netto resultat</b>	<b>-5 327</b>	<b>80 936</b>	<b>-5 585</b>	<b>108 816</b>	<b>-40 163</b>
Attributable to equity holders of the company / Majoritet	-10 055	73 153	-8 546	101 033	-48 874
Attributable to non-controlling interests/ Minoritetsinteresser	4 728	7 784	2 960	7 784	8 511
<b>NET RESULT FOR THE YEAR/ Oppstilling av totalresultatet</b>					
Net result for the period/ Periodens resultat	-5 327	80 936	-5 585	108 816	-40 163
Actuarial gain/loss on defined pension benefit plan/ Estimativvik pensjoner	-	-	-	-	-
Translation differences/ Omregningsdifferanser	-28 627	10 338	-9 553	9 617	102 983
<b>Total comprehensive income/ Totalresultat</b>	<b>-33 954</b>	<b>91 274</b>	<b>-15 138</b>	<b>118 433</b>	<b>62 820</b>
Attributable to equity holders of the company / Majoritet	-18 534	75 991	-16 117	103 150	23 229
Attributable to non-controlling interests/ Minoritetsinteresser	-15 420	15 282	979	15 282	39 592
Earnings per share (NOK) continued business/ Fortjeneste pr. aksje (NOK) videreført virksomhet	-0,21	0,88	-0,19	1,20	-0,55
Diluted earnings per share (NOK) continued business/ Utvannet fortjeneste pr. aksje (NOK) videreført virksomhet	-0,21	0,88	-0,19	1,20	-0,55
Earnings per share (NOK) divested business/ Fortjeneste pr. aksje (NOK) avhendet virksomhet	-	-	-	-	-
Diluted earnings per share (NOK) divested business/ Utvannet fortjeneste pr. aksje (NOK) avhendet virksomhet	-	-	-	-	-
Earnings per share (NOK)/ Fortjeneste pr. aksje (NOK)	-0,21	0,88	-0,19	1,20	-0,55
Diluted earnings per share (NOK)/ Utvannet fortjeneste pr. aksje (NOK)	-0,21	0,88	-0,19	1,20	-0,55
Average number of shares used as calculation basis for diluted EPS (000)/ Gjennomsnittlig antall utestående aksjer som basis for utvannet EPS (000)	86 493	86 493	86 493	86 493	86 493



Condensed consolidated statement of financial position / Konsolidert oppstilling av finansiell stilling	Unaudited/ Urevidert	Unaudited/ Urevidert	Audited/ Revidert
NOK 1 000	30.06.2016	30.06.2015	31.12.2015
Intangible assets/ Immaterielle eiendeler	850 711	889 705	886 850
Tangible assets/ Varige driftsmidler	116 022	156 606	134 521
Financial assets/ Finansielle anleggsmidler	81 907	89 859	84 975
Assets available for sale/ Eiendeler tilgjengelig for salg	-0	0	-0
Sum anleggsmidler/ Total non-current assets	1 048 640	1 136 171	1 106 346
Inventories/ Varer	334 496	269 436	414 157
Total receivables/ Kortsiktige fordringer	1 207 452	1 412 714	1 091 790
Bank deposits/cash/ Bankinnskudd/kontanter	251 632	331 695	413 210
Total current assets/ Sum omløpsmidler	1 793 580	2 013 845	1 919 157
Total assets/ Sum eiendeler	2 842 219	3 150 016	3 025 503
Share capital/ Aksjekapital	9 527	9 526	9 527
Other equity/ Annen egenkapital	606 979	677 431	624 980
Non-controlling interests / Minoritetsiere	161 017	195 751	220 059
Total equity/ Sum egenkapital	777 524	882 707	854 566
Provisions/ Avsetning for forpliktelser	55 184	53 147	51 581
Long term interest bearing debt/ Langsiktig rentebærende gjeld	0	92 104	0
Long term liabilities/ Langsiktig gjeld	55 184	145 251	51 581
Current interest bearing debt/ Kortsiktig rentebærende gjeld	497 111	417 427	522 812
Current liabilities/ Kortsiktig gjeld	1 512 399	1 704 630	1 596 545
Total current liabilities / Sum kortsiktig gjeld	2 009 510	2 122 057	2 119 357
Total liabilities/ Sum gjeld	2 064 695	2 267 309	2 170 938
Total equity and liabilities/ Sum egenkapital og gjeld	2 842 219	3 150 016	3 025 503

Consolidated statement of changes in equity/ Konsolidert oppstilling av endringer i egenkapital

