ZITON

Interim report 4th quarter 2017

Highlights

Highlights of Q4 2017

- The fourth quarter began on a positive note, but with the onset of adverse weather, conditions for major components replacement projects deteriorated. Consequently, a number of projects were postponed into 2018.
- We retained a satisfactory market share in Q4 2017, but the level of market activity in the quarter failed to meet overall expectations, mainly because of adverse weather conditions.
- EBITDA was EUR 4.3m in Q4 2017 compared to EUR 4.9m in Q4 2016. The main reason for the decline in EBITDA was the reduced level of activity and slightly higher OPEX costs.
- The weighted average utilisation rate for Q4 2017 was at 64%, lower than the expected range of 75-85%.
- Revenue for Q4 2017 was EUR 8.0m compared to EUR 8.3m in Q4 2016. The main reason for the decline in revenue was the lower-than-expected activity.
- Our expectations for 2018 for our key performance indicators are:
    - Weighted average utilisation rate in the range of 75%-85%.
    - EBITDA in the range of EUR 21-25m.
    - Cash flow from operating activities in the range of EUR 11-15m.
    - CAPEX of up to EUR 4.0m.

- ZITON A/S will be considering its refinancing options in 2018.

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 2016/2019 (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 fourth quarter traditionally marks the beginning of the low season for the offshore wind operations & maintenance industry. At this time of the year, weather conditions are from time-to-time not always ideal for safe operations at sea.

The fourth quarter began on a positive note, but with the onset of adverse weather, conditions for major components replacement projects deteriorated. Consequently, a number of projects were postponed into 2018.

We retained a satisfactory market share in Q4 2017, but the level of market activity in the quarter failed to meet overall expectations mainly because of adverse weather conditions.

Contract developments

There were no new contract developments to report in the fourth quarter. ZITON's current offshore wind O&M contracts includes:

- The three-year charter to Siemens Gamesa Renewable Energy for J/U WIND SERVER; commenced on 14 March 2016.
- The three-year framework agreement with Ørsted; announced in August 2016.
- The three-year framework agreement with Vattenfall; announced in November 2016.
- In addition, our framework agreement with MHI Vestas Offshore Wind that was set to expire at the end of 2017, has been prolonged until cancelled by one of the parties.

Having contracts with four of the leading players within the offshore wind industry demonstrates the strength of 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 satisfactorily competitive environment, being the only dedicated provider of O&M services for major components replacement. All other jack-up companies have the installation of new wind farms as their primary business.

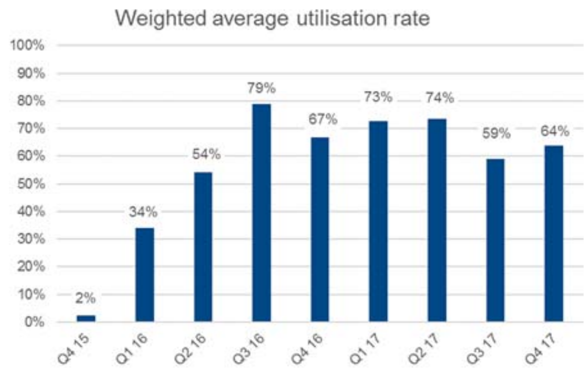
Vessel status

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

J/U WIND PIONEER and J/U WIND mainly operate under the framework agreements with Ørsted, Vattenfall and MHI Vestas Offshore Wind.

Utilisation rates

The weighted average utilisation rate for Q4 2017 was at 64%, lower than the expected range of 75-85%.



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.

Guidance follow-up for 2017

We provided initial guidance to the bondholders at the release of our Q4 2016 interim report in February 2017.

As revenue in both Q2 and Q3 2017 disappointed, we reduced our guidance in November 2017 when releasing our Q3 2017 interim report.

Unfortunately, adverse weather conditions towards the end of 2017 further affected our reported results for 2017. The reduction in guidance as well as reported results are shown in the table below.

