



**ZITON**

**Interim report  
Q1 2020**

**ZITON A/S  
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## Highlights of the report

### Highlights of Q1 2020

- EBITDA was a loss of EUR 1.6m in Q1 2020 compared to a profit of EUR 6.5m in Q1 2019. The main reason for the decrease in EBITDA was markedly lower activity in Q1 2020.
  - During the first two months of 2020, challenges remained for the WoDS blade campaign primarily as consequence of damage to a blade lifting system and unusual adverse weather, even for the season. Weather conditions improved during March 2020, and thus the WoDS blade campaign has performed according to expectations, and even beyond expectations going into Q2 2020.
  - For J/U WIND, J/U WIND PIONEER and J/U WIND ENTERPRISE activity in the quarter was lower than anticipated mainly due to adverse weather.
  - The impact from corona virus has, until now, had a limited effect on ZITON's revenue. Nevertheless, some customers are hesitant to initiate operations & maintenance projects, thus a negative effect on financial performance cannot be excluded at a later stage.
  - In April 2020, following approval of the written resolution, the corporate loans were restructured, and a new working capital facility was provided, collectively improving the company's available liquidity by up to EUR 14.3 million.
- Compared to the guidance reported in the Q4 2019 report, the KPI guidance for 2020 is unchanged:
    - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 60%-70%.
    - **EBITDA.** We expect EBITDA to be in the range of EUR 18-22m.
    - **Cash flow from operating** activities is defined as EBITDA less changes in working capital. We expect cash flows from operating activities of EUR 10-14m.
    - **CAPEX.** We expect CAPEX of up to EUR 4.0m.

**Information in this report**

The information provided in this interim report is submitted in accordance with the Bond Agreements on FRN ZITON A/S EUR 100,000,000 callable bonds 2018/2022 (ISIN NO 0010832488) and FRN second secured EUR 25,000,000 callable PIK bonds 2018/2023 (ISIN NO 0010832512).

As required under the Bond Agreements, 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 or audited 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 subject to uncertainty, risks, contingencies and other important factors which are difficult or impossible to predict and are beyond the Company's control. A multitude of factors may 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 first quarter is traditionally the low season for the offshore wind operations & maintenance industry. At this time of the year the weather conditions are from time-to-time not aligned with safe operations at sea.

The activity level for regular major component replacement in Q1 2020 was slightly higher compared to the same quarter the year before.

The market for blade campaigns continues to develop favourably, but this market is more erratic, and initiation of such larger projects is subject to uncertainty and wider competition.

### Vessel operations

J/U WIND SERVER is operating at the blade campaign at WoDS. ZITON provides a full turnkey solution including, among other things, jack-up, lifting equipment, lift planning, technicians and blade repair including repair facilities.

During the first two months of 2020, challenges remained for the WoDS blade campaign primarily as consequence of damage to a blade lifting system and unusual adverse weather, even for the season. Weather conditions improved during March 2020, and thus the WoDS blade campaign has performed according to expectations, and even beyond expectations going into Q2 2020.

During the quarter, J/U WIND, J/U WIND PIONEER and J/U WIND ENTERPRISE operated under framework agreements with Ørsted, Vattenfall and MHI Vestas Offshore Wind as well as other tenders attained. Activity in the quarter was lower than anticipated mainly due to adverse weather.

### Corona virus

ZITON is continuously reviewing the risk and impact of the SARS-CoV-2 virus that can cause the COVID-19 disease, commonly referred to as corona virus.

The potential impact on ZITON is the risk that vessel crews are quarantined and not allowed or able to operate the vessels because someone from the crew has been infected, or delays caused by other parties in the value chain beyond the control of ZITON. Customers of ZITON are also evaluating the impact of corona virus, and some customers and wind farm owners are implementing their own procedures that may impact ZITON's ability to operate as effectively as before the corona virus.

ZITON has taken a number of precautions to avoid quarantine of vessel crews, which are based on the recommendations from the Danish Health Authorities and other health authorities in the countries in which ZITON operates. We are continuously informing all ZITON employees and subcontractors of any changes in the recommendations.

The impact from corona virus has, until now, had a limited effect on ZITON's revenue. Nevertheless, some customers are hesitant to initiate operations & maintenance projects, thus a negative effect on financial performance cannot be excluded at a later stage.