NOK 1 000	Share capital / Aksjekapital	Treasury shares/ Egne aksjer	Share premium reserve/ Overkursfond	Other equity/ Annen egenkapital	Shareholders equity/ Majoritetsandel	Non controlling interest / Minoritet	Total equity / Total egenkapital
Equity as of 1.1.2016/ Egenkapital 1.1.2016	9 527	-12	149 378	475 612	634 506	220 060	854 565
Comprehensive income/ Totalresultat	-	-	-	-18 534	-18 534	-15 420	-33 954
Sale treasury shares/ Salg egne aksjer	-	-	-	-	-	-	-
Options cost/ Opsjonsplaner	-	-	-	533	533	-	533
Equity transactions with non controlling interests/ Egenkapitaltransaksjoner med minoritetsinteressere	-	-	-	-	-	-	-
Dividend distributed/ Utbetaling utbytte	-	-	-	-	-	-43 621	-43 621
Equity CB/ Egenkapital UB	9 527	-12	149 378	457 611	616 506	161 017	777 525

Condensed consolidated statement of cash flows/ Kontantstrømoppstilling	Unaudited/ Urevidert	Unaudited/ Urevidert	Audited/ Revidert
NOK 1000	YTD 30.06.2016	YTD 30.06.2015	YTD 31.12.2015
EBITDA/ Driftsresultat før avskrivninger	58 644	138 426	154 984
Change in net current assets/ Endring i netto omløpsmidler	-126 818	-120 544	-155 153
Cash from operations/ Kontantstrøm fra operasjonelle aktiviteter	-68 173	17 882	-169
Aquisition and sale of non-current assets / Kjøp og salg av varige driftsmidler	8 192	-248 156	220 112
Proceeds discontinued business/ Netto salgssum avhendet virksomhet	-	-	-
Other investing activities/ Andre investeringsaktiviteter	-	112 000	-23 950
Cash from investments/ Kontantstrøm fra investeringsaktiviteter	8 192	-136 156	196 162
New loans and repayment/ Opptak og nedbetaling av lån	-42 208	112 899	122 931
Paid-in equity/ Innbetaling av egenkapital	-	211 718	-
Payments to shareholders/ Utbetaling til aksjonærer	-	-	-
Net interest paid/ Netto betalte renter	-20 289	-11 445	-53 565
Cash from financing/ Kontantstrøm fra finansieringsaktiviteter	-62 477	313 172	69 365
Change in cash/ Endring i kontantbeholdning	-122 459	194 898	265 358
Cash position OBI/ Kontantbeholdning IB	413 210	130 602	130 602
Effect of exchange rate changes on cash/ Effekt av valutakursendring bank	-39 119	6 196	17 250
Cash position CBI/ Kontantbeholdning UB	251 632	331 695	413 210

## **NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS 2<sup>ND</sup> QUARTER 2016**

### **Note 1 General information**

#### **Reporting entity**

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

The consolidated financial statements cover TTS Group ASA including its subsidiaries. There has been no change in consolidated companies from Q1-2016 to Q2-2016. During 1<sup>st</sup> half of 2016 TTS Group has established new subsidiaries which will be part of the overall Service Network expansion. The new subsidiaries are located in Dubai (United Arab Emirates), and in Antwerp (Belgium).

As of 2<sup>nd</sup> quarter 2015, changes in the joint venture agreement related to the jointly owned 50/50 % company TTS Hua Hai Co Ships Equipment Co Ltd. in China, require TTS to change its consolidation method from the equity method to full consolidation. Operation in TTS SCM commenced as of 2<sup>nd</sup> quarter 2015, and is fully consolidated into TTS accounts.

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

The Board of Directors approved the consolidated financial statements for the year ended 31<sup>st</sup> of December 2015 on 19<sup>th</sup> of April 2016. The annual report 2015 including the consolidated financial statements for the TTS Group, the separate financial statements for TTS Group ASA and the auditors' opinion from KPMG, are available at our website [www.ttsgroup.com](http://www.ttsgroup.com).

#### **Basis of preparation**

TTS Group's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The unaudited consolidated financial statements for 2<sup>nd</sup> quarter 2016 have been prepared in accordance with IAS 34 Interim Financial Statements. The interim accounts do not include all the information required for a full financial statement and should therefore be read in connection with the consolidated financial statements of 2015.

The accounting principles applied is the same as those described in the consolidated financial statements of 2015.

