



ZITON

ZITON A/S
Interim report 2nd quarter 2016

Highlights of the report

Highlights of Q2 2016

- DBB Jack-Up Services A/S changed name to ZITON A/S as of 23rd June 2016. The change of name signals our continued dedication towards providing specialised services within operating and maintaining offshore wind turbines. By removing jack-up services from our name, we mark our readiness to further expand our scope of services.
- We have signed a three-year framework agreement with DONG Energy the leading developer and operator of offshore wind farms. In addition, we have signed a contract with DONG Energy to replace blades for their Horns Rev 2 blade project with expected completion during the next six months.
- Market development not as strong as expected for different reasons, including that customers' component replacement rates in the second quarter were lower than what has been realised historically.
- J/U WIND SERVER continued in operations for Siemens Wind Power on the three-year charter that commenced on 14 March 2016.
- J/U WIND successfully completed its five-year classification renewal, and was operational available from the beginning of May 2016.
- Repair of the thruster system on J/U WIND PIONEER took longer than anticipated, and the vessel resumed operations at the end of June 2016.
- Weighted average utilisation for the second quarter 2016 was 50%, below the expected range of 60-70%. We expect a weighted average utilisation rate of 65-75% in Q3 2016.
- Contract coverage of our forecast for the second half 2016 is above 85% including the Siemens charter, contracts with DONG Energy and contracts under the framework agreement with MHI Vestas Offshore Wind.
- As a consequence of the lower than expected utilisation in Q2 2016, we reduce the outlook for 2016 by EUR 2m compared to the guidance provided in last quarter' results. The company expects EBITDA in the range of EUR 16-19m (≈DKK 120-140m), compared to previous expectations of EUR 18-21m (≈DKK 135-155m).

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

However, market demand for major component replacement was in the second quarter not as encouraging as expected for different reasons:

- Customers' component replacement rates were in the second quarter lower than what has been realised historically. Component replacement rates may vary from quarter to quarter, and it is our assessment, that component replacement rates in the second quarter were abnormally low. However, it cannot be excluded that component replacement rates could continue to be low for some quarters until they rebound to historical levels.
- Customers have postponed projects as planning and component procurement have taken longer than expected.
- Furthermore the weather was, at some locations, worse than normal for the season, leaving fewer operational days available than expected.
- In addition, it took longer time for J/U WIND and J/U WIND PIONEER to become fully available to operations following planned overhaul of the jacking system and repair of the thruster system, respectively.

Contract developments

We have signed a three-year framework agreement with DONG Energy the leading developer and operator of offshore wind farms. We will provide jack-up services for main component exchanges in Danish windfarms operated by DONG Energy not covered by OEM warranty. The three-year agreement also applies to other DONG Energy-operated windfarms in Denmark and the UK and has an option to be extended to five years. In addition, we have signed a contract with DONG Energy for their Horns Rev 2 blade project with expected completion during the next six months.

The framework agreement with DONG Energy complements our three-year time charter with Siemens Wind Power for J/U WIND SERVER that commenced 14 March 2016, and our framework agreement with MHI Vestas Offshore Wind that years to run 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.

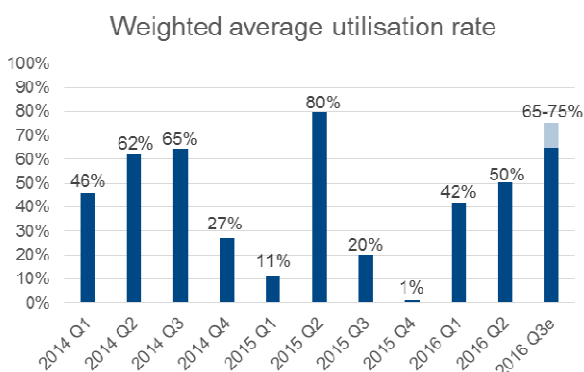
The competitive environment is satisfactory as ZITON is the only dedicated provider O&M services of major components replacement, while all other jack-up companies have installation as their primary business.

Contract coverage

The short-term visibility of O&M tasks is strong in the beginning of Q3 2016 with contract coverage for the second half 2016 of 85% of the revised forecast. The contract coverage includes the Siemens charter, contracts with DONG Energy and specific projects under the framework agreement with MHI Vestas Offshore Wind.