### Liquidity and capital structure

The operational challenges experienced during the first two months of 2020, resulted in poor financial performance and significant drain on liquidity. At the end of Q1 2020, available liquidity amounted EUR 2.2m, of which EUR 0.9m is placed in a restricted account as security for currency hedging related to the WoDS. This was considered insufficient. Consequently, a summons for written resolution was issued on 23 March 2020, resulting in bond holders' approval of the proposal on 6 April 2020.

In April 2020, following approval of the written resolution, the corporate loans were restructured, and a new working capital facility was provided, collectively improving the company's available liquidity by up to EUR 14.3 million.

Bondholders of the 1st lien bond approved on 6 April 2020 a proposal to:

- Extend the maturity of the loan by 1 year to 3 October 2022;
- Waive covenants for the subordinated capital ratio until 31 December 2020;
- Postpone semi-annual amortization payments from 3 April 2020 and 3 October 2020 by one year to 3 April 2021 and 3 October 2021 respectively. Improving the liquidity of a total of EUR 5.0 million in 2020, and;
- Option for the company to postpone quarterly interest payments on 3 April 2020 and 3 July 2020 until the bonds mature, improving the liquidity by up to EUR 3.3 million.

The bondholders of the 2nd lien bond approved on 6 April 2020 a proposal to:

- Extend the maturity of the loan by one year to 3 April 2023, and;
- Waive covenants for the subordinated capital ratio until 31 December 2020.

The subordinated loan provider approved a proposal to:

- Extend the maturity of the loan by one year to 3 October 2023, and;

- Waive covenants for the subordinated capital ratio until 31 December 2020.

The bondholders and subordinated capital providers are compensated by, among other things, an increase in the coupon of 1 percentage point, a new EBITDA covenant and an improved call structure for early repayment. Detailed terms of the amendments to the bond terms are available in note 4.3 of the annual report 2019.

Furthermore, ZITON will seek to implement a capital issue of EUR 10 million in subordinated capital before the end of 2020.

To further strengthen the capital available to the company, ZITON's majority shareholder and providers of the 2nd lien bond and the subordinated loan capital have provided an additional working capital facility of up to EUR 6 million as a supplement to the current working capital facility provided by ZITON's bank. The capital providers will make EUR 3 million available immediately and EUR 3 million is intended to be made available, subject to administrative and legal approvals for the capital providers.

### Contract developments

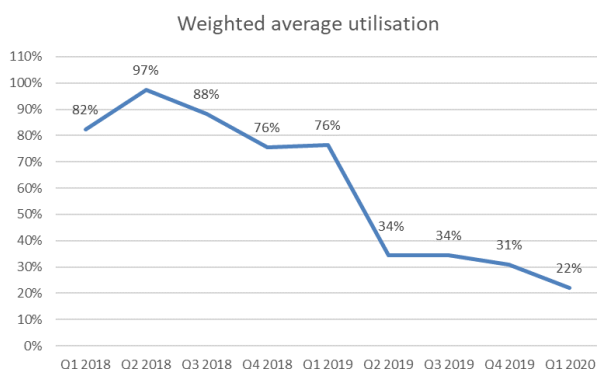
ZITON's current contracts within offshore wind O&M include:

- On 1 May 2019, Ørsted and ZITON signed a framework agreement covering nine of Ørsted's offshore wind farms. The contract expires in March 2022
- On 16 May 2019, SGRE and ZITON signed a contract to upgrade blades on 108 turbines at WoDS. The blade campaign was initiated in July 2019, using J/U WIND SERVER. ZITON provides a full turnkey solution including, among other things, jack-up, lifting equipment, lift planning, technicians, blade repair and repair facilities. The blade campaign shows ZITON's ambition to remain an important player in both the market for blade campaigns and its traditional market for regular major component replacement.

- On 19 July 2019, Vattenfall Wind Power AB and ZITON signed a one-year extension of the framework agreement then in force. Thus, ZITON will remain the main partner for major component replacements at Vattenfall's offshore wind farms. The framework agreement will expire in November 2020.
- On 18 December 2019, MHI Vestas Offshore Wind and ZITON signed a three-years framework agreement. The framework agreement is an extension and amendment of the two companies' former framework agreement. The framework agreement further expands the scope to include sites where MHI Vestas' 8.0-10 MW V164 turbine model is installed.

