



**ZITON**

**ZITON A/S**  
Interim report 3<sup>rd</sup> quarter 2016

## Highlights of the report

### Highlights of Q3 2016

- Market demand for major component replacement was encouraging in the third quarter as weather conditions were good, and work carried out on the back of agreements signed with DONG Energy during the quarter.
- Weighted average utilisation for Q3 2016 was 79%, above the expected range of 65-75%. We expect a weighted average utilisation rate of 60-70% in Q4 2016.
- Revenue for Q3 2016 was EUR 9.8m compared to EUR 1.3m in Q3 2015. The strong growth came on the back of charter of J/U WIND SERVER with Siemens Wind Power.
- EBITDA was a EUR 6.6m profit in Q3 2016 compared to a loss of EUR 0.7m in Q3 2015. The strong improvement in EBITDA is a result of the strong increase in revenue.
- Guidance maintained with expectations of EBITDA in the range of EUR 16-19m for the full year 2016.

### Information in this report

The information in this interim report is submitted in accordance with the Bond Agreement on FRN ZITON A/S Senior Secured Callable Bond Issue 2015/2019 (ISIN NO 0010751332) dated 25 November 2015 between ZITON A/S and, representing the bondholders, Nordic Trustee ASA.

According to the Bond Agreement, the consolidated financial statements of ZITON A/S are prepared in accordance with IFRS with Euro as the reporting currency.

This report has not been reviewed by the company's auditors.

## Management Review

### Market activity

The third quarter is traditionally the last part of the high season for the offshore wind operations & maintenance industry, as good weather conditions permit safe operations at sea.

Market demand for major component replacement was encouraging in the third quarter for the following reasons:

- Weather conditions were good during the quarter
- The three-year framework agreement and blade project agreed with DONG Energy during the quarter lead to a good contribution to the activity level

### Contract developments

During the quarter there were no new long-term contracts signed. The key contracts continue to be:

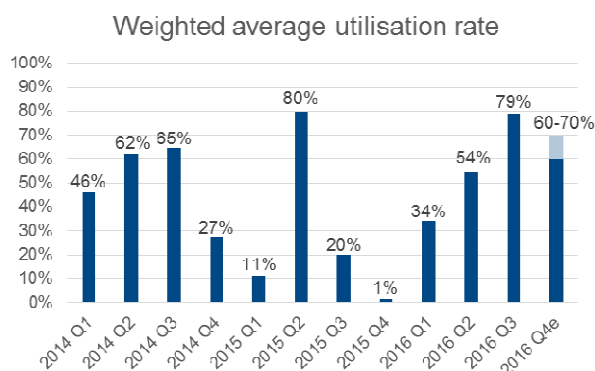
- The three-years charter with Siemens Wind Power for J/U WIND SERVER that commenced 14 March 2016
- The three-years framework agreement and blade project agreement with DONG Energy
- The framework agreement with MHI Vestas Offshore Wind with a duration until the end of 2017.

Having contracts with three of the leading players within offshore wind vindicates the business model of ZITON to offer customers dedicated services, as our vessels at all times are available for securing reduced down-time of their turbines.

The competitive environment is satisfactory as ZITON is the only dedicated provider O&M services of major components replacement, while all other jack-up companies have installation as their primary business.

### Utilisation rates

The weighted average utilisation rate for Q3 2016 was at 79%. The utilisation was above the expectations of 65-75%, expressed in the Q2 2016 interim report. For Q4 2016 we expect a weighted average utilisation rate of 60-70%.



*Note: the weighted average utilisation rate for 2016 is calculated as the revenue during the quarter divided by full utilisation at standard rates. Each vessel has a different weighting depending on its specifications. The utilisation rates for 2014 are based solely on J/U WIND, the only operational vessel during the period. J/U WIND SERVER and J/U WIND PIONEER were included from the beginning of Q1 2015 and Q4 2015, respectively.*

### Outlook for 2016

Results for Q3 2016 are in line with the guidance provided in last quarter' results. Therefore, the company maintains its expectations of EBITDA in the range of EUR 16-19m for the full year 2016. The expectations are based on a weighted average utilisation rate of 60-70% for all three vessels for the final quarter of 2016, with J/U WIND SERVER continuing on charter with Siemens Wind Power. The contract coverage into Q4 is above 90%, consequently the main risk relates to postponement of projects due to adverse weather.

**Vessel status**

J/U WIND SERVER remains on charter with Siemens Wind Power after it commenced a three-year charter on 14 March 2016.

J/U WIND PIONEER was operational during the quarter, even though additional service on the thruster system is ongoing. The vessel carried out operations in the Danish waters and the English Channel.

J/U WIND was fully operational during the whole quarter. The vessel carried out operations in the Danish waters, Irish Sea and the English Channel.

**Risks and uncertainties**

ZITON A/S is exposed to various risks that can be of significance to the company's future operations, results and financial position. For more information on significant risks and uncertainties, please refer to pages 34-35 and note 3 "Risk management" on pages 64-65 of the company's Annual Report 2015.