This condensed consolidated 2<sup>nd</sup> quarter interim report of 2016 was approved by the Board on 17<sup>th</sup> of August 2016.

#### **Judgments, estimates and assumptions**

The preparation of the interim report requires the use of judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets and liabilities, income and expenses. Actual future outcome may differ from these estimates.

In preparing these consolidated interim financial statements, the key assessments made by the management in applying the Group's accounting principles and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the financial year ended 31<sup>st</sup> of December 2015.

## Note 2 Segment information

		Q4		Q3		Q2		Q1		Full year / YTD	
		Turnover	EBITDA	Turnover	EBITDA	Turnover	EBITDA	Turnover	EBITDA	Turnover	EBITDA
Roro, cruise, navy (RCN)	2016					158	-1,0	143	10,0	301	9,0
	2015	176	12,8	146	18,2	159	16,2	160	15,1	641	62,3
Container, bulk, tank	2016					291	18,2	270	4,1	561	22,3
	2015	298	24,2	292	5,5	318	110,9	72	1,9	980	140,8
Offshore	2016					59	-2,5	70	4,8	129	2,3
	2015	90	-21,8	99	-48,1	92	-8,1	79	-23,7	359	-101,7
Multipurpose General Cargo	2016					101	-0,7	71	-4,7	172	-5,4
	2015	50	-6,2	78	-3,9	38	0,7	94	-3,7	259	-13,0
Shipyards Solutions	2016					72	18,2	69	7,0	141	25,2
	2015	79	12,5	44	0,5	42	0,2	51	4,3	216	17,5
Services	2016					138	13,8	138	12,7	276	26,5
	2015	147	21,2	146	21,3	162	19,7	136	13,4	591	75,6
Corporate / Other	2016					2	-13,6	3,5	-8,3	5	-21,9
	2015	3	-14,2	1	-5,5	0	-1,7	2	-6,7	6	-26,6
Total	2016					822	32,0	766	26,2	1 588	58,2
	2015	842	28,6	805	-12,0	811	137,8	593	0,6	3 051	155,0
	2014	734	141,8	549	2,2	617	-10,3	554	-28,4	2 453	105,2

A one time effect from change of control of MNOK 103,7 is recognized in Q2/15 periodic EBITDA.

A one time effect of MNOK 101 from a change in pension scheme was allocated in Q4/2014.

TTS Group reports on the following segments.

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

BURCN delivers complete cargo handling solutions to RoRo, PCTC, cruise and navy vessels, including terminal loading and passenger systems. Product range includes external and internal ramps, covers and doors, liftable decks, passenger gangways and linkspan systems.

BUCBT delivers complete cargo handling solutions to the container, tanker and bulk vessels. Product range includes 10-40 t winches, 15-50 t cranes and specialized hatch covers designs.

BUOFF delivers support solutions to the offshore based oil industry and the supporting service industry. Product range includes 15-50 t offshore cranes, 40-400 t heave compensated cranes, mooring winches, internal and external covers and doors.

BUMPG delivers supporting solutions to the vessels which is designed to operate in the multipurpose or general cargo market, requiring specialized operating capabilities. Product range includes 40-1500 t heavy lift cranes, side loading systems, hatch covers and mooring winches.

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

BUSER includes service and after sales for all segments within TTS. This enables TTS to offer service and after sale worldwide for the full range of its products.



### Note 3 Share capital and equity

As per 30<sup>th</sup> of June 2016 TTS Group ASA has issued 86 605 660 shares, each with a face value of NOK 0.11 giving a share capital of total NOK 9 526 623.

TTS Group ASA holds 112 882 own shares.

No options have been awarded in 1<sup>th</sup> or 2<sup>nd</sup> quarter 2016. As per end of 2<sup>nd</sup> quarter 2016 senior employees holds 550 000 share options with a strike price of 4,75. Share options awarded to personnel having left TTS Group have been terminated.

### Note 4 Earnings per share

Earnings per share (EPS) are based upon the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments.