	Guidance February 2017	Revised guidance November 2017	Actual 2017
Weighted average utilisation rate	75-85%	around 70%	67%
EBITDA	EUR 23-26m	EUR 21-22m	EUR 19.3m
Cash flows from operating activities	EUR 12-15m	EUR 11-13m	EUR 10.4m
Capex	Up to EUR 5m	Up to EUR 4m	EUR 1.5m

Outlook for 2018

Our strong contract portfolio underpins the outlook for 2018. In addition, our pipeline of specific and contracted major component replacements support the outlook. The following sets out our guidance for our key performance indicators in 2018:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 75%-85%. The 2017 weighted average utilisation rate was 67%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 21-25m. This is a projected improvement from the 2017 EBITDA of EUR 19.3m 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 11-15m, up from EUR 10.4m in 2017. The main reason for the projected improvement is the higher EBITDA.
- **CAPEX.** We expect CAPEX of up to EUR 4.0m, compared to EUR 1.5m in 2017.

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 a description of risks ZITON A/S faces, see the Risk Management section on pages 36-37 and note 4.1 "Risk management" on pages 69-70 of the 2016 Annual Report. Apart from the general risks, we have identified no specific risks affecting the outlook for the 2018 financial year.

Financial Review

REVIEW OF THE INCOME STATEMENT FOR Q4 2017

INCOME STATEMENT *EUR´000*	Q4 17	Q4 16	Change	YTD 17	YTD 16	Change
Revenue	**7 950**	**8 314**	**-364**	**33 227**	**29 042**	**4 185**
OPEX and project-related expenses	-2 721	-2 437	-284	-9 477	-9 007	-470
SG&A	-936	-973	37	-4 493	-3 624	-869
EBITDA	**4 293**	**4 904**	**-611**	**19 257**	**16 411**	**2 846**
Depreciation	-1 996	-1 975	-21	-7 930	-7 775	-155
EBIT	**2 297**	**2 929**	**-632**	**11 327**	**8 636**	**2 691**
Financials, net	-3 306	-3 301	-5	-13 168	-13 186	18
Income before tax	**-1 009**	**-372**	**-637**	**-1 841**	**-4 550**	**2 709**
Key ratios						
EBITDA margin	54.0%	59.0%	-5.0%	58.0%	56.5%	1.4%

Review of income statement for Q4 2017

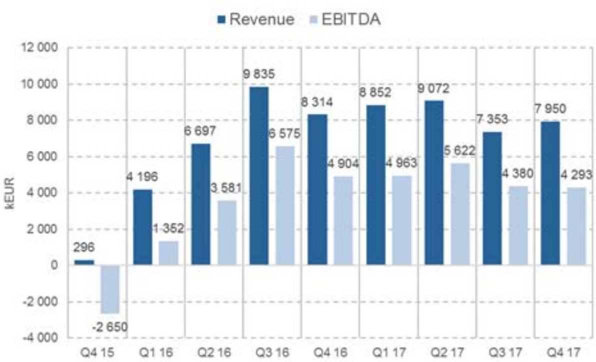
The consolidated results for ZITON A/S shows net revenue for Q4 2017 of EUR 8.0m compared to EUR 8.3m in Q4 2016. The main reason for the decline in revenue was the adverse weather conditions towards the end of Q4 2017.

Vessel OPEX and project related costs increased to EUR 2.7m in Q4 2017 from EUR 2.4m in Q4 2016. The main reason for the cost increase was minor repairs related to a jack-up system.

SG&A expenses amounted to EUR 0.9m in Q4 2017 which was largely unchanged from Q4 2016.

EBITDA was EUR 4.3m in Q4 2017 compared to EUR 4.9m in Q4 2016. The main reason for the decline was the reduced activity level and the slightly higher OPEX.

The illustration below shows actual quarterly developments of the past two years, as well as the strong correlation between revenue and EBITDA.



Depreciation charges of EUR 2.0m in Q4 2017 were largely unchanged from Q4 2016.

EBIT was EUR 2.3m in Q4 2017 compared to EUR 2.9m in Q4 2016. The main reason for the decline in EBITDA was the reduced revenue and slightly higher OPEX costs.

Financials, net at an expense of EUR 3.3m in Q4 2017 was largely unchanged from Q4 2016.

The result before tax was a EUR 1.0m loss in Q4 2017 compared to a EUR 0.4m loss in Q4 2016.

Review of the FY 2017 income statement

The consolidated results for ZITON A/S shows net revenue for 2017 of EUR 33.2m compared to EUR 29.0m for 2016, an increase of 14%. The main driver of the revenue increase was the charter of J/U WIND SERVER to Siemens Gamesa Renewable Energy since 14 March 2016, as the vessel generated limited revenue in Q1 2016.