**Utilisation rates**

The weighted average utilisation rate for Q1 2020 was at 22%.



*Note: Weighted average utilisation rate is calculated as vessel revenue and other operating income deducting project-related expenses during the quarter divided by full utilisation at standard rates of EUR 185k/day (EUR 135k/day until the end of June 2019). Each vessel has a different weighting depending on its specifications.*

**Competitive environment**

ZITON operates in a satisfactory competitive environment. In Q2 2019 Fred. Olsen Windcarrier entered the market for O&M services for major component replacement with L/B Jill, and in June

2019 Swire Blue Ocean entered into a 19 months maintenance and service agreement with SGRE. All other jack-up companies have the installation of new wind farms as their primary business, but from time to time use their vessel for O&M services.

**Outlook for 2020**

Compared to the guidance reported in the Q4 2019 report, the KPI guidance for 2020 is unchanged:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 60%-70%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 18-22m.
- **Cash flow from operating activities** is defined as EBITDA less changes in working capital. We expect cash flows from operating activities of EUR 10-14m.
- **CAPEX.** We expect CAPEX of up to EUR 4.0m.

**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 ZITON A/S' risks, please refer to the Risk Management section on pages 51-53 and note 4.1 "Risk management" on pages 96-99 of the 2019 annual report.

## Financial Review

### REVIEW OF THE INCOME STATEMENT

INCOME STATEMENT EUR'000	Q1-20	Q1-19	Change
<b>Revenue</b>	<b>7,346</b>	<b>9,693</b>	<b>-2,346</b>
Other operating income	-	488	-488
OPEX and project-related expenses	-7,528	-2,418	-5,110
SG&A	-1,392	-1,199	-193
<b>EBITDA</b>	<b>-1,573</b>	<b>6,564</b>	<b>-8,137</b>
Depreciation	-2,686	-2,126	-559
<b>EBIT</b>	<b>-4,259</b>	<b>4,438</b>	<b>-8,696</b>
Financials, net	-4,502	-3,572	-931
<b>Income before tax</b>	<b>-8,761</b>	<b>866</b>	<b>-9,627</b>

#### Review of the income statement for Q1 2020

The consolidated income statement for the ZITON Group shows revenue for Q1 2020 of EUR 7.3m. Revenue amounted to EUR 9.7m in Q1 2019, in addition to which ZITON recorded other operating income of EUR 0.5m related to a payment from loss-of-hire insurance for J/U WIND. Revenue from J/U WIND SERVER was lower than anticipated for the first two months of 2020, as challenges remained for the WoDS blade campaign mainly as consequence of damage to a blade lifting system and unusual adverse weather, even for the season. For the three other vessels activity in the quarter was lower than anticipated mainly due to adverse weather, but also due to strong performance in Q1 2019 for other O&M services than major component replacement.

Vessel OPEX and project related costs increased to EUR 7.5m for Q1 2020 from EUR 2.4m in Q1 2019. The main reason for the increase in costs was project-related expenses for providing a turnkey solution for the WoDS blade campaign. Project-related expenses and OPEX are, in the short-term, mainly fixed cost. This combined with low vessel utilisation, is the reason for project-related expenses and OPEX exceed revenue during Q1 2020.

SG&A expenses amounted to EUR 1.4m in Q1 2020 compared to EUR 1.2m in Q1 2019. Most of

the cost increase was related to legal advice related to taking over management of J/U WIND ENTERPRISE.

EBITDA amounted to a loss of EUR 1.6m in Q1 2020 compared to a profit of EUR 6.6m in Q1 2019. The main reason for the decrease in EBITDA was lower activity during the first two months of 2020, higher Vessel OPEX and project-related costs, as well as the loss-of-hire insurance recognised in Q1 2019.

Depreciation charges were EUR 2.7m in Q1 2020 compared to EUR 2.1m in Q1 2019. The increase in depreciation is related to capitalisation and depreciation of J/U WIND ENTERPRISE which was bareboat chartered during Q2 2019.