Utilisation rates

The weighted average utilisation rate for Q2 2016 was at 50%. The utilisation was below the expectations of 60-70%, expressed in the Q1 2016 interim report for the reasons laid out previously. For Q3 2016 we expect a weighted average utilisation rate of 65-75%.



Note: the weighted average utilisation rate indicates the number of days the vessels are chartered divided by the number of days in the quarter. 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

As a consequence of the lower than expected utilisation in Q2 2016, we reduce the outlook for 2016 by EUR 2m compared to the guidance provided in last quarter' results. The company expects EBITDA in the range of EUR 16-19m (≈DKK 120-140m), compared to previous expectations of EUR 18-21m (≈DKK 135-155m). The expectations are based on a weighted average utilisation rate of 65-75% for all three vessels for the second half 2016, with J/U WIND SERVER continuing on charter with Siemens Wind Power.

Vessel status

J/U WIND SERVER commenced a three-year charter with Siemens Wind Power on 14 March 2016. The vessel was taken on-hire by Siemens Wind Power without any remarks in the on-hire survey.

Repair of the thruster system on J/U WIND PIONEER took longer than anticipated. The vessel was available for operations at the end of June 2016, and was consequently not available during the whole quarter. Since then the vessel has carried out interventions in Danish waters.

J/U WIND successfully passed a planned overhaul of the jacking system, and resumed operations at the end of April 2016. Since then the vessel has carried out interventions in the North Sea and Danish waters.

CAPEX for the three vessels is EUR 2.0m YTD, and is estimated to be less than EUR 3.0m for the full year 2016.

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 Q2 2016

EUR '000	Q2 16	Q2 15	Change	YTD 16	YTD 15	Change
Revenue	6 697	6 493	204	10 893	7 518	3 375
OPEX and project-related expenses	-2 111	-1 494	-616	-4 175	-3 349	-826
SG&A	-1 005	-403	-602	-1 785	-1 762	-24
EBITDA	3 581	4 596	-1 014	4 933	2 408	2 525
Depreciation	-1 968	-1 301	-667	-3 832	-2 578	-1 254
EBIT	1 614	3 295	-1 682	1 101	-170	1 271
Financials, net	-3 245	-1 547	-1 697	-6 461	-3 065	-3 397
Income before tax	-1 631	1 748	-3 379	-5 361	-3 235	-2 125

The fully consolidated results for the ZITON A/S shows net revenue for Q2 2016 of EUR 6.7m compared to EUR 6.5m in Q2 2015. For 1H 2016 YTD net revenue is EUR 10.9m compared to EUR 7.5 m in 1H 2015.

Vessel OPEX and project related costs increased to EUR 2.1m in Q2 2016 from EUR 1.5m in Q2 2015. The main reason for the EUR 0.6m increase was that OPEX for J/U WIND PIONEER was lower Q2 2015, as the vessel was in the process of being converted into a jack-up customised for offshore wind O&M.

SG&A expenses amounted to EUR 1.0m in Q2 2016, compared to EUR 0.4m in Q2 2015. The increase reflects a strengthening of the organisation to support operations of a fleet consisting of three vessels. In addition, SG&A costs in Q2 2015 were positively affected by one-offs compensations.

EBITDA was a EUR 3.6m profit in Q2 2016 compared to a profit of EUR 4.6m in Q2 2015. The main reasons for the reduced EBITDA is the minor increase in revenue, while OPEX and SG&A costs have increased by EUR 1.2m collectively.

Depreciation charges increased to EUR 2.0m in Q2 2016 from EUR 1.3m in Q2 2015. The increase of EUR 0.7m reflects that there were no depreciation on J/U WIND PIONEER in Q2 2015. Depreciation on J/U WIND PIONEER was initiated during Q3 2015.

EBIT was a EUR 1.6m profit in Q2 2016 compared to EUR 3.3m in Q2 2015. The main reasons for the reduced EBITDA is the minor increase in revenue,

while OPEX and SG&A costs and depreciation have increased by EUR 1.9m collectively.

Financials, net increased to EUR -3.2m in Q2 2016 from EUR -1.5m in Q2 2015. The main reason for the higher interest costs is that interest costs related to J/U WIND PIONEER was capitalised on the vessel in Q2 2015. Capitalisation of interest costs was discontinued in Q3 2015 as the vessel became operational.