Vessel OPEX and project-related costs increased to EUR 9.5m for 2017 from EUR 9.0m for 2016. The main reason for the increase was the higher level of activity, as well as costs related to a decommissioning project in Q1 2017.

SG&A expenses for 2017 amounted to EUR 4.5m compared to EUR 3.6m for 2016. The increase was mainly related to staff costs for additional employees and one-off costs related to a strategy project carried out in Q1 2017.

EBITDA was a EUR 19.3m profit for 2017 compared to EUR 16.4m for 2016. The revenue increase was the main driver of the EBITDA improvement.

Depreciation charges amounted to EUR 7.9m for 2017 compared to EUR 7.8m for 2016. The increase, albeit small, mainly reflects higher depreciation charges on J/U WIND following the five-year classification renewal of the vessel at the beginning of 2016.

EBIT was a profit of EUR 11.3m for 2017 compared to EUR 8.6m for 2016. The revenue increase was the main driver of the EBIT improvement.

Financials, net was an expense of EUR 13.2m in 2017, which was largely unchanged from 2016.

The result before tax for 2017 was a EUR 1.8m loss compared to a EUR 4.6m loss for 2016.

REVIEW OF BALANCE SHEET AT THE END OF 2017

BALANCE SHEET *EUR´000*	Q4 17	Q4 16	Change
Assets			
Vessel, including fixtures & equipment	154 517	161 313	-6 796
Other non-current assets	6 160	6 057	103
Non-current assets	**160 677**	**167 370**	**-6 693**
Trade and other receivables	3 966	4 454	-488
Cash and cash equivalents	2 754	1 944	810
Current assets	**6 720**	**6 398**	**322**
Total assets	**167 397**	**173 768**	**-6 371**
Equity and Liabilities			
Equity	**33 844**	**36 825**	**-2 981**
Subordinated loans	35 560	32 373	3 187
Bond loans	90 923	95 856	-4 933
Bank loans and lease liabilities	165	2 652	-2 487
Other liabilities	6 905	6 062	843
Total liabilities	**133 553**	**136 943**	**-3 390**
Total equity and liabilites	**167 397**	**173 768**	**-6 371**
Key ratios			
Subordinated capital ratio	41.5%	39.8%	1.6%
NIBD (adjusted for capitalised financing costs)	89 411	98 208	-8 797
Loan to Vessel ratio (NIBD/Vessel book value)	57.9%	60.9%	-3.0%

Review of the balance sheet at 31 December 2017

The total value of the vessels amounted to EUR 154.5m at the end of 2017. This compares to EUR 161.3m at the end of 2016. The reduced value was due to depreciation of the vessels.

Total equity declined to EUR 33.8m at the end of 2017, as compared to EUR 36.8m at the end of 2016. The lower equity mainly related to losses during the period.

The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at 31 December 2017 was 41.5%, an increase from 39.8% at 31 December 2016. The subordinated capital ratio has a safe margin relative to the company's only financial covenant in effect at 31 December 2017, which requires a subordinated capital ratio of 34.0% or higher

Senior Net Interest-Bearing Debt (NIBD) amounted to EUR 89.4m at 31 December 2017, a drop from EUR 98.2m at 31 December 2016. Hence, the percentage of senior loans to vessel value stood at 57.9% at the end of the reporting period.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q4 2017

CASH FLOWS *EUR´000*	Q4 17	Q4 16	Change	YTD 17	YTD 16	Change
EBITDA	**4 293**	**4 904**	**-611**	**19 257**	**16 411**	**2 846**
Working capital adjustments	-683	2 481	-3 164	-151	-3 253	3 102
Financial payments, net	-2 763	-2 873	110	-9 165	-9 741	576
Other adjustments	268	317	-49	460	632	-172
Net cash flows from operating activities	**1 115**	**4 829**	**-3 714**	**10 401**	**4 049**	**6 352**
Investing activities	-195	-397	202	-1 474	-2 378	904
Net cash flows after investing activities	**920**	**4 432**	**-3 512**	**8 927**	**1 671**	**7 256**
Financing activities	-3 000	-2 500	-500	-5 500	-2 500	-3 000
Net cash flows after financing activities	**-2 080**	**1 932**	**-4 012**	**3 427**	**-829**	**4 256**
Available liquidity						
Cash and cash equivalents	**2 754**	**1 944**	**810**			
Cash on retention account	1 170	1 121	49			
Liquidity	**1 584**	**823**	**761**			
Available draw on working capital facility	6 716	4 112	2 604			
Available liquidity	**8 300**	**4 935**	**3 365**			

Cash flows from operating activities was an inflow of EUR 1.1m in Q4 2017 as a result of the EBITDA profit, which was partly offset by financial payments and working capital adjustments. For the full year 2017, cash flows from operating activities were an inflow of EUR 10.4m compared to EUR 4.0m for 2016.