Financials, net was an expense of EUR 4.5m in Q1 2020 compared to an expense of EUR 3.6m in Q1 2019. The increased financial costs were mainly as consequence of capitalisation and interest expensing of J/U WIND ENTERPRISE which was bareboat chartered during Q2 2019.

REVIEW OF THE BALANCE SHEET AT THE END OF Q1 2020

<i>EUR '000</i>	Q1-20	Q1-19	Change
<b>Assets</b>			
Vessel, including fixtures & equipment	192,602	152,689	39,913
Other non-current assets	641	101	540
<b>Non-current assets</b>	<b>193,242</b>	<b>152,790</b>	<b>40,453</b>
Trade and other receivables	3,541	8,057	-4,516
Cash and cash equivalents	4,234	6,556	-2,321
<b>Current assets</b>	<b>7,775</b>	<b>14,613</b>	<b>-6,838</b>
<b>Total assets</b>	<b>201,017</b>	<b>167,403</b>	<b>33,614</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>	<b>-11,710</b>	<b>10,157</b>	<b>-21,867</b>
Subordinated loan	26,403	23,082	3,321
Bond loans, second lien	29,500	26,015	3,485
Bond loans, first lien	93,829	95,637	-1,808
Lease obligations	42,809	1,064	41,745
Working capital facility	5,495	56	5,439
Other liabilities	14,692	11,392	3,300
<b>Total liabilities</b>	<b>212,728</b>	<b>157,245</b>	<b>55,483</b>
<b>Total equity and liabilities</b>	<b>201,017</b>	<b>167,403</b>	<b>33,614</b>
<b>Key ratios</b>			
Subordinated capital ratio	31.5%	35.4%	-3.9%

**Review of the balance sheet, end of Q1 2020**

The total value Non-current assets, that mainly consist of vessels, amounted to EUR 193.2m at the end of Q1 2020. This compares to EUR 152.8m at the end of Q1 2019. The increase was mainly due to capitalisation of the bareboat chartered vessel J/U WIND ENTERPRISE, according to IFRS 16.

Trade and other receivables amounted to EUR 3.5m at the end of Q1 2020 compared to EUR 8.1m at the end of Q1 2019. The decline was primarily an effect of lower trade receivables, as a consequence of lower revenue.

Total equity was negative at EUR 11.7m at the end of Q1 2020, a change from a positive amount of EUR 10.2m at the end of Q1 2019. The decline compared to Q1 2019 was mainly a consequence of losses incurred in the period, which is partly offset by a capital injection of EUR 2.0m by BWB Partners.

The subordinated capital ratio (as defined in "Alternative Performance Measures", please refer to pages 54-55 of the 2019 annual report) at end of Q1 2020 was 31.5%. This is a decline of 3.9% compared to 35.4% at the end of Q1 2019, as losses incurred in the period could only partly be offset by a capital injection of EUR 2.0m to equity by BWB Partners, as well as accrual of interest on the subordinated loan and second lien loan. In April 2020, covenants for subordinated capital ratio were waived until 31 December 2020.



**REVIEW OF STATEMENT OF CASH FLOWS FOR Q1 2020**

<i>EUR'000</i>	Q1-20	Q1-19	Change
<b>EBITDA</b>	<b>-1,573</b>	<b>6,564</b>	<b>-8,137</b>
Working capital adjustments	204	-5,322	5,525
Adjustments for non-cash items	-1,265	-839	-426
<b>Net cash flows from operating activities</b>	<b>-2,634</b>	<b>403</b>	<b>-3,038</b>
Financial payments, net	-849	-1,845	996
<b>Net cash before investing activities</b>	<b>-3,483</b>	<b>-1,441</b>	<b>-2,042</b>
Investing activities	-227	-481	254
<b>Net cash flows after investing activities</b>	<b>-3,710</b>	<b>-1,922</b>	<b>-1,788</b>
Financing activities	4,848	-2,363	7,212
<b>Net cash flows after financing activities</b>	<b>1,138</b>	<b>-4,285</b>	<b>5,424</b>

<i>Available liquidity</i>	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
<b>Cash and cash equivalents</b>	<b>4,234</b>	<b>2,008</b>	<b>2,282</b>	<b>7,247</b>	<b>6,556</b>
Cash on retention account	3,188	-	2	2,973	12
<b>Liquidity</b>	<b>1,046</b>	<b>2,008</b>	<b>2,280</b>	<b>4,274</b>	<b>6,543</b>
Available draw on working capital facility	1,201	6,540	2,374	6,931	6,640
<b>Available liquidity</b>	<b>2,247</b>	<b>8,548</b>	<b>4,654</b>	<b>11,205</b>	<b>13,183</b>

**Review of the cash flow statement**

Cash flows from operating activities were an outflow of EUR 2.6m in Q1 2020 driven by a negative EBITDA. Cash flows from operating activities amounted to EUR 0.4m for 2019.

