



ZITON

ZITON A/S
Interim report 4th quarter 2016

Highlights of the report

Highlights of Q4 2016

- EBITDA for the full year 2016 was a EUR 16.4m profit, which was within the expected range of EUR 16-19m.
- During the quarter, a three-year framework agreement was signed with Vattenfall.
- Weighted average utilisation for Q4 2016 was 67%, which was within the expected range of 60-70%.
- Revenue for Q4 2016 was EUR 8.3m compared to EUR 0.3m in Q4 2015. The strong growth came on the back of the time charter with Siemens Wind Power. Furthermore, we benefitted from framework agreements with DONG Energy and Vattenfall signed in the second half 2016.
- EBITDA was a EUR 4.9m profit in Q4 2016 compared to a loss of EUR 2.7m in Q4 2015. The main reasons for the strong improvement in EBITDA is the increase in revenue.
- Our expectations for 2017 for our key performance indicators are:
 - Weighted average utilisation rate in the range of 75%-85%.
 - EBITDA in the range of EUR 23-26m.
 - Cash flow from operating activities in the range of EUR 12-15m.
 - CAPEX of up to EUR 5m.

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.

Disclaimer

This report may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Although the Company believes that these assumptions were reasonable when made, the statements provided in this report are solely opinions and forecasts which are uncertain and subject to risks, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. A multitude of factors can cause actual results to differ significantly from any anticipated development expressed or implied in this document. No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved and you are cautioned not to place any undue reliance on any forward-looking statement.

Management Review

Market activity

The last quarter of the year is traditionally the low season for the offshore wind operations & maintenance (O&M) industry, mainly due to adverse seasonal weather conditions.

Nevertheless, demand was satisfactory in the fourth quarter for the following reasons:

- The fixed time charter with Siemens Wind Power provides a stable revenue stream.
- The three-year framework agreement and blade project agreed with DONG Energy during the third quarter continued to contribute to the level of activity.
- The first major component replacements were carried out for Vattenfall according to the framework agreement signed in the fourth quarter.

Contract developments

During the quarter, we signed a three-years framework agreement for a large part of Vattenfall's windfarms. Vattenfall is a market leading wind farm operator, and thus an important customer going forward. Other key contracts continue to be:

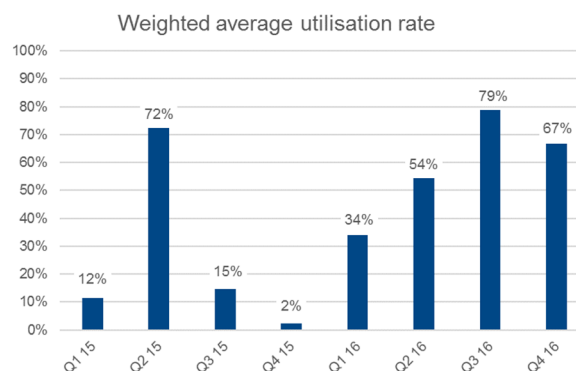
- The three-year charter with Siemens Wind Power for J/U WIND SERVER; commenced on 14 March 2016.
- The three-year framework and blade project agreements with DONG Energy; announced in August 2016.
- The framework agreement with MHI Vestas Offshore Wind; running until the end of 2017.

Having contracts with four of the leading players within the offshore wind industry demonstrates the strength ZITON's business model of providing dedicated offshore wind O&M services and having vessels available at all times to ensure reduced wind turbine down-time.

ZITON operates in a satisfactory competitive environment, being the only dedicated provider of O&M services for major components replacement. All other jack-up companies have installation as their primary business.

Utilisation rates

The weighted average utilisation rate for Q4 2016 was at 67%, which was within the expected range of 60-70%, expressed in the Q3 2016 interim report.



Note: the weighted average utilisation rate is calculated as revenue during the quarter divided by full utilisation at standard rates. Each vessel has a different weighting depending on its specifications. J/U WIND PIONEER was included from the beginning of Q4 2015.

Outlook for 2017

Our strong contract portfolio underpins the outlook for 2017. The following sets out our guidance for our key performance indicators in 2017:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 75%-85%. The 2016 weighted average utilisation rate was 59%. The projected improvement is mainly based on the framework agreements signed in 2016, and on J/U WIND SERVER being on time charter for the entire year.
- **EBITDA.** We expect EBITDA to be in the range of EUR 23-26m. This is a projected improvement from the 2016 EBITDA of EUR 16.4m driven mainly by higher revenue, as fixed costs account for most of the overall vessel OPEX.
- **Cash flow from operating activities** is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 12-15m, up from EUR 4.0m in 2016. The main reason for the projected improvement is the higher EBITDA.
- **CAPEX.** We expect CAPEX of up to EUR 5.0m, compared to EUR 2.4m in 2016.