Cash flows for investing activities, amounting to EUR 0.2m for Q4 2017 and EUR 1.5m for the full year 2017, were mainly for improvements to the jacking and dynamic position system of J/U WIND PIONEER.

Available liquidity including undrawn commitments on the working capital facility amounted to EUR 8.3m at the end of 2017. This is EUR 3.4m higher than at the end of 2016, mainly due to the positive EBITDA of the period.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

EUR´000	Note	Q4 17	Q4 16	YTD 17	YTD 16
Revenue	2	**7 950**	**8 314**	**33 227**	**29 042**
Project-related expenses		-353	-394	-1 281	-1 161
Operating expenses		-2 368	-2 043	-8 196	-7 846
Gross profit		**5 229**	**5 877**	**23 750**	**20 035**
Administrative expenses		-180	-336	-1 712	-1 294
Staff costs, office staff		-756	-637	-2 781	-2 330
EBITDA		**4 293**	**4 904**	**19 257**	**16 411**
Depreciation and amortisation		-1 996	-1 975	-7 930	-7 775
EBIT		**2 297**	**2 929**	**11 327**	**8 636**
Financial income		-	136	-	954
Financial expenses		-3 306	-3 437	-13 168	-14 140
Income before tax		**-1 009**	**-372**	**-1 841**	**-4 550**
Tax on profit (loss)		406	-823	-1 143	-1 254
Income for the year		**-603**	**-1 195**	**-2 984**	**-5 804**
Attributable to:					
Owners of ZITON A/S		-1 772	-1 969	-6 321	-8 184
Non-controlling interests		1 169	774	3 337	2 380
Income for the year		**-603**	**-1 195**	**-2 984**	**-5 804**

STATEMENT OF COMPREHENSIVE INCOME

EUR´000	Note	Q4 17	Q4 16	YTD 17	YTD 16
Income for the year		**-603**	**-1 195**	**-2 984**	**-5 804**
Items that will be reclassified subsequently to the income statement when specific conditions are met:		-	-	-	7
Exchange adjustments of foreign entities, net of tax		-58	24	1	41
Total comprehensive income for the year, after tax		**-661**	**-1 171**	**-2 983**	**-5 756**
Attributable to:					
Owners of ZITON A/S		-1 830	-1 946	-6 319	-8 136
Non-controlling interests		1 169	774	3 336	2 380
Total comprehensive income for the year, after tax		**-661**	**-1 171**	**-2 983**	**-5 756**

BALANCE SHEET
EUR´000

		Dec-17	Dec-16
Assets			
Non-current assets			
Vessels, including fixtures & equipment	3	154 517	161 313
Intangible assets		105	-
Financial assets		6 055	6 057
Deferred tax assets		-	-
Non-current assets		**160 677**	**167 370**
Current assets			
Inventories		38	-
Trade and other receivables		3 928	4 454
Cash and cash equivalents		2 754	1 944
Current assets		**6 720**	**6 398**
Total assets		**167 397**	**173 768**
Equity and Liabilities			
Equity			
Share capital		11 093	11 093
Reserves		190	188
Retained earnings		3 517	9 838
Total equity attributable to owners of ZITON A/S		**14 800**	**21 119**
Non-controlling interests		19 044	15 705
Total equity		**33 844**	**36 824**
Liabilities			
Non-current liabilities			
Subordinated loans		35 560	32 373
Bank and bond loans		85 652	90 919
Deferred income tax liabilities		3 695	2 441
Provision for other liabilities		-	236
Total non-current liabilities		**124 907**	**125 969**
Current liabilites			
Bank and bond loans		5 436	7 590
Trade and other payables		2 008	2 762
Provision for other liabilities		1 202	623
Total current liabilites		**8 646**	**10 975**
Total liabilities		**133 553**	**136 944**
Total equity and liabilites		**167 397**	**173 768**