Income before tax was a EUR 1.6m loss in Q2 2016 compared to a EUR 1.7m profit in Q2 2015.

REVIEW OF BALANCE SHEET AT THE END OF Q2 2016

<i>EUR '000</i>	Q2 16	Q2 15	Change
Assets			
Vessel, including fixtures & equipment	164 768	168 482	-3 713
Other non-current assets	7 546	-	7 546
Non-current assets	172 315	168 482	3 833
Trade and other receivables	5 277	1 710	3 567
Cash and cash equivalents	1 192	5 459	-4 267
Current assets	6 469	7 169	-700
Total assets	178 783	175 650	3 133
Equity and Liabilities			
Equity	37 985	56 522	-18 537
Subordinated loans	31 167	31 259	-91
Bond loans	98 075	40 000	58 075
Bank loans and lease liabilities	6 828	32 404	-25 575
Other liabilities	4 728	15 466	-10 738
Total liabilities	140 798	119 128	21 670
Total equity and liabilities	178 783	175 650	3 133
Key ratios			
Subordinated capital ratio	38.7%	50.0%	-11.3%
NIBD (including capitalised financing costs)	105 637	66 945	38 692
Loan to Vessel ratio (NIBD/Vessel book value)	64.1%	39.7%	24.4%

The total value of the vessels amounted to EUR 164.8m at the end of Q2 2016, compared to EUR 168.5m at the end of Q2 2015. The reduced value of EUR 3.7m 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 31 March 2016, compared to EUR 56.5m at 31 March 2015. This EUR 18.5m decline mainly relates to losses during the period.

The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at 30 June 2016 was 38.7%. 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 June 2016.

Senior Net Interest-Bearing Debt (NIBD) amounted to EUR 105.6m at 30 June 2016. Hence, the senior Loan to Vessel value stood at 64.1% at year-end.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q2 2016

<i>EUR '000</i>	Q2 16	Q2 15	Change	YTD 16	YTD 15	Change
EBITDA	3 581	4 596	-1 014	4 933	2 408	2 525
Working capital adjustments	-2 639	-1 338	-1 301	-4 917	-156	-4 762
Financial payments, net	-2 261	-326	-1 935	-4 571	-653	-3 918
Other adjustments	377	-201	578	774	-4 310	5 084
Net cash flows from operating activities	-941	2 731	-3 672	-3 781	-2 711	-1 070
Investing activities	-717	-1 903	1 186	-1 976	-3 503	1 527
Net cash flows after investing activities	-1 659	827	-2 486	-5 756	-6 214	457
Financing activities	-	-	-	-	6 712	-6 712
Net cash flows after financing activities	-1 659	827	-2 486	-5 756	498	-6 254
<u>Available liquidity</u>						
Cash and cash equivalents	1 192	5 459	-4 267			
Cash on Retention Account	1 158	4 359	-3 200			
Liquidity	33	1 100	-1 067			
Available draw on working capital facility	3 297	335	2 962			
Available liquidity	3 330	1 435	1 895			

Cash flows from operating activities was an outflow of EUR 0.9m in Q2 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 Q2 is a result of the increase in revenue from Q1 2016 to Q2 2016.

Investing activities amounted to EUR 0.7m that primarily are related to the five-year classification renewal of J/U WIND and repair of thrusters on J/U WIND PIONEER.

Available liquidity including available draw on working capital facility amounted to EUR 3.3m.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

EUR '000	Note	Q2 16	Q2 15	YTD 16	YTD 15
Revenue	2	6 697	6 493	10 893	7 518
Project-related expenses		-29	34	-353	-218
Operation of vessels		-2 082	-1 529	-3 822	-3 131
Gross profit (net earnings from vessel activities)		4 586	4 999	6 718	4 169
Administrative expenses		-354	72	-644	-871
Staff costs, office staff		-651	-475	-1 141	-891
Earnings before interest, tax, depreciation etc. (EBITDA)		3 581	4 596	4 933	2 408
Depreciation		-1 968	-1 301	-3 832	-2 578
Earnings before interest and tax (EBIT)		1 614	3 295	1 101	-170
Financial income		228	7	418	47
Financial expenses		-3 472	-1 554	-6 880	-3 112
Income before tax		-1 631	1 748	-5 361	-3 235
Tax on profit (loss)		-119	-269	654	650
Income for the year		-1 750	1 479	-4 706	-2 585
<i>Attributable to:</i>					
Owners of ZITON A/S		-2 484	1 412	-5 566	-2 250
Non-controlling interests		734	67	860	-336
Income for the year		-1 750	1 479	-4 706	-2 585