Vessel status

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

J/U WIND PIONEER and J/U WIND mainly operate on the framework agreements with DONG Energy, Vattenfall and MHI Vestas Offshore Wind.

Risks and uncertainties

ZITON A/S is exposed to various risks that may be of significance to the company's future operations, results and financial position. For more information on significant risks and uncertainties, see 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 Q4 2016

EUR '000	Q4 16	Q4 15	Change	YTD 16	YTD 15	Change
Revenue	8 314	308	8 006	29 042	9 138	19 904
OPEX and project-related expenses	-2 431	-1 693	-738	-9 007	-6 465	-2 542
SG&A	-979	-1 270	291	-3 624	-3 640	16
EBITDA	4 904	-2 655	7 559	16 411	-967	17 378
Depreciation	-1 975	-1 885	-90	-7 775	-5 967	-1 808
EBIT	2 929	-4 540	7 469	8 636	-6 934	15 570
Financials, net	-3 301	-8 161	4 860	-13 186	-14 221	1 035
Income before tax	-372	-12 701	12 329	-4 550	-21 155	16 605

Review of income statement for Q4 2016

The fully consolidated results for the ZITON A/S shows net revenue for Q4 2016 of EUR 8.3m compared to EUR 0.3m in Q4 2015. For the full year 2016 net revenue is EUR 29.0m compared to EUR 9.1m in 2015. The main reason for the increase in revenue is that J/U WIND SERVER has been charter with Siemens Wind Power since 14 March 2016, following limited revenue during 2015. Furthermore, we have benefitted from new framework agreements with DONG Energy and Vattenfall. In addition, the competitive situation has improved as A2SEA in March 2016 announced they will focus on their core business of installation of new turbines, and withdrew from O&M services.

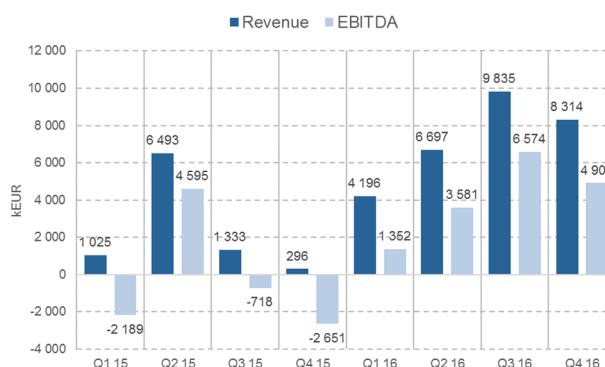
Vessel OPEX and project related costs increased to EUR 2.4m in Q4 2016 from EUR 1.7m in Q4 2015. The main reason for the EUR 0.7m increase is costs related to decommissioning project in Q4 2016, as well as increased OPEX due to a higher activity level.

SG&A expenses amounted to EUR 1.0m in Q4 2016, compared to EUR 1.3m in Q4 2015. The reduction is a consequence of one-off costs in Q4 2015 related to the bond issue in November 2015.

EBITDA was a EUR 4.9m profit in Q4 2016 compared to a loss of EUR 2.7m in Q4 2015. The main reasons for the strong improvement in EBITDA is the increase in revenue.

EBITDA for the full year 2016 was a EUR 16.4m profit, which was within the expected range of EUR 16-19m.

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 Q4 2016 from EUR 1.9m in Q4 2015. The increase of EUR 0.1m mainly reflects higher depreciation on J/U WIND following five-year classification renewal of the vessel in the beginning of 2016

EBIT was a EUR 2.9m profit in Q4 2016 compared to a loss of EUR 4.5m in Q4 2015. The main reasons for the improved EBIT is higher revenue.

Financials, net was EUR -3.3m in Q4 2016 compared to EUR -8.2m in Q4 2015. The main reason for the lower interest costs, is one-off costs of EUR 4.4m in Q4 2015 related to the bond issue in November 2015.

Income before tax was a EUR 0.4m loss in Q4 2016 compared to a EUR 12.7m loss in Q4 2015.