The components of the numerator for the basic and diluted EPS are as follows:

Earnings per share/ Resultat per aksje:	YTD 30.06.2016	YTD 30.06.2015	Q2 2016	Q2 2015	YTD 31.12.2015
Net income available to shareholders, continued business/ Resultat tilordnet selskapets aksjonærer, videreført virksomhet	-18 534	75 991	-16 117	103 150	-48 674
Effect of dilution/ Utvanningseffekt	-	-	-	-	-
Diluted net income available to shareholders, continued business/ Utvannet resultat tilordnet selskapets aksjonærer, videreført virksomhet	-18 534	75 991	-16 117	103 150	-48 674
Net income available to shareholders, divested business/ Resultat tilordnet selskapets aksjonærer, avhendet virksomhet	-	-	-	-	-
Effect of dilution/ Utvanningseffekt	-	-	-	-	-
Diluted net income available to shareholders, divested business/ Resultat tilordnet selskapets aksjonærer, avhendet virksomhet	-	-	-	-	-
Net income available to shareholders/ Utvannet resultat tilordnet selskapets aksjonærer	-18 534	75 991	-16 117	103 150	-48 674
Effect of dilution/ Utvanningseffekt	-	-	-	-	-
Diluted net income available to shareholders/ Utvannet resultat tilordnet selskapets aksjonærer	-18 534	75 991	-16 117	103 150	-48 674

The components of the denominator for the calculation of basic and diluted EPS are as follows:

	30.06.2016	30.06.2015	Q2 2016	Q2 2015	31.12.2015
Weighted average number of shares outstanding/ Gjennomsnittlig utestående aksjer	86 493	86 493	86 493	86 493	86 493
Effect of dilution/ Utvanningseffekt	-	-	-	-	-
Diluted numbers of shares/ Utvannet gjennomsnittlig utestående aksjer	86 493	86 493	86 493	86 493	86 493

Accordingly, the basic and diluted EPS is as follows:

	30.06.2016	30.06.2015	Q2 2016	Q2 2015	31.12.2015
Earnings per share (NOK)/ Forjteneste pr. aksje (NOK)	-0,21	0,88	-0,19	1,20	-0,55
Diluted earnings per share (NOK)/ Utvannet forjteneste pr. aksje (NOK)	-0,21	0,88	-0,19	1,20	-0,55

As per 30<sup>th</sup> of June 2016 closing price for the shares was NOK 5.22. Isolated represents the market price that 550,000 shares options with a conversion price of NOK 4.75 issued to employees and 19,184,104 conversion rights attached to the issued subordinated convertible bonds with a conversion price of 4.97 has positive intrinsic value. Observed market price at end of the period is considered to be directly related to the Palfinger Marine GmbH' voluntary offer for the purpose of buying TTS Group ASA. In connection with the disappearance of Palfinger Marine GmbH's offer it is observed that the company's share price has fallen back to a level that is lower than the conversion rates. In total, the identified dilution is considered not being based on present market expectations, and presented earnings per share are therefore based on the number of issued shares.

### Note 5 Related parties

Note 21 and accounting principles section 2.2 in the consolidated financial statements of 2015 describe the principles related to elimination of transactions between group subsidiaries. Eliminated transactions have no significance for the financial position and profit for the period.

The Group has carried out various transactions with subsidiaries and joint ventures. All the transactions have been carried out as part of the ordinary operations and at arm's length prices.



Balance sheet items to/from Joint Ventures/ Balanseposter til/fra felleskontrollert virksomhet	30.06.2016	30.06.2015	31.12.2015
Current receivables/ Kortsiktige fordringer	55 156	31 067	49 067
Current liabilities/ Kortsiktig gjeld	-8 850	-1 748	-8 781
Net receivables (+) / liabilities (-) to/from Joint Ventures/ Netto fordringer (+) / gjeld (-)	46 306	29 319	40 285

## Note 6 Tax

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

### Deferred tax

Deferred income tax reflects the impact of temporary differences between the amount of assets and liabilities recognized for financial purposes and such amounts recognized for tax purposes. The net recognized deferred tax consists of the following:

	30.06.2016	30.06.2015	31.12.2015
Gross deferred tax asset <sup>1)</sup> / Brutto utsatt skattefordel <sup>1)</sup>	45 949	45 423	43 221
Gross deferred tax liability <sup>1)</sup> / Brutto utsatt skatteforpliktelse <sup>1)</sup>	-52 329	-53 354	-51 581
Net deferred tax asset (+) / liability (-)/ Netto utsatt skattefordel (+) / -forpliktelse (-)	-6 380	-7 931	-8 360

<sup>1)</sup> Gross deferred tax asset is recognized as intangible assets and gross deferred tax liability is recognized as provisions

<sup>1)</sup> Brutto utsatt skattefordel er innregnet som immateriell eiendel og brutto utsatt skatteforpliktelse er innregnet som avsetning for forpliktelser

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

- The Group will have taxable profits before unused tax losses expire
- The Group has sufficient temporary differences
- Tax losses result from particular identifiable causes

## Note 7 Goodwill and other intangible assets

TTS Group tests the value of goodwill and other intangible assets annually or at the end of each reporting period if any indication that the assets may be impaired.