## Financial Review

### REVIEW OF THE INCOME STATEMENT FOR Q3 2016

| EUR 000                           | Q3 16        | Q3 15         | Change       | YTD 16        | YTD 15        | Change        |
|-----------------------------------|--------------|---------------|--------------|---------------|---------------|---------------|
| <b>Revenue</b>                    | <b>9 835</b> | <b>1 333</b>  | <b>8 502</b> | <b>20 728</b> | <b>8 851</b>  | <b>11 877</b> |
| OPEX and project-related expenses | -2 401       | -1 443        | -958         | -6 576        | -4 792        | -1 784        |
| SG&A                              | -860         | -610          | -250         | -2 645        | -2 371        | -274          |
| <b>EBITDA</b>                     | <b>6 575</b> | <b>-719</b>   | <b>7 294</b> | <b>11 507</b> | <b>1 688</b>  | <b>9 819</b>  |
| Depreciation                      | -1 968       | -1 506        | -462         | -5 800        | -4 084        | -1 716        |
| <b>EBIT</b>                       | <b>4 606</b> | <b>-2 226</b> | <b>6 832</b> | <b>5 707</b>  | <b>-2 396</b> | <b>8 103</b>  |
| Financials, net                   | -3 424       | -2 994        | -430         | -9 886        | -6 044        | -3 842        |
| <b>Income before tax</b>          | <b>1 182</b> | <b>-5 220</b> | <b>6 402</b> | <b>-4 179</b> | <b>-8 440</b> | <b>4 261</b>  |

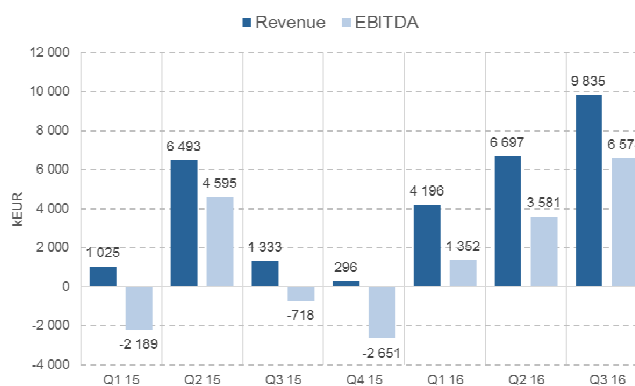
The fully consolidated results for the ZITON A/S shows net revenue for Q3 2016 of EUR 9.8m compared to EUR 1.3m in Q3 2015. For 2016 YTD net revenue is EUR 20.7m compared to EUR 8.9m in the same period 2015. The main reason for the increase in revenue is that J/U WIND SERVER has been charter with Siemens Wind Power since March 2016, following limited revenue during 2015. Furthermore, the market activity has generally improved in 2016 compared to 2015, and the competitive situation has improved as A2SEA has focused on their core business of installation of new turbines.

Vessel OPEX and project related costs increased to EUR 2.4m in Q3 2016 from EUR 1.4m in Q3 2015. The main reason for the EUR 1.0m increase was that OPEX for J/U WIND PIONEER was lower Q3 2015, as the vessel was in the process of being converted into a jack-up customised for offshore wind O&M. Furthermore, project-related expenses increased due to the higher activity level.

SG&A expenses amounted to EUR 0.9m in Q3 2016, compared to EUR 0.6m in Q3 2015. The increase reflects a strengthening of the organisation to support operations of a fleet consisting of three vessels.

EBITDA was a EUR 6.6m profit in Q3 2016 compared to a loss of EUR 0.7m in Q3 2015. The main reasons for the strong improvement in EBITDA is the increase in revenue, partly counterbalanced by an increase of EUR 1.2m for OPEX and SG&A collectively.

The illustration below shows the strong improvement quarter by quarter realised during the last year, as well as the strong correlation between revenue and EBITDA.



Depreciation charges increased to EUR 2.0m in Q3 2016 from EUR 1.5m in Q3 2015. The increase of EUR 0.5m reflects that that depreciation on J/U WIND PIONEER was initiated during Q3 2015.

EBIT was a EUR 4.6m profit in Q3 2016 compared to a loss of EUR 2.2m in Q3 2015. The main reasons for the reduced EBIT is the strong increase in revenue.

Financials, net was EUR -3.4m in Q3 2016 compared to EUR -3.0m in Q3 2015. The main reason for the higher interest costs is the higher interest bearing debt during Q3 2016.

Income before tax was a EUR 1.2m profit in Q3 2016 compared to a EUR 5.2m loss in Q3 2015.