REVIEW OF BALANCE SHEET AT THE END OF Q4 2016

<i>EUR '000</i>	Q4 16	Q4 15	Change
Assets			
Vessel, including fixtures & equipment	161 313	166 352	-5 039
Other non-current assets	6 057	6 756	-699
Non-current assets	167 370	173 108	-5 738
Trade and other receivables	4 454	634	3 820
Cash and cash equivalents	1 944	2 122	-178
Current assets	6 398	2 756	3 642
Total assets	173 768	175 864	-2 096
Equity and Liabilities			
Equity	36 824	42 580	-5 756
Subordinated loans	32 373	29 312	3 061
Bond loans	95 856	97 799	-1 943
Bank loans and lease liabilities	2 653	2 010	643
Other liabilities	6 062	4 163	1 899
Total liabilities	136 944	133 284	3 660
Total equity and liabilities	173 768	175 864	-2 096
Key ratios			
Subordinated capital ratio	39.8%	40.9%	-1.1%
NIBD (including capitalised financing costs)	98 209	99 888	-1 679
Loan to Vessel ratio (NIBD/Vessel book value)	60.9%	60.0%	0.8%

The total value of the vessels amounted to EUR 161.3m at the end of Q4 2016, compared to EUR 166.4m at the end of Q4 2015. The reduced value of EUR 5.1m reflects depreciation that is partly counterbalanced by five-year classification of J/U WIND and other CAPEX.

Total equity declined to EUR 36.8m at the end of Q4 2016, compared to EUR 42.6m at end Q4 2015. The EUR 5.8m 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 Q4 2016 was 39.8%. This is a decline compared to 40.9% at the end of Q4 2015. The decline is mainly a consequence of losses during the period. The subordinated capital ratio has a safe margin relative to the company's only financial covenant, which requires a subordinated capital ratio of 33.0% or higher, at the end of Q4 2016.

Senior Net Interest-Bearing Debt (NIBD) amounted to EUR 98.2m at the end of Q4 2016. Hence, the senior Loan to Vessel value stood at 60.9% at the end of the period.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q4 2016

<i>EUR '000</i>	Q4 16	Q4 15	Change	YTD 16	YTD 15	Change
EBITDA	4 904	-2 655	7 559	16 411	-966	17 377
Working capital adjustments	2 481	890	1 591	-3 253	-46	-3 207
Financial payments, net	-2 873	-9 126	6 253	-9 741	-13 986	4 245
Other adjustments	318	-85	403	632	-73	705
Net cash flows from operating activities	4 830	-10 976	15 806	4 049	-15 071	19 120
Investing activities	-397	-7 030	6 633	-2 378	-11 061	8 683
Net cash flows after investing activities	4 433	-18 006	22 439	1 671	-26 132	27 803
Financing activities	-2 500	21 677	-24 177	-2 500	25 029	-27 529
Net cash flows after financing activities	1 933	3 671	-1 738	-829	-1 103	274
Available liquidity						
Cash and cash equivalents	1 944	2 122	-178			
Cash on Retention Account	1 121	90	1 031			
Liquidity	823	2 032	-1 210			
Available draw on working capital facility	4 112	8 094	-3 983			
Available liquidity	4 935	10 127	-5 192			

Cash flows from operating activities was positive of EUR 4.8m in Q4 2016 as result of positive EBITDA and working capital adjustments, that were partly offset by financial payments. In Q4 2016 the company entered into a supply chain financing programme, that resulted in the improvement in working capital during Q4.

Investing activities was insignificant during Q4 2016 at EUR 0.4m. For the entire 2016 CAPEX for the three vessels is EUR 2.4m YTD, below the guidance of EUR 3.0m for 2016.

According to the bond agreement the Super Senior Working Capital Facility was reduced from DKK 75m (≈EUR 10.1m) to DKK 50m (≈EUR 6.7m) on 26 November 2016.

Available liquidity including available draw on working capital facility amounted to EUR 4.9m at the end of Q4 2016.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

<i>EUR '000</i>	Note	Q4 16	Q4 15	YTD 16	YTD 15
Revenue	2	8 314	308	29 042	9 138
Project-related expenses		-394	-36	-1 161	-272
Operation of vessels		-2 037	-1 657	-7 846	-6 193
Gross profit (net earnings from vessel activities)		5 883	-1 385	20 035	2 674
Administrative expenses		-340	-742	-1 294	-1 778
Staff costs, office staff		-639	-528	-2 330	-1 862
Earnings before interest, tax, depreciation etc. (EBITDA)		4 904	-2 655	16 411	-966
Depreciation		-1 975	-1 885	-7 775	-5 967
Earnings before interest and tax (EBIT)		2 929	-4 541	8 636	-6 932
Financial income		358	61	954	108
Financial expenses		-3 659	-8 222	-14 140	-14 329
Income before tax		-372	-12 702	-4 550	-21 154
Tax on profit (loss)		-823	2 748	-1 254	4 630
Income for the year		-1 195	-9 955	-5 804	-16 524
<i>Attributable to:</i>					
Owners of ZITON A/S		-1 969	-8 103	-8 184	-14 859
Non-controlling interests		774	-1 851	2 380	-1 665
Income for the year		-1 195	-9 955	-5 804	-16 524