STATEMENT OF CASH FLOWS

EUR´000	Note	Q4 17	Q4 16	YTD 17	YTD 16
Income before tax		**-1 009**	**-372**	**-1 841**	**-4 550**
Operating activities					
Adjustments for non-cash items					
Reversal financial expenses, net		3 294	3 295	13 156	13 186
Depreciation and writedowns for the period		1 996	1 975	7 930	7 775
Other adjustments		280	323	472	632
Working capital adjustments					
Change in inventories		-	-	-38	-
Change in trade receivables		-996	1 958	624	-3 872
Change in trade payables		313	523	-737	619
Financial payments					
Financial receipts		-	-	-	-
Financial payments		-2 763	-2 873	-9 165	-9 741
Income tax expense					
Income tax expense		-	-	-	-
Net cash flows from operating activities		**1 115**	**4 829**	**10 401**	**4 049**
Investing activities					
Purchase of vessel, including fixtures & equipment (excl. interest)		-195	-397	-1 474	-2 378
Other cash flows from investing activites		-	-	-	-
Net cash used in investing activities		**-195**	**-397**	**-1 474**	**-2 378**
Financing activities					
Proceeds from issuance of ordinary shares		-	-	-	-
Proceeds from bank and bond loans		-	-	-	-
Change of subordinated loans		-	-	-	-
Repayment of debt to bank and bond holders		-3 000	-2 500	-5 500	-2 500
Net cash used/received in financing activities		**-3 000**	**-2 500**	**-5 500**	**-2 500**
Net (decrease)/increase in cash and cash equivalents		**-2 080**	**1 932**	**3 427**	**-829**
Cash and cash equivalents at beginning of period		4 834	-2 601	-670	162
Exchange gains/losses on cash and cash equivalents		-	-1	-3	-3
Cash and cash equivalents at end of period*		**2 754**	**-670**	**2 754**	**-670**

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

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity
YTD 17

EUR´000	Share capital	Reserve for warrants	Translation reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of ZITON A/S						
Balance at 31 December 2016	**11 093**	*143*	*45*	**188**	**9 838**	**21 119**	**15 706**	**36 825**
Total comprehensive income, after tax	-	-	2	2	-6 321	-6 319	3 336	-2 983
Balance at YTD	**11 093**	*143*	*47*	**190**	**3 517**	**14 800**	**19 042**	**33 842**

Share capital

In 2017, 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 16

EUR´000	Share capital	Reserve for warrants	Translation reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of ZITON A/S						
Balance at 31 December 2015	**11 093**	*136*	*4*	**140**	**18 021**	**29 254**	**13 326**	**42 580**
Total comprehensive income, after tax	-	*7*	*41*	48	-8 183	-8 135	2 380	-5 755
Balance at YTD	**11 093**	*143*	*45*	**188**	**9 838**	**21 119**	**15 706**	**36 825**

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.

Note 1 – Total Comprehensive Income by Quarter

Income statement by quarter *EUR´000*	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16
Revenue	**7 950**	**7 353**	**9 072**	**8 852**	**8 314**
Project-related expenses	-353	-61	-260	-607	-394
Operating expenses	-2 368	-1 834	-2 148	-1 822	-2 037
Gross profit	**5 229**	**5 458**	**6 664**	**6 423**	**5 883**
Administrative expenses	-180	-389	-322	-807	-340
Staff costs, office staff	-756	-689	-719	-653	-639
EBITDA	**4 293**	**4 380**	**5 623**	**4 963**	**4 904**
Depreciation	-1 996	-1 997	-1 980	-1 957	-1 975
EBIT	**2 297**	**2 383**	**3 643**	**3 006**	**2 929**
Financial income	-	-	25	-	358
Financial expenses	-3 306	-3 302	-3 253	-3 332	-3 659
Income before tax	**-1 009**	**-919**	**415**	**-326**	**-372**

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 Group's overall financial results 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*	Q4 17	Q4 16	YTD 17	YTD 16
Denmark	431	3 644	11 989	11 529
UK	5 646	4 670	18 502	12 585
Germany	773	-	1 030	3 990
Holland	1 100	-	1 706	756
Belgium	-	-	-	182
Total	**7 950**	**8 314**	**33 227**	**29 042**

Sales to the two largest customers (above 10% of total revenue) make up 72% and 10%, respectively, of total revenue for 2017 (for 2016: Top two were 68% and 15%, respectively).