REVIEW OF BALANCE SHEET AT THE END OF Q3 2016

| <i>EUR 000</i>                                       | Q3 16          | Q3 15          | Change         |
|--|----------------|----------------|----------------|
| <b>Assets</b>  |                |                |                |
| Vessel, including fixtures & equipment               | 162 843        | 167 315        | -4 471         |
| Other non-current assets                             | 7 159          | -              | 7 159          |
| <b>Non-current assets</b>                            | <b>170 002</b> | <b>167 315</b> | <b>2 687</b>   |
| Trade and other receivables                          | 6 553          | 900            | 5 653          |
| Cash and cash equivalents                            | 2 436          | 3 024          | -588           |
| <b>Current assets</b>                                | <b>8 988</b>   | <b>3 923</b>   | <b>5 065</b>   |
| <b>Total assets</b>                                  | <b>178 991</b> | <b>171 238</b> | <b>7 752</b>   |
| <b>Equity and Liabilities</b>                        |                |                |                |
| <b>Equity</b>  | <b>37 999</b>  | <b>52 480</b>  | <b>-14 482</b> |
| Subordinated loans                                   | 31 997         | 32 466         | -469           |
| Bond loans   | 98 215         | 38 000         | 60 215         |
| Bank loans and lease liabilities                     | 5 069          | 42 350         | -37 281        |
| Other liabilities                                    | 5 711          | 5 942          | -231           |
| <b>Total liabilities</b>                             | <b>140 992</b> | <b>118 758</b> | <b>22 234</b>  |
| <b>Total equity and liabilities</b>                  | <b>178 991</b> | <b>171 238</b> | <b>7 752</b>   |
| <b>Key ratios</b>                                    |                |                |                |
| <b>Subordinated capital ratio</b>                    | 39.1%          | 49.6%          | -10.5%         |
| <b>NIBD (including capitalised financing costs)</b>  | 102 630        | 77 326         | 25 304         |
| <b>Loan to Vessel ratio (NIBD/Vessel book value)</b> | 63.0%          | 46.2%          | 16.8%          |

The total value of the vessels amounted to EUR 162.8m at the end of Q3 2016, compared to EUR 167.3m at the end of Q3 2015. The reduced value of EUR 4.5m reflects depreciation that is partly counterbalanced by capital expenditure for the deployment of J/U WIND PIONEER, and five-year classification of J/U WIND.

Total equity declined to EUR 38.0m at the end of Q3 2016, compared to EUR 52.5m at end Q3 2015. The EUR 14.5m decline mainly relates to losses during the period.

The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at end Q3 2016 was 39.1%. This is a decline compared to 49.6% at the end of Q3 2015. The decline is mainly a consequence of the revised capital structure effected during Q4 2015. The subordinated capital ratio has a safe margin relative to the company's only financial covenant, which requires a subordinated capital ratio of 32.0% or higher, at the end of Q3 2016.

Senior Net Interest-Bearing Debt (NIBD) amounted to EUR 102.6m at the end of Q3 2016. Hence, the senior Loan to Vessel value stood at 63.0% at the end of the period.

## REVIEW OF STATEMENT OF CASH FLOWS FOR Q3 2016

| <i>EUR 000</i>                                   | Q3 16        | Q3 15         | Change       | YTD 16        | YTD 15        | Change       |
|--|--------------|---------------|--------------|---------------|---------------|--------------|
| <b>EBITDA</b>                                    | <b>6 575</b> | <b>-719</b>   | <b>7 294</b> | <b>11 507</b> | <b>1 688</b>  | <b>9 819</b> |
| Working capital adjustments                      | -809         | -138          | -671         | -5 726        | -293          | -5 433       |
| Financial payments, net                          | -2 297       | -             | -2 297       | -6 868        | -4 913        | -1 955       |
| Other adjustments                                | -286         | -1 985        | 1 700        | 488           | -693          | 1 181        |
| <b>Net cash flows from operating activities</b>  | <b>3 183</b> | <b>-2 842</b> | <b>6 025</b> | <b>-598</b>   | <b>-4 211</b> | <b>3 612</b> |
| Investing activities                             | -187         | -428          | 242          | -2 162        | -3 931        | 1 769        |
| <b>Net cash flows after investing activities</b> | <b>2 996</b> | <b>-3 271</b> | <b>6 267</b> | <b>-2 761</b> | <b>-8 142</b> | <b>5 381</b> |
| Financing activities                             | -            | -2 000        | 2 000        | -             | 3 379         | -3 379       |
| <b>Net cash flows after financing activities</b> | <b>2 996</b> | <b>-5 271</b> | <b>8 267</b> | <b>-2 761</b> | <b>-4 764</b> | <b>2 003</b> |
| <b>Available liquidity</b>                       |              |               |              |               |               |              |
| <b>Cash and cash equivalents</b>                 | <b>2 436</b> | <b>3 024</b>  | <b>-588</b>  |               |               |              |
| Cash on Retention Account                        | 2 408        | 2 929         | -521         |               |               |              |
| <b>Liquidity</b>                                 | <b>27</b>    | <b>94</b>     | <b>-67</b>   |               |               |              |
| Available draw on working capital facility       | 5 033        | 180           | 4 854        |               |               |              |
| <b>Available liquidity</b>                       | <b>5 061</b> | <b>274</b>    | <b>4 787</b> |               |               |              |

Cash flows from operating activities was positive of EUR 3.2m in Q3 2016 as an effect of positive EBITDA that was offset by an increase in working capital and financial payments. The increase in working capital during Q3 is a result of the increase in revenue from Q2 2016 to Q3 2016.