STATEMENT OF COMPREHENSIVE INCOME

<i>EUR '000</i>	Note	Q4 16	Q4 15	YTD 16	YTD 15
Income for the year		-1 195	-9 955	-5 804	-16 524
<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		21	-40	41	-40
Total comprehensive income for the year, after tax		-1 174	-9 995	-5 763	-16 564
<i>Attributable to:</i>					
Owners of ZITON A/S		-1 948	-8 144	-8 143	-14 899
Non-controlling interests		774	-1 851	2 380	-1 665
Total comprehensive income for the year, after tax		-1 174	-9 995	-5 763	-16 564

BALANCE SHEET

EUR '000	Note	Dec-16	Dec-15
Assets			
Non-current assets			
Vessels, including fixtures & equipment	3	161 313	166 352
Financial assets		6 057	6 057
Deferred tax assets			699
Non-current assets		167 370	173 108
Current assets			
Trade and other receivables		4 454	634
Cash and cash equivalents		1 944	2 122
Current assets		6 398	2 756
Total assets		173 768	175 864
Equity and Liabilities			
Equity			
Share capital		11 093	11 093
Reserves		188	140
Retained earnings		9 838	18 021
Total equity attributable to owners of ZITON A/S		21 119	29 253
Non-controlling interests		15 705	13 326
Total equity		36 824	42 580
Liabilities			
Non-current liabilities			
Subordinated loans		32 373	29 312
Bank and bond loans		90 919	95 849
Deferred income tax liabilities		2 441	1 909
Provision for other liabilities		236	231
Total non-current liabilities		125 969	127 301
Current liabilities			
Bank and bond loans		7 590	3 960
Trade and other payables		2 762	1 675
Provision for other liabilities		623	348
Total current liabilities		10 975	5 983
Total liabilities		136 944	133 284
Total equity and liabilities		173 768	175 864

STATEMENT OF CASH FLOWS

<i>EUR '000</i>	Note	Q4 16	Q4 15	YTD 16	YTD 15
Income before tax		-372	-12 702	-4 550	-21 154
<i>Operating activities</i>					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		3 295	8 162	13 186	14 221
Depreciation and writedowns for the period		1 975	1 885	7 775	5 967
Other adjustments		324	-84	632	-73
<i>Working capital adjustments</i>					
Change in trade receivables		1 958	-737	-3 872	954
Change in trade payables		523	1 627	619	-1 000
<i>Financial payments</i>					
Financial receipts		-	61	-	108
Financial payments		-2 873	-9 187	-9 741	-14 094
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		4 830	-10 976	4 049	-15 071
<i>Investing activities</i>					
Purchase of vessel, including fixtures & equipment (excl. interest)		-397	-973	-2 378	-5 004
Other cash flows from investing activities		-	-6 057	-	-6 057
Net cash used in investing activities		-397	-7 030	-2 378	-11 061
<i>Financing activities</i>					
Proceeds from issuance of ordinary shares		-	-	-	3 330
Proceeds from bank and bond loans		-	100 000	-	100 000
Change of subordinated loans		-	3 350	-	6 700
Repayment of debt to bank and bond holders		-2 500	-81 673	-2 500	-85 001
Net cash used/received in financing activities		-2 500	21 677	-2 500	25 029
Net (decrease)/increase in cash and cash equivalents		1 933	3 672	-829	-1 103
Cash and cash equivalents at beginning of period		-2 601	-3 504	162	1 267
Exchange gains/losses on cash and cash equivalents		-2	-6	-3	-2
Cash and cash equivalents at end of period*		-670	162	-670	162

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

STATEMENT OF CHANGES IN EQUITY

YTD 16

EUR '000	Attributable to owners of ZITON A/S					Total	Non-controlling interests	Total equity
	Share capital	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
Warrants granted in 2016	-	7	-	7	-7	-	-	-
Total comprehensive income for the year, after tax	-	-	41	41	-8 176	-8 135	2 379	-5 756
Balance at YTD	11 093	143	45	188	9 838	21 119	15 705	36 824