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	Q2 16	Q2 15	YTD	YTD
Income for the year		-1 750	1 479	-4 706	-2 585
<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		22	5	45	-31
Total comprehensive income for the year, after tax		-1 728	1 484	-4 661	-2 616
<i>Attributable to:</i>					
Owners of ZITON A/S		-2 461	1 417	-5 521	-2 280
Non-controlling interests		734	67	860	-336
Total comprehensive income for the year, after tax		-1 728	1 484	-4 661	-2 616

BALANCE SHEET

<i>EUR '000</i>	end of period	Q2 16	Q4 15	Q2 15
Assets				
Non-current assets				
Vessels, including fixtures & equipment	3	164 768	166 352	168 482
Financial assets		6 057	6 057	-
Deferred tax assets		1 489	699	-
Non-current assets		172 315	173 108	168 482
Current assets				
Trade and other receivables		5 277	634	1 710
Cash and cash equivalents		1 192	2 122	5 459
Current assets		6 469	2 756	7 169
Total assets		178 783	175 864	175 650
Equity and Liabilities				
Equity				
Share capital		11 093	11 093	11 093
Reserves		184	140	105
Retained earnings		12 522	18 021	30 669
Total equity attributable to owners of ZITON A/S		23 799	29 254	41 867
Non-controlling interests		14 186	13 326	14 655
Total equity		37 985	42 580	56 522
Liabilities				
Non-current liabilities				
Subordinated loans		31 167	29 312	31 259
Bank and bond loans		93 139	95 849	66 656
Deferred income tax liabilities		1 954	1 909	5 135
Provision for other liabilities		267	231	138
Total non-current liabilities		126 528	127 301	103 188
Current liabilities				
Bank and bond loans		11 764	3 960	5 748
Trade and other payables		2 055	1 675	9 815
Provision for other liabilities		451.80	348	378
Total current liabilities		14 270	5 983	15 941
Total liabilities		140 798	133 284	119 128
Total equity and liabilities		178 783	175 864	175 650

STATEMENT OF CASH FLOWS

<i>EUR '000</i>	Note	Q2 16	Q2 15	YTD 16	YTD 15
Income before tax		-1 631	1 748	-5 361	-3 235
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		3 245	1 413	6 467	2 799
Depreciation and writedowns for the period		1 968	1 301	3 832	2 578
Other adjustments		377	-67	768	-4 044
<i>Working capital adjustments</i>					
Change in trade receivables		-2 470	414	-4 851	794
Change in trade payables		-169	-1 752	-66	-950
<i>Financial payments</i>					
Financial receipts		-	-	-	-
Financial payments		-2 261	-326	-4 571	-653
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		-941	2 731	-3 781	-2 711
Investing activities					
Purchase of vessel, including fixtures & equipment (excl. interest)		-717	-1 903	-1 976	-3 503
Other cash flows from investing activities		-	-	-	-
Net cash used in investing activities		-717	-1 903	-1 976	-3 503
Financing activities					
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		-	-	-	-
Net cash used/received in financing activities		-	-	-	6 712
Net (decrease)/increase in cash and cash equivalents		-1 659	827	-5 756	498
Cash and cash equivalents at beginning of period		-3 936	938	162	1 267
Exchange gains/losses on cash and cash equivalents		-	8	-	8
Cash and cash equivalents at end of period*		-5 594	1 773	-5 594	1 773

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

STATEMENT OF CHANGES IN EQUITY

YTD 16

EUR '000	Share capital	Attributable to owners of ZITON A/S				Total	Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Total reserves	Retained earnings			
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	-	-	45	45	-5 499	-5 454	860	-4 595
Balance at YTD	11 093	136	49	185	12 522	23 800	14 186	37 985

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

EUR '000	Share capital	Attributable to owners of ZITON A/S				Total	Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Total reserves	Retained earnings			
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	-	-	-31	-31	-2 254	-2 285	-336	-2 621
Capital increase	3 330	-	-	-	-	3 330	-	3 330
Balance at YTD	11 093	136	13	149	30 626	41 867	14 654	56 522