Investing activities was insignificant during Q3 2016 at EUR 0.2m. CAPEX for the three vessels is EUR 2.2m YTD, and is estimated to be less than EUR 3.0m for the full year 2016.

Available liquidity including available draw on working capital facility amounted to EUR 5.1m.

The bond agreement also stipulates a reduction of the Super Senior Working Capital Facility from DKK 75m (≈EUR 10.1m) to DKK 50m (≈EUR 6.7m) on 26 November 2016. Given the current financial position and expectations of positive cash flow, the company believes that the reduced working capital facility is adequate to encounter the expected fluctuations in liquidity requirements.

During the first half of November 2016 the Company completed the Clean Down for 2016 of the Super Senior Working Capital Facility with reference to Clause 13.4.4 of the bond agreement.

## Consolidated financial statements for ZITON A/S

### INCOME STATEMENT

| <i>EUR '000</i>  | Note | Q3 16        | Q3 15         | YTD 16        | YTD 15        |
|--|------|--------------|---------------|---------------|---------------|
| <b>Revenue</b>   | 2    | <b>9 835</b> | <b>1 333</b>  | <b>20 728</b> | <b>8 851</b>  |
| Project-related expenses   |      | -414         | -35           | -767          | -254          |
| Operation of vessels   |      | -1 987       | -1 407        | -5 809        | -4 538        |
| <b>Gross profit (net earnings from vessel activities)</b>        |      | <b>7 434</b> | <b>-110</b>   | <b>14 152</b> | <b>4 060</b>  |
| Administrative expenses  |      | -310         | -168          | -954          | -1 039        |
| Staff costs, office staff  |      | -550         | -441          | -1 691        | -1 332        |
| <b>Earnings before interest, tax, depreciation etc. (EBITDA)</b> |      | <b>6 575</b> | <b>-719</b>   | <b>11 507</b> | <b>1 688</b>  |
| Depreciation   |      | -1 968       | -1 506        | -5 800        | -4 084        |
| <b>Earnings before interest and tax (EBIT)</b>                   |      | <b>4 606</b> | <b>-2 226</b> | <b>5 707</b>  | <b>-2 396</b> |
| Financial income   |      | 177          | 0             | 595           | 47            |
| Financial expenses   |      | -3 601       | -2 994        | -10 481       | -6 091        |
| <b>Income before tax</b>   |      | <b>1 182</b> | <b>-5 220</b> | <b>-4 179</b> | <b>-8 440</b> |
| Tax on profit (loss)   |      | -1 085       | 1 172         | -431          | 1 822         |
| <b>Income for the year</b>                                       |      | <b>97</b>    | <b>-4 047</b> | <b>-4 609</b> | <b>-6 618</b> |
| <i>Attributable to:</i>  |      |              |               |               |               |
| Owners of ZITON A/S  |      | -651         | -4 109        | -6 217        | -6 343        |
| Non-controlling interests  |      | 748          | 61            | 1 608         | -274          |
| <b>Income for the year</b>                                       |      | <b>97</b>    | <b>-4 047</b> | <b>-4 609</b> | <b>-6 618</b> |

### STATEMENT OF COMPREHENSIVE INCOME

| <i>EUR '000</i>   | Note | Q3 16     | Q3 15         | YTD 16        | YTD 15        |
|---|------|-----------|---------------|---------------|---------------|
| <b>Income for the year</b>  |      | <b>97</b> | <b>-4 047</b> | <b>-4 609</b> | <b>-6 618</b> |
| <i>Items that will be reclassified subsequently to the income statement when specific conditions are met:</i> |      |           |               |               |               |
| Exchange adjustments of foreign entities, net of tax  |      | -23       | 0             | 29            | -44           |
| <b>Total comprehensive income for the year, after tax</b>   |      | <b>74</b> | <b>-4 047</b> | <b>-4 580</b> | <b>-6 662</b> |
| <i>Attributable to:</i>   |      |           |               |               |               |
| Owners of ZITON A/S   |      | -674      | -4 109        | -6 188        | -6 387        |
| Non-controlling interests   |      | 748       | 61            | 1 607         | -274          |
| <b>Total comprehensive income for the year, after tax</b>   |      | <b>74</b> | <b>-4 047</b> | <b>-4 581</b> | <b>-6 662</b> |