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	Attributable to owners of ZITON A/S					Total	Non-controlling interests	Total equity
	Share capital	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	-	-	-40	-40	-14 859	-14 899	-1 665	-16 564
Capital increase	3 330	-	-	-	-	3 330	-	3 330
Balance at YTD	11 093	136	4	140	18 021	29 254	13 326	42 580

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	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Revenue	8 314	9 835	6 697	4 196	308
Project related expenses	-394	-414	-29	-324	-36
Operation of vessels	-2 037	-1 987	-2 082	-1 740	-1 657
Gross profit (net earnings from vessel activities)	5 883	7 434	4 586	2 132	-1 385
Administrative expenses	-340	-310	-354	-290	-742
Staff costs, office staff	-639	-550	-651	-490	-528
Earnings before interest, tax, depreciation etc. (EBITDA)	4 904	6 574	3 581	1 352	-2 655
Depreciation	-1 975	-1 968	-1 968	-1 864	-1 885
Earnings before interest and tax (EBIT)	2 929	4 606	1 613	-512	-4 541
Financial income	358	177	228	191	61
Financial expenses	-3 659	-3 601	-3 472	-3 408	-8 222
Income before tax	-372	1 182	-1 631	-3 729	-12 702
Tax on profit (loss)	-823	-1 085	-119	774	2 748
Income for the year	-1 195	97	-1 750	-2 955	-9 955
<i>Attributable to:</i>					
Owners of ZITON A/S	-1 969	-651	-2 484	-3 081	-8 103
Non-controlling interests	774	748	734	126	-1 851
Income for the year	-1 195	97	-1 750	-2 955	-9 955

STATEMENT OF COMPREHENSIVE INCOME BY QUARTER					
EUR '000	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Income for the year	-1 195	97	-1 750	-2 955	-9 955
<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	21	-23	22	21	-40
Total comprehensive income for the year, after tax	-1 174	74	-1 728	-2 934	-9 995
<i>Attributable to:</i>					
Owners of ZITON A/S	-1 948	-674	-2 462	-3 060	-8 143
Non-controlling interests	774	748	734	126	-1 851
Total comprehensive income for the year, after tax	-1 174	74	-1 728	-2 934	-9 995

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	Q4 16	Q4 15	YTD 16	YTD 15
EUR '000				
Denmark	3 647	6	11 545	378
UK	4 679	284	12 604	1 439
Germany	-	-	3 996	5 433
Holland	-	15	757	1 633
Belgium	-	3	182	255
Total	8 326	308	29 084	9 138

Sales to the two largest customers make up 68% and 15% of revenue YTD 2016 (YTD 2015: 59% and 32%, respectively).

Note 3 - Vessels and equipment

YTD 16	Fixtures & equipment	Vessels under construction	Vessels	Total
<i>EUR '000</i>				
Cost at 1 January	779	-	180 679	181 458
Exchange rate adjustments	1	-	365	366
Additions	131	-	2 351	2 482
Disposals	-219	-	-	-219
Cost YTD	692	-	183 395	184 087
Depreciation at 1 January	-301	-	-14 805	-15 106
Exchange rate adjustments	-1	-	-43	-44
Depreciation	-164	-	-7 609	-7 773
Disposals	149	-	-	149
Depreciation YTD	-317	-	-22 457	-22 774
Impairment losses at 1 January	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	375	-	160 938	161 313
- of which capitalised interests			18 141	18 141
YTD 15	Fixtures & equipment	Vessels under construction	Vessels	Total
<i>EUR '000</i>				
Cost at 1 January	626	84 449	89 056	174 131
Exchange rate adjustments	-2	-214	-226	-442
Additions	154	5 915	1 700	7 769
Disposals	-	-	-	-
Transferred during the year	-	-90 149	90 149	-
Cost YTD	779	-	180 679	181 458
Depreciation at 1 January	-137	-	-9 028	-9 165
Exchange rate adjustments	-	-	23	23
Depreciation	-165	-	-5 799	-5 964
Disposals	-	-	-	-
Depreciation YTD	-301	-	-14 804	-15 105
Impairment losses at 1 January	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	478	-	165 875	166 353
- of which capitalised interests			18 833	18 833

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 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'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.

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 in 2016 were 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 8.2% 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 160,938k.

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 Q4 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 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, 23 February 2017

Executive Management

Thorsten Jalk
CEO

Board of Directors

Vagn Lehd Møller
Chairman

Ove Carsten Eriksen

Esben Bay Jørgensen

Lars Thorsgaard Jensen

Niels Ørskov Christensen

Financial calendar 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

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