Financial payments, net amounted to EUR -0.8m in Q1 2020 compared to EUR -1.8m in Q1 2019. The reduced financial payments is a consequence of lower interest payments on bond loans.

Investing activities amounted to EUR 0.2m in Q1 2020 compared to EUR 0.5m in Q1 2019.

Financing activities amounted to a cash inflow of EUR 4.8m in Q1 2020, which consist of draw on the current working capital facility provided by ZITON's bank and lease payments. This compares to an outflow of EUR 2.5m in Q1 2019, which primarily consisted of amortisation on the 1<sup>st</sup> lien bond.

Available liquidity including available drawings on our working capital facility amounted to EUR 2.2m at the end of Q1 2020, of which EUR 0.9m is placed in a restricted account as security for currency hedging related to the WoDS blade campaign. This was EUR 6.3m lower than at the end of Q4 2019, resulting from negative cash flow during Q1 2020, and transfers to the retention account.

## Consolidated financial statements for ZITON A/S

### INCOME STATEMENT

<i>EUR '000</i>	Note	Q1-20	Q1-19
<b>Revenue</b>	2	<b>7,346</b>	<b>9,693</b>
Other operating income		-	488
Project-related expenses		-2,788	-232
Operational expenses		-4,740	-2,186
<b>Gross profit</b>		<b>-182</b>	<b>7,763</b>
Administrative expenses		-402	-349
Staff costs, office staff		-989	-850
<b>EBITDA</b>		<b>-1,573</b>	<b>6,564</b>
Depreciation & amortisation		-2,686	-2,126
<b>EBIT</b>		<b>-4,259</b>	<b>4,438</b>
Financial income		172	18
Financial expenses		-4,674	-3,590
<b>Income before tax</b>		<b>-8,761</b>	<b>866</b>
Tax on profit (loss)		1,684	239
<b>Income for the year</b>		<b>-7,078</b>	<b>1,105</b>
<i>Attributable to:</i>			
Owners of ZITON A/S		-7,071	1,106
Non-controlling interest - Profit/loss		-7	-1
<b>Income for the year</b>		<b>-7,078</b>	<b>1,105</b>

### STATEMENT OF COMPREHENSIVE INCOME

<i>EUR '000</i>	Note	Q1-20	Q1-19
<b>Income for the year</b>		<b>-7,078</b>	<b>1,105</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		-55	17
'Cash flow hedges, realised gains/(losses) incurred during period		132	-
Cash flow hedges, deferred gains/(losses) incurred during period		559	-
<b>Total comprehensive income for the year, after tax</b>		<b>-6,442</b>	<b>1,122</b>
<i>Attributable to:</i>			
Owners of ZITON A/S		-6,435	1,123
Non-controlling interest - Profit/loss		-7	-1
<b>Total comprehensive income for the year, after tax</b>		<b>-6,442</b>	<b>1,122</b>