**BALANCE SHEET**

EUR '000

|   |   | Q3 16          | Q4 15          | Q3 15          |
|---|---|----------------|----------------|----------------|
| <b>Assets</b>   |   |                |                |                |
| <b>Non-current assets</b>                               |   |                |                |                |
| Vessels, including fixtures & equipment                 | 3 | 162 843        | 166 352        | 167 315        |
| Financial assets  |   | 6 057          | 6 057          | -              |
| Deferred tax assets                                     |   | 1 102          | 699            | -              |
| <b>Non-current assets</b>                               |   | <b>170 002</b> | <b>173 108</b> | <b>167 315</b> |
| <b>Current assets</b>                                   |   |                |                |                |
| Trade and other receivables                             |   | 6 553          | 634            | 900            |
| Cash and cash equivalents                               |   | 2 436          | 2 122          | 3 024          |
| <b>Current assets</b>                                   |   | <b>8 988</b>   | <b>2 756</b>   | <b>3 923</b>   |
| <b>Total assets</b>                                     |   | <b>178 991</b> | <b>175 864</b> | <b>171 238</b> |
| <b>Equity and Liabilities</b>                           |   |                |                |                |
| <b>Equity</b>   |   |                |                |                |
| Share capital   |   | 11 093         | 11 093         | 11 093         |
| Reserves  |   | 170            | 140            | 136            |
| Retained earnings                                       |   | 11 803         | 18 021         | 26 536         |
| <b>Total equity attributable to owners of ZITON A/S</b> |   | <b>23 066</b>  | <b>29 254</b>  | <b>37 764</b>  |
| Non-controlling interests                               |   | 14 933         | 13 326         | 14 716         |
| <b>Total equity</b>                                     |   | <b>37 999</b>  | <b>42 580</b>  | <b>52 480</b>  |
| <b>Liabilities</b>                                      |   |                |                |                |
| <b>Non-current liabilities</b>                          |   |                |                |                |
| Subordinated loans                                      |   | 31 997         | 29 312         | 32 466         |
| Bank and bond loans                                     |   | 93 779         | 95 849         | 49 926         |
| Deferred income tax liabilities                         |   | 2 719          | 1 909          | 4 018          |
| Provision for other liabilities                         |   | 288            | 231            | 138            |
| <b>Total non-current liabilities</b>                    |   | <b>128 783</b> | <b>127 301</b> | <b>86 548</b>  |
| <b>Current liabilities</b>                              |   |                |                |                |
| Bank and bond loans                                     |   | 9 505          | 3 960          | 30 424         |
| Trade and other payables                                |   | 2 233          | 1 675          | 1 387          |
| Provision for other liabilities                         |   | 471            | 348            | 398            |
| <b>Total current liabilities</b>                        |   | <b>12 209</b>  | <b>5 983</b>   | <b>32 209</b>  |
| <b>Total liabilities</b>                                |   | <b>140 992</b> | <b>133 284</b> | <b>118 758</b> |
| <b>Total equity and liabilities</b>                     |   | <b>178 991</b> | <b>175 864</b> | <b>171 238</b> |

**STATEMENT OF CASH FLOWS**

| <i>EUR '000</i>   | Note | Q3 16         | Q3 15         | YTD 16        | YTD 15        |
|---|------|---------------|---------------|---------------|---------------|
| <b>Income before tax</b>  |      | <b>1 182</b>  | <b>-5 220</b> | <b>-4 179</b> | <b>-8 440</b> |
| <b>Operating activities</b>   |      |               |               |               |               |
| <i>Adjustments for non-cash items</i>                               |      |               |               |               |               |
| Reversal financial expenses, net                                    |      | 3 425         | 2 811         | 9 891         | 6 114         |
| Depreciation and writedowns for the period                          |      | 1 968         | 1 506         | 5 800         | 4 084         |
| Other adjustments   |      | -286          | -1 802        | 483           | -764          |
| <i>Working capital adjustments</i>                                  |      |               |               |               |               |
| Change in trade receivables   |      | -967          | 430           | -5 818        | 1 224         |
| Change in trade payables  |      | 158           | -568          | 92            | -1 517        |
| <i>Financial payments</i>   |      |               |               |               |               |
| Financial receipts  |      | -             | -             | -             | -             |
| Financial payments  |      | -2 297        | -             | -6 868        | -4 913        |
| <i>Income tax expense</i>   |      |               |               |               |               |
| Income tax expense  |      | -             | -             | -             | -             |
| <b>Net cash flows from operating activities</b>                     |      | <b>3 183</b>  | <b>-2 842</b> | <b>-598</b>   | <b>-4 211</b> |
| <b>Investing activities</b>   |      |               |               |               |               |
| Purchase of vessel, including fixtures & equipment (excl. interest) |      | -187          | -428          | -2 162        | -3 931        |
| Other cash flows from investing activities                          |      | -             | -             | -             | -             |
| <b>Net cash used in investing activities</b>                        |      | <b>-187</b>   | <b>-428</b>   | <b>-2 162</b> | <b>-3 931</b> |
| <b>Financing activities</b>   |      |               |               |               |               |
| Proceeds from issuance of ordinary shares                           |      | -             | -             | -             | 3 359         |
| Proceeds from bank and bond loans                                   |      | -             | -             | -             | 3 353         |
| Change of subordinated loans  |      | -             | -             | -             | -             |
| Repayment of debt to bank and bond holders                          |      | -             | -2 000        | -             | -3 333        |
| <b>Net cash used/received in financing activities</b>               |      | <b>-</b>      | <b>-2 000</b> | <b>-</b>      | <b>3 379</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         |      | <b>2 996</b>  | <b>-5 271</b> | <b>-2 761</b> | <b>-4 764</b> |
| Cash and cash equivalents at beginning of period                    |      | -5 593        | 1 773         | 162           | 1 267         |
| Exchange gains/losses on cash and cash equivalents                  |      | -0            | 0             | 0             | -1            |
| <b>Cash and cash equivalents at end of period*</b>                  |      | <b>-2 598</b> | <b>-3 497</b> | <b>-2 598</b> | <b>-3 497</b> |