TTS shares are freely traded at Oslo Stock Exchange. Closing price of last trading date in March 2016 was NOK 5,22 per share, indicating a nominal trade value of TTS of MNOK 452. Booked equity value at 30.06.2016 was MNOK 616 excluding minority interest.

At the end of 2<sup>nd</sup> quarter 2016 TTS Group has not identified any changes in the overall financial market that give basis for a significant change in the average cost of capital.

For the subsidiary TTS NMF GmbH, which was acquired in the 3rd quarter of 2012, the inherent CGU relates to the total activity in the company. Although the results have been weaker than expected, improved utilization in the newbuild section and a strong development in the cross-related service section, support that the value in use exceeds book value. Increasing price pressure on deliveries in China implies continued pressure on profitability. Operations so far in 2016 are in line with expectations but with increased market uncertainty. Despite intensive and focused work from the sales organization, the order intake in 1<sup>st</sup> and 2<sup>nd</sup> quarter 2016 is below expectations due to delay in investment decisions combined with an overall reduction in current market volume. Market development in a mid-range and long-term basis is still expected to improve. Future market development may have material impact on the impairment test. Reference is made to the sensitivity analysis provided in the 2015 annual report.

During the past two years, the Offshore segment in TTS has experienced substantial losses on its activity, combined with a low order intake. Changes in the segment structure combined with market conditions which remain challenging, gave basis for impairment of goodwill in 2015. Market development in 2016 is still weak. The book value of intangible assets in BUOFF is approximately MNOK 12 with a planned straight line depreciation of close to 4 MNOK per year.

The governing agreements for the 50/50 owned company TTS Hua Hai (THH) were changed during 2<sup>nd</sup> quarter 2015, and THH is consequently being consolidated as from 2<sup>nd</sup> quarter 2015. Additional information is available in note 27 to the annual report 2015.

TTS Liftec, which is a well-recognized supplier within the European niche market for translifters is experiencing increased market competition. Based on market outlook and margins, an impairment of goodwill of MNOK 19 (2MEUR) was allocated to the 4<sup>th</sup> quarter 2015. Remaining goodwill allocated is MEUR 2,4. TTS Group believes that market development in 2016 is in line with the expectations at year-end 2015.

TTS Group considers that there are no major events, changes in assumptions or other new information indicating a change in the valuation of goodwill or other intangible assets from year-end 2015 in the other business segments. Estimates related to future market expectations could have material impact on the impairment test.

Overview of goodwill and other intangible assets are as follows:

	Goodwill / Goodwill			Other intangible assets / Andre immaterielle eiendeler		
	30.06.2016	30.06.2015	31.12.2015	30.06.2016	30.06.2015	31.12.2015
Net book value, beginning of period/ Bokført verdi, periodestart	701 807	564 464	564 464	141 821	67 918	67 918
Acquisition/ Oppkjøp	-	130 818	140 692	-	91 618	98 497
Divestment/ Avhendelse	-	-	-	-	-	-
Additions/ Tilgang i året	-	-	-	-	-	4 390
Depreciations/Amortizations/ Avskrivninger	-	-	-	-11 470	-5 044	-24 557
Impairment/ Nedskrivninger	-	-9 150	-28 050	-	-	-16 625
Foreign currency differences/ Omregningsdifferanser	-33 537	-3 151	24 701	6 141	6 808	12 199
Net book value, end of period/ Bokført verdi, periodeslutt	668 270	682 981	701 807	136 492	161 301	141 821

Please find additional information on intangible assets, assumptions and sensitivity information is presented in the annual report 2015, note 7.

## Note 8 Non-current assets

	Non-current assets/ anleggsmidler		
	30.06.2016	30.06.2015	31.12.2015
Net book value, beginning of period/ Bokført verdi, periodestart	134 521	160 897	160 897
Acquisition/ Oppkjøp	-	2 979	2 979
Divestment/ Avhendelse	-	-	-
Additions/ Tilgang i året	3 928	5 704	9 634
Depreciations/Amortizations/ Avskrivninger	-12 097	-13 816	-29 318
Impairment/ Nedskrivninger	-	-	-20 098
Foreign currency differences/ Omregningsdifferanser	-10 330	842	10 427
Net book value, end of period/ Bokført verdi, periodeslutt	116 023	156 606	134 521



unchanged from 4<sup>th</sup> quarter 2015 and is MNOK 95.3, giving right to 19.184.104 shares upon conversion.