Note 3 - Vessels and equipment

YTD 17 *EUR´000*	Fixtures & equipment	Vessels	Total
Cost at 1 January	692	183 395	184 087
Transferred between asset categories	-254	254	
Exchange rate adjustments	-1	-140	-141
Additions	539	901	1 440
Disposals	-201	-115	-316
Cost YTD	**775**	**184 295**	**185 070**
Depreciation at 1 January	-317	-22 457	-22 774
Transferred between asset categories	132	-132	
Exchange rate adjustments	-	19	19
Depreciation	-121	-7 798	-7 919
Disposals	111	9	120
Depreciation YTD	**-195**	**-30 359**	**-30 554**
Impairment losses at 1 January	-	-	-
Impairment losses YTD	-	-	-
Carrying amount YTD	**580**	**153 936**	**154 516**
- of which capitalised interests		17 398	17 398

YTD 16 *EUR´000*	Fixtures & equipment	Vessels	Total
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

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. This includes any concluded framework agreements and signed charters and by using estimated utilisation and average day rates for the "open charter periods".

- Estimated utilisation is based on projected future installation of offshore turbines, the average rate at which a turbine needs assistance from a jack-up vessel in the turbine's lifetime and ZITON´s expected market share.
- Average day rates are based on either already signed framework agreements or historical prices.

Hence, the exact value used to measure impairment charges is subject to uncertainty and is based on what the company believes to be the best estimate of the fair value. The budget used for impairment testing is based on a five-year period, including a terminal period.

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).

An impairment test is carried out based on value in use. The impairment test is performed 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 and a determined WACC of 8.1% 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 153,936k.

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

Note 4 - Commitments and contingencies

A performance guarantee covering decommissioning work in the United Kingdom in 2018 was provided by the Group's bank in Q4 2017. The guarantee amounts to EUR 1,728k (2016: EUR 0k) and expires on 16 October 2018 or upon completion of the decommissioning. There have been no other significant changes to contingent assets and liabilities since the end of 2016 other than those referred to in the annual report for 2016. Further, the performance guarantee to Siemens amounts to EUR 2,961k as of 31 December 2017 (31 December 2016: EUR 5,330k).

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 2016.

Note 6 - Subsequent events

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

Note 7 – Basis of reporting

Accounting policies

Basis of consolidation

The interim report has been prepared in accordance with the international financial reporting standard IAS 34 on interim reports. No interim report has been prepared for the parent company (ZITON A/S).

The consolidated annual report for 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The accounting policies are unchanged from those applied in the annual report for 2016, except for all new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2017. These IFRSs have not had any impact on the Group's interim report. For a complete description of accounting policies, please refer to pages 57-59 of the consolidated annual report for 2016.

Risks

We have identified no specific risks affecting the outlook for the remainder of the financial year 2017. For a description of ZITON A/S risks, see the Risk Management section on pages 36-37 and note 4.1 "Risk management" on pages 69-70 of the 2016 Annual Report.

Management statement
The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for the fourth quarter of 2017. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the fourth quarter of 2017 has been prepared in accordance with IAS 34, and disclosure requirements for issuers of bonds listed on the Oslo Stock Exchange.

In our opinion the interim report gives a true and fair view of ZITON's assets, liabilities, and financial position at 31 December 2017, and of the results of the ZITON's operations and cash flow for the fourth quarter of 2017.

In our opinion, the Management Review provides a fair review of the development in ZITON's activities and business, the results for the period and ZITON's financial position as a whole, and a description of the most significant risks and uncertainties which ZITON faces.

Horsens, 27 February 2017

Executive Management

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Thorsten Jalk
CEO

Board of Directors

________________________	________________________	________________________
Vagn Lehd Møller Chairman	Ove Carsten Eriksen	Esben Bay Jørgensen
________________________	________________________	________________________
Lars Thorsgaard Jensen	Niels Ørskov Christensen	Morten Melin

Financial calendar 2017/18
Annual report 2017 – 19 April 2018
Interim report Q1 2018 – 24 May 2018
Interim report Q2 2018 – 23 August 2018
Interim report Q3 2018 – 15 November 2018

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