\* Cash and cash equivalents in the cash flow statement include drawings on working capital facility

## STATEMENT OF CHANGES IN EQUITY

| YTD 16   | Attributable to owners of ZITON A/S |                      |                      |                |                   |        | Non-controlling interests | Total equity |
|--|-------------------------------------|----------------------|----------------------|----------------|-------------------|--------|---------------------------|--------------|
|  | Share capital                       | Reserve for warrants | Translation reserves | Total reserves | Retained earnings | Total  |                           |              |
| <i>EUR '000</i>                                    |                                     |                      |                      |                |                   |        |                           |              |
| Balance at 31 December 2015                        | 11 093                              | 136                  | 4                    | 140            | 18 021            | 29 254 | 13 326                    | 42 580       |
| Total comprehensive income for the year, after tax | -                                   | -                    | 29                   | 29             | -6 217            | -6 188 | 1 607                     | -4 581       |
| Balance at YTD                                     | 11 093                              | 136                  | 33                   | 169            | 11 804            | 23 066 | 14 933                    | 37 998       |

### Share capital

In 2016, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

### Reserves

Reserves on equity consist of the following:

**Reserve for warrants** consists of warrants to management, selected employees and the subordinated loan provider.

**The translation reserve** comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency different from DKK and translation from the functional currency to the presentation currency.

| YTD 15   | Attributable to owners of ZITON A/S |                      |                      |                |                   |        | Non-controlling interests | Total equity |
|--|-------------------------------------|----------------------|----------------------|----------------|-------------------|--------|---------------------------|--------------|
|  | Share capital                       | Reserve for warrants | Translation reserves | Total reserves | Retained earnings | Total  |                           |              |
| <i>EUR '000</i>                                    |                                     |                      |                      |                |                   |        |                           |              |
| Balance at 31 December 2014                        | 7 763                               | 136                  | 44                   | 180            | 32 880            | 40 823 | 14 990                    | 55 813       |
| Total comprehensive income for the year, after tax | -                                   | -                    | -44                  | -44            | -6 343            | -6 387 | -274                      | -6 662       |
| Capital increase                                   | 3 330                               | -                    | -                    | -              | -                 | 3 330  | -                         | 3 330        |
| Balance at YTD                                     | 11 093                              | 136                  | -                    | 136            | 26 537            | 37 765 | 14 716                    | 52 481       |

### Share capital

In 2015, the share capital was increased by 25,000,000 B shares of DKK 1 each (EUR 3,330k) by means of a cash payment. At the end of 2015, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

## Note 1 – Total Comprehensive Income by Quarter

### INCOME STATEMENT BY QUARTER

| EUR 000  | Q3 16        | Q2 16         | Q1 16         | Q4 15          | Q3 15         |
|--|--------------|---------------|---------------|----------------|---------------|
| <b>Revenue</b>   | <b>9 835</b> | <b>6 697</b>  | <b>4 196</b>  | <b>292</b>     | <b>1 333</b>  |
| Project related expenses   | -414         | -29           | -324          | -22            | -35           |
| Operation of vessels   | -1 987       | -2 082        | -1 740        | -1 657         | -1 407        |
| <b>Gross profit (net earnings from vessel activities)</b>        | <b>7 434</b> | <b>4 586</b>  | <b>2 132</b>  | <b>-1 388</b>  | <b>-110</b>   |
| Administrative expenses  | -310         | -354          | -290          | -740           | -168          |
| Staff costs, office staff  | -550         | -651          | -490          | -530           | -441          |
| <b>Earnings before interest, tax, depreciation etc. (EBITDA)</b> | <b>6 575</b> | <b>3 581</b>  | <b>1 351</b>  | <b>-2 657</b>  | <b>-719</b>   |
| Depreciation   | -1 968       | -1 968        | -1 864        | -1 883         | -1 506        |
| <b>Earnings before interest and tax (EBIT)</b>                   | <b>4 606</b> | <b>1 614</b>  | <b>-513</b>   | <b>-4 540</b>  | <b>-2 225</b> |
| Financial income   | 177          | 228           | 191           | 60             | 0             |
| Financial expenses   | -3 601       | -3 472        | -3 408        | -8 219         | -2 994        |
| <b>Income before tax</b>   | <b>1 182</b> | <b>-1 631</b> | <b>-3 729</b> | <b>-12 699</b> | <b>-5 219</b> |
| Tax on profit (loss)   | -1 085       | -119          | 774           | 2 807          | 1 172         |
| <b>Income for the year</b>                                       | <b>97</b>    | <b>-1 750</b> | <b>-2 956</b> | <b>-9 891</b>  | <b>-4 047</b> |
| <i>Attributable to:</i>  |              |               |               |                |               |
| Owners of ZITON A/S  | -651         | -2 484        | -3 082        | -8 501         | -4 109        |
| Non-controlling interests  | 748          | 734           | 126           | -1 390         | 61            |
| <b>Income for the year</b>                                       | <b>97</b>    | <b>-1 750</b> | <b>-2 956</b> | <b>-9 891</b>  | <b>-4 047</b> |