The bond debt is classified as short term debt as per 30<sup>th</sup> June 2016.

On December 18<sup>th</sup> 2015 TTS Group ASA entered into an agreement with Nordea and DNB on new financing agreements for credit and guarantee facilities, which represents an extension of the agreements the company had at the beginning of the prior fiscal year. The extended agreements expire on December 31<sup>st</sup> 2016, and are presented as short-term debt.

The credit facility in the extended agreement is 1 125 MNOK, and consist of:

- MNOK 175, term loan facility (DNB)
- MNOK 300, multi-currency overdraft facility (Nordea)
- MNOK 650, guarantee facility (Nordea MNOK 490, DNB MNOK 160)

As from Q2/2016 debt covenant requirements are

- EBITDA

<i>NOK mill</i>	<b>Q1-16</b>	<b>Q2-16</b>	<b>Q3-16</b>	<b>Q4-16</b>
EBITDA Covenant accumulated	≥ 15	≥ 35	≥ 60	≥ 100

- Equity ratio min 25,0% (nominal value of remaining bond-debt is to be included in the basis of calculation)
- Minimum liquidity reserve (MNOK 50)

At end of 2<sup>nd</sup> quarter 2016 TTS Group meet the set covenants.

At the end of 2<sup>nd</sup> quarter 2016, TTS Group has drawn MNOK 175 out of the total MNOK 175 loan facility with DNB. TTS group has drawn MNOK 176 of the total MNOK 300 overdraft facility with Nordea.

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

	30.06.2016	30.06.2015	31.12.2015
Bank deposits in fully owned companies/ Bankinnskudd i heleide datterselskaper	53 184	53 059	78 466
Bank deposits in 50/50 owned companies/ Bankinnskudd i 50/50 eide selskaper	198 448	278 636	335 720
Bank deposits / Bankinnskudd	251 632	331 695	414 186

An overall description of debt facilities, and additional information regarding financial risk management is available as part of the notes to the annual report 2015.

#### **Note 14 Subsequent events**

*Major events reported to Oslo Stock Exchange after 30<sup>th</sup> June 2016*

At 18<sup>th</sup> July 2016, TTS Group announced that Oslo Stock Exchange have approved an prospect from Palfinger Marine GmbH related to the recommend voluntary offer to acquire the outstanding shares in TTS Group ASA. The initial offer period started Monday 18<sup>th</sup> July and commenced Friday 12<sup>th</sup> August.

Failing to achieve accept from more than 90% of shareholders in TTS Group at the end of the acceptance period 12<sup>th</sup> August 2016, Palfinger Marine GmbH decided not to complete the planned acquisition of TTS Group. Consequently TTS Group has closed the strategic process announced in February 2015.



*Major sales contracts announced after 30<sup>th</sup> June 2016.*

At 1<sup>st</sup> July 2016, TTS Group announced that a new contract related to delivery of cargo access equipment for 2 RoPax vessels with an order value of approx. MNOK 40 to be delivered from TTS Marine AB during 2017.

At 7<sup>th</sup> July 2016, TTS Group announced that a new contract related to delivery of marine equipment packages for 4 multi RoPax vessels with an order value of approx. MNOK 45 to be delivered from TTS Hua Hai Co. Ltd and TTS-SCM Co.Ltd. during 2017-2018.

At 11<sup>th</sup> July 2016, TTS Group announced that a new contract related to delivery of cargo access equipment for 4 multi RoPax vessels with an order value of approx. MNOK 40 to be delivered from TTS Marine AB during 2018-2019.

At 14<sup>th</sup> July 2016, TTS Group announced that a new contract related to delivery of hatch covers and deck machinery to eight container vessels with an order value of approx. MNOK 50 to be delivered from THH Co.Ltd. during 2017-2018.

At 18<sup>th</sup> July 2016, TTS Group announced that a new contract related to delivery of hatch covers to three bulk vessels with an order value of approx. MNOK 28 to be delivered from THH Co.Ltd. during 2017-2018.

At 1<sup>st</sup> August 2016, TTS Group announced that a new contract related to delivery of a 10 000 ton ship lift system with an order value of approx. MNOK 135 to be delivered from TTS Syncrolift AS in 1<sup>st</sup> quarter 2018.

Additional information on subsequent events is available at [www.newsweb.no](http://www.newsweb.no)