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	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
Revenue	6 697	4 196	292	1 333	6 493
Project related expenses	-29	-324	-22	-35	34
Operation of vessels	-2 082	-1 740	-1 657	-1 407	-1 529
Gross profit (net earnings from vessel activities)	4 586	2 132	-1 388	-110	4 999
Administrative expenses	-354	-290	-740	-168	72
Staff costs, office staff	-651	-490	-530	-441	-475
Earnings before interest, tax, depreciation etc. (EBITDA)	3 581	1 351	-2 657	-719	4 596
Depreciation	-1 968	-1 864	-1 883	-1 506	-1 301
Earnings before interest and tax (EBIT)	1 614	-513	-4 540	-2 225	3 295
Financial income	228	191	60	0	7
Financial expenses	-3 472	-3 408	-8 219	-2 994	-1 554
Income before tax	-1 631	-3 729	-12 699	-5 219	1 748
Tax on profit (loss)	-119	774	2 807	1 172	-269
Income for the year	-1 750	-2 956	-9 891	-4 047	1 479
<i>Attributable to:</i>					
Owners of ZITON A/S	-2 484	-3 082	-8 501	-4 109	1 412
Non-controlling interests	734	126	-1 390	61	67
Income for the year	-1 750	-2 956	-9 891	-4 047	1 479

STATEMENT OF COMPREHENSIVE INCOME BY QUARTER

EUR '000	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
Income for the year	-1 750	-2 956	-9 891	-4 047	1 479
<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	22	21	35	-0	0
Total comprehensive income for the year, after tax	-1 728	-2 935	-9 856	-4 047	1 479
<i>Attributable to:</i>					
Owners of ZITON A/S	-2 461	-3 061	-8 465	-4 109	1 412
Non-controlling interests	734	126	-1 390	61	67
Total comprehensive income for the year, after tax	-1 728	-2 935	-9 855	-4 047	1 479

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	EUR '000	Q2 16	Q2 15	YTD 16	YTD 15
Denmark		2 396	-0	2 745	97
UK		2 338	523	6 185	703
Germany		1 963	4 686	1 963	5 434
Holland		-	1 033	-	1 033
Belgium		-	251	-	251
Total		6 697	6 493	10 893	7 518

Sales to the two largest customers make up 76% and 12% respectively, of total revenue YTD 2016 (YTD 2015: 72% and 24%, respectively).

Note 3 - Vessels and equipment

YTD 16	Fixtures & equipment	Vessels under construction	Vessels	Total
<i>EUR '000</i>				
Cost as at 1 January	779	-	180 679	181 458
Exchange rate adjustments	2	-	303	304
Additions	17	-	1 959	1 976
Disposals	-	-	-	-
Cost YTD	797	-	182 940	183 738
Depreciation as at 1 January	-301	-	-14 805	-15 106
Exchange rate adjustments	-1	-	-30	-31
Depreciation	-88	-	-3 743	-3 832
Disposals	-	-	-	-
Depreciation YTD	-390	-	-18 579	-18 969
Impairment losses as at 1 January	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	407	-	164 362	164 769
- of which capitalised interests			18 486	18 486
YTD 15	Fixtures & equipment	Vessels under construction	Vessels	Total
<i>EUR '000</i>				
Cost as at 1 January	626	84 449	89 056	174 131
Exchange rate adjustments	-1	-191	-201	-392
Additions	144	5 138	1 188	6 469
Disposals	-	-	-	-
Transferred during the year	-	-	-	-
Cost YTD	769	89 396	90 043	180 208
Depreciation as at 1 January	-137	-	-9 028	-9 165
Exchange rate adjustments	0	-	16	17
Depreciation	-80	-	-2 498	-2 578
Disposals	-	-	-	-
Depreciation YTD	-217	-	-11 510	-11 726
Impairment losses as at 1 January	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	552	89 396	78 533	168 481
- of which capitalised interests		10 967	7 941	18 908

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 164,362k.

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 previously named DBB Jack-Up Services A/S 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 Q2 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 six 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, 17 August 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 2016

Interim report Q3 2016 – 17 November 2016

For further information, please contact

Thorsten Jalk, CEO ZITON A/S
email: thj@ziton.eu
direct: +45 8744 4410

Jens Michael Haurum, CFO ZITON A/S
email: jmh@ziton.eu
direct: +45 8744 4430