<b>BALANCE SHEET</b>				
<i>EUR 000</i>				
		Q1-20	Q1-19	Q4-19
<b>Assets</b>				
<b>Non-current assets</b>				
Vessel, including fixtures & equipment	3	192,602	152,689	194,939
Intangible assets		121	101	128
Deferred tax assets		519	-	519
<b>Non-current assets</b>		<b>193,242</b>	<b>152,791</b>	<b>195,586</b>
<b>Current assets</b>				
Inventories		229	47	293
Trade and other receivables		3,312	8,010	2,638
Cash and cash equivalents		4,234	6,556	2,008
<b>Current assets</b>		<b>7,775</b>	<b>14,613</b>	<b>4,939</b>
<b>Total assets</b>		<b>201,017</b>	<b>167,404</b>	<b>200,526</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital		13,098	11,093	13,098
Reserves		67	206	-569
Retained earnings		-24,929	-1,208	-17,856
<b>Total equity attributable to owners of ZITON A/S</b>		<b>-11,764</b>	<b>10,091</b>	<b>-5,328</b>
Non-controlling interest		54	66	61
<b>Total equity</b>		<b>-11,710</b>	<b>10,157</b>	<b>-5,267</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Subordinated loan		26,403	23,083	25,472
Bond loans, second lien		29,500	26,015	28,602
Bond loans, first lien		89,516	91,324	88,117
Lease obligations		40,263	914	40,832
Deferred income tax liabilities		4,425	9,562	6,109
Provision for other liabilities		230	-	230
<b>Total non-current liabilities</b>		<b>190,337</b>	<b>150,899</b>	<b>189,362</b>
<b>Current liabilities</b>				
Bond loans, first lien		4,313	4,313	4,314
Lease obligations		2,546	150	2,546
Working capital facility		5,495	56	156
Trade and other payables		9,353	1,157	8,540
Provision for other liabilities		683	672	874
<b>Total current liabilities</b>		<b>22,390</b>	<b>6,348</b>	<b>16,430</b>
<b>Total liabilities</b>		<b>212,727</b>	<b>157,246</b>	<b>205,792</b>
<b>Total equity and liabilities</b>		<b>201,017</b>	<b>167,404</b>	<b>200,526</b>

STATEMENT OF CASH FLOWS

<i>EUR'000</i>	Note	Q1-20	Q1-19
<b>Income before tax</b>		<b>-8,761</b>	<b>866</b>
<b>Operating activities</b>			
<i>Adjustments for non-cash items</i>			
Reversal financial expenses, net		4,502	3,574
Depreciation and writedowns of the period		2,686	2,126
Other adjustments		-1,265	-841
<i>Working capital adjustments</i>			
Change in inventories		64	-12
Change in trade receivables		-674	-4,979
Change in trade payables		813	-331
<i>Income tax expense</i>			
Income tax expense		-	-
<b>Net cash flows from operating activities</b>		<b>-2,634</b>	<b>403</b>
<i>Financial payments</i>			
Financial receipts		-	-
Financial payments		-849	-1,845
<b>Net cash flows before investing activities</b>		<b>-3,483</b>	<b>-1,441</b>
<b>Investing activities</b>			
Purchase of vessel, fixtures & equipment		-227	-415
Other cash flows from investing activities		-	-66
<b>Net cash used in investing activities</b>		<b>-227</b>	<b>-481</b>
<b>Financing activities</b>			
Proceeds from bond loans	█	-	-2,501
Repayment of debt to bank and bondholders		-	-
Lease payments		-647	-56
Draw on working capital facility		5,495	194
<b>Net cash used/received in financing activities</b>		<b>4,848</b>	<b>-2,363</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1,138</b>	<b>-4,286</b>
Cash and cash equivalents at beginning of period		3,096	10,842
Exchange gains/losses on cash and cash equivalents		-	-
<b>Net cash and cash equivalents at end of period</b>		<b>4,234</b>	<b>6,556</b>



**STATEMENT OF CHANGES IN EQUITY**

YTD 20	Attributable to owners of ZITON A/S							Non-controlling interests	Total equity
	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings	Total		
<i>EUR '000</i>									
Balance at 31 December 2019	13,098	143	-11	-701	-569	-17,856	-5,327	61	-5,267
Total comprehensive income, after tax	-	-	-55	691	636	-7,073	-6,437	-7	-6,444
Balance at YTD	13,098	143	-66	-10	67	-24,929	-11,764	54	-11,711

**Share capital**

At the end of Q1 2020, the share capital consisted of 97,782,192 shares of DKK 1 each (EUR 13,098K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 82,663,782 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**

Equity reserves 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 other than DKK and translation from the functional currency to the presentation currency.