### STATEMENT OF COMPREHENSIVE INCOME BY QUARTER

| EUR 000   | Q3 16     | Q2 16         | Q1 16         | Q4 15         | Q3 15         |
|---|-----------|---------------|---------------|---------------|---------------|
| <b>Income for the year</b>  | <b>97</b> | <b>-1 750</b> | <b>-2 956</b> | <b>-9 891</b> | <b>-4 047</b> |
| <i>Items that will be reclassified subsequently to the income statement when specific conditions are met:</i> |           |               |               |               |               |
| Exchange adjustments of foreign entities, net of tax  | -23       | 22            | 21            | 35            | 0             |
| <b>Total comprehensive income for the year, after tax</b>   | <b>74</b> | <b>-1 728</b> | <b>-2 935</b> | <b>-9 856</b> | <b>-4 047</b> |
| <i>Attributable to:</i>   |           |               |               |               |               |
| Owners of ZITON A/S   | -674      | -2 461        | -3 061        | -8 465        | -4 109        |
| Non-controlling interests   | 748       | 734           | 126           | -1 390        | 61            |
| <b>Total comprehensive income for the year, after tax</b>   | <b>74</b> | <b>-1 728</b> | <b>-2 935</b> | <b>-9 855</b> | <b>-4 047</b> |

## Note 2 - Segment reporting

The internal reporting framework used for reporting on revenue and expenses to the Executive Management Team and the Board of Directors has been set up to reflect and report on jack-up vessel revenue and expenses. As all three jack-up vessels operate on similar assignments, management reviews the results of the Group as a whole to assess performance: Thus, there is only one operating segment.

### Revenue

The Group operates in Northern Europe. The geographical distribution of revenue is based on the country in which the wind farm is located.

| Geographical distribution of revenue | Q3 16        | Q3 15        | YTD 16        | YTD 15       |
|--------------------------------------|--------------|--------------|---------------|--------------|
| <b>EUR 000</b>                       |              |              |               |              |
| Denmark                              | 5 144        | 273          | 7 889         | 374          |
| UK                                   | 1 729        | 470          | 7 912         | 1 173        |
| Germany                              | 2 025        | 6            | 3 989         | 5 435        |
| Holland                              | 756          | 584          | 756           | 1 618        |
| Belgium                              | 181          | -            | 181           | 252          |
| <b>Total</b>                         | <b>9 835</b> | <b>1 333</b> | <b>20 728</b> | <b>8 851</b> |

Sales to the three largest customers make up 66%, 14% and 11% respectively, of total revenue YTD 2016 (YTD 2015: 61% and 33%, respectively).

## Note 3 - Vessels and equipment

| YTD 16                                  | Fixtures<br>&<br>equipment | Vessels<br>under<br>construction | Vessels        | Total          |
|---|----------------------------|----------------------------------|----------------|----------------|
| <i>EUR'000</i>                          |                            |                                  |                |                |
| Cost as at 1 January                    | 779                        | -                                | 180 679        | 181 459        |
| Exchange rate adjustments               | 1                          | -                                | 213            | 214            |
| Additions                               | -65                        | -                                | 2 227          | 2 162          |
| Disposals                               | -153                       | -                                | -              | -153           |
| <b>Cost YTD</b>                         | <b>562</b>                 | <b>-</b>                         | <b>183 120</b> | <b>183 682</b> |
| Depreciation at 1 January               | -301                       | -                                | -14 805        | -15 106        |
| Exchange rate adjustments               | -0                         | -                                | -17            | -17            |
| Depreciation                            | 30                         | -                                | -5 830         | -5 800         |
| Disposals                               | 85                         | -                                | -              | 85             |
| <b>Depreciation YTD</b>                 | <b>-187</b>                | <b>-</b>                         | <b>-20 652</b> | <b>-20 839</b> |
| Impairment losses at 1 January          | -                          | -                                | -              | -              |
| Impairment losses YTD                   | -                          | -                                | -              | -              |
| <b>Carrying amount YTD</b>              | <b>375</b>                 | <b>-</b>                         | <b>162 468</b> | <b>162 843</b> |
| <b>- of which capitalised interests</b> |                            |                                  | 18 306         | 18 306         |

| YTD 15                                  | Fixtures<br>&<br>equipment | Vessels<br>under<br>construction | Vessels        | Total          |
|---|----------------------------|----------------------------------|----------------|----------------|
| <i>EUR'000</i>                          |                            |                                  |                |                |
| Cost at 1 January                       | 626                        | 84 449                           | 89 056         | 174 131        |
| Exchange rate adjustments               | -1                         | -84                              | -198           | -283           |
| Additions                               | 138                        | 5 339                            | 1 220          | 6 697          |
| Disposals                               | -                          | -                                | -              | -              |
| Transferred during the year             | -                          | -                                | -              | -              |
| <b>Cost YTD</b>                         | <b>763</b>                 | <b>89 704</b>                    | <b>90 078</b>  | <b>180 544</b> |
| Depreciation at 1 January               | -137                       | -                                | -9 028         | -9 165         |
| Exchange rate adjustments               | 0                          | -                                | 19             | 20             |
| Depreciation                            | -127                       | -                                | -3 958         | -4 085         |
| Disposals                               | -                          | -                                | -              | -              |
| <b>Depreciation YTD</b>                 | <b>-263</b>                | <b>-</b>                         | <b>-12 966</b> | <b>-13 229</b> |
| Impairment losses at 1 January          | -                          | -                                | -              | -              |
| Impairment losses YTD                   | -                          | -                                | -              | -              |
| <b>Carrying amount YTD</b>              | <b>499</b>                 | <b>89 704</b>                    | <b>77 111</b>  | <b>167 315</b> |
| <b>- of which capitalised interests</b> |                            | 11 200                           | 7 860          | 19 060         |

### Impairment of vessels

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount – measured using the higher of the fair value less cost to sell and value in use. An impairment loss is recognised if the higher of the fair value less cost to sell and value in use is less than the carrying amount of the assets.

The fair value less cost to sell is estimated based on independent broker indications, providing a range for what is expected to be the fair value of the assets. The value in use is calculated as the present value of the total expected cash flows during the rest of the vessels' economic lives, including any concluded framework agreements and signed charters and by using estimated utilisation and average day rates from a market study contracted by the company. The market study is based on projected future installed base of offshore turbines, the average rate which a turbine needs assistance from a jack-up vessel in the turbines lifetime and ZITON A/S's expected market share.

Hence, the exact value used to measure impairment charges is subject to uncertainty and is based on what

the company believes is the best estimate of the fair value.

Management's assessment of indication of impairment on vessels is based on the cash-generating unit (CGU) in which all jack-up vessels are included (jack-up vessel segment).

As cash flows from the CGU, so far, in 2016 is lower than expected, an impairment test is carried out based on value in use. The impairment test is done by estimating the recoverable amount at value in use calculated as the present value of the total expected cash flows during the rest of the vessels' economic lives, including any concluded framework agreements and signed charters, using estimated utilisation and average day rates from a market study contracted by the company and a determined WACC of 8.4% and a growth rate in the terminal period of 0%. The value in use was estimated to be materially higher than the carrying amount of EUR 162,468k.

Management assesses that the long-term value at the close of the financial period exceeds the carrying amounts, and accordingly, there is no indication of impairment.

## Note 4 - Commitments and contingencies

Since the end of 2015, no significant changes have occurred to contingent assets and liabilities other than those referred to in the Annual Report for 2015.

## Note 5 - Related party transactions

No significant changes have occurred to related parties or types and scale of transactions with these parties other than what is disclosed in the Annual Report for 2015.

## Note 6 - Subsequent events

Other than the developments disclosed in the review, no significant events have occurred between the end of the quarter and publication of this interim report which materially affect the results for the period or the financial position.

## Note 7 – Basis of reporting

### General information

The interim report comprises the summarised consolidated financial statements of ZITON A/S that was previously named DBB Jack-Up Services A/S up until the 24th of June 2016.

### Accounting policies

#### *Basis of consolidation*

The interim report has been prepared in accordance with the international financial reporting standard IAS 34 on interim reports.

The consolidated Annual Report for 2015 has been prepared in accordance with the International Financial Reporting Standards (IFRS). Accounting policies have not changed in relation to this, except for all new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on the 1 of January, 2016. These IFRSs have not had any impact on the Groups interim report.

For a complete description of accounting policies, please refer to the pages 54-56 in the Annual Report for 2015.

#### *Risks*

For more information on significant risks and uncertainties, please refer to pages 34-35 and note 3 "Risk management" on pages 64-65 of the company's Annual Report 2015.

**Management statement**

The Board of Directors and Executive Management have reviewed and approved the financial report of ZITON A/S for Q3 2016. The financial report has not been audited or reviewed by the company's independent auditors.

The financial report has been prepared in accordance with IFRS. In our opinion, the accounting policies used are appropriate and the overall presentation of the financial report for first nine months 2016 is adequate. Furthermore, in our opinion, the Management and Financial Reviews include a true and fair view of the development in the operations and financial circumstances, of the results for the period and of the financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group in accordance with disclosure requirements for issuers of bonds listed on the Oslo Stock Exchange.

Horsens, 18 November 2016

Executive Management

-----  
Thorsten Jalk  
CEO

Board of Directors

-----  
Vagn Lehd Møller  
Chairman

-----  
Ove Carsten Eriksen

-----  
Esben Bay Jørgensen

-----  
Lars Thorsgaard Jensen

-----  
Jess Abildskou

**Financial calendar 2017**

Interim report Q4 2016 – 23 February 2017  
Annual Report 2016 – 25 April 2017  
Interim report Q1 2017 – 18 May 2017  
Interim report Q2 2017 – 24 August 2017  
Interim report Q3 2017 – 14 November 2017

**For further information, please contact**

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