YTD 19	Attributable to owners of ZITON A/S							Non-controlling interest	Total equity
	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings	Total		
<i>EUR '000</i>									
Balance at 31 December 2018	11,093	143	46	-	189	-2,380	8,902	-	8,902
Total comprehensive income, after tax	-	-	17	-	17	1,105	1,123	-1	1,122
Capital increase in subsidiaries	-	-	-	-	-	66	66	67	133
Balance at YTD	11,093	143	63	-	206	-1,209	10,091	66	10,157

**Share capital**

At the end of Q1 2019, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,089k). The shares are divided into two classes: 15,118,416 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

<i>EUR'000</i>	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
<b>Revenue</b>	<b>7,346</b>	<b>9,608</b>	<b>8,711</b>	<b>5,561</b>	<b>9,693</b>
Other operating income	-	-	-	-	488
Project-related expenses	-2,788	-2,957	-1,965	-233	-234
Operational expenses	-4,740	-5,904	-4,725	-3,656	-2,186
<b>Gross profit</b>	<b>-182</b>	<b>746</b>	<b>2,021</b>	<b>1,672</b>	<b>7,761</b>
Administrative expenses	-402	-526	-365	-571	-356
Staff costs, office staff	-989	-1,110	-694	-866	-867
<b>EBITDA</b>	<b>-1,573</b>	<b>-889</b>	<b>961</b>	<b>235</b>	<b>6,538</b>
Depreciation	-2,686	-2,700	-2,668	-2,392	-2,109
<b>EBIT</b>	<b>-4,259</b>	<b>-3,589</b>	<b>-1,707</b>	<b>-2,158</b>	<b>4,429</b>
Financial income	35	35	8	-	-
Financial expenses	-4,537	-4,815	-4,638	-4,013	-3,576
<b>Income before tax</b>	<b>-8,761</b>	<b>-8,370</b>	<b>-6,337</b>	<b>-6,171</b>	<b>853</b>

## Note 2 – Revenue from customers

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 and ZITON Contractors A/S revenue and expenses. As all jack-up vessels including ZITON Contractors A/S 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. For time charter contracts, the geographical distribution is based on the position of the vessel, during the contract.

### Geographical distribution of revenue

<i>EUR'000</i>	Q1-20	Q1-19
United Kingdom	3,716	6,484
Denmark	2,199	2,118
Germany	1,221	659
Sweden	210	432
<b>Total</b>	<b>7,346</b>	<b>9,693</b>

Sales to the three largest customers, accounting for more than 10% of revenue, made up 40%, 26% and 20% of total revenue in 2020 (2019: 58% and 19% respectively).

## Note 3 - Vessels and equipment

### Q1-20

<b>EUR '000</b>	<b>Property</b>	<b>Fixtures &amp; equipment</b>	<b>Vessels</b>	<b>Total</b>
Cost at 1 January	1,181	2,517	239,521	243,219
Exchange rate adjustments	-	1	48	49
Additions	-	-	254	254
Additions to leased assets (Right-of-use assets)	-	59	-	59
Disposals of leased assets (Right-of-use assets)	-	-55	-	-55
<b>Cost YTD</b>	<b>1,181</b>	<b>2,522</b>	<b>239,823</b>	<b>243,526</b>
Depreciation at 1 January	-242	-726	-47,270	-48,238
Exchange rate adjustments	-	-	-42	-42
Depreciation	-	-90	-2,507	-2,596
Depreciation on leased assets (Right-of-use assets)	-59	-33	-	-93
Disposals of leased assets (Right-of-use assets)	-	45	-	45
<b>Depreciation YTD</b>	<b>-301</b>	<b>-805</b>	<b>-49,818</b>	<b>-50,924</b>
Impairment losses at 1 January	-	-	-	-
Impairment losses YTD	-	-	-	-
<b>Carrying amount YTD</b>	<b>880</b>	<b>1,717</b>	<b>190,004</b>	<b>192,602</b>

### Q1-19

<b>EUR '000</b>	<b>Property</b>	<b>Fixtures &amp; equipment</b>	<b>Vessels</b>	<b>Total</b>
Cost at 1 January	-	1,353	190,351	191,704
Exchange rate adjustments	-	1	37	38
Additions on leased assets, incl. opening adjustment (IFRS 16)	902	58	-	960
Additions	-	218	291	509
Disposals	-	-74	-	-74
<b>Cost YTD</b>	<b>902</b>	<b>1,556</b>	<b>190,679</b>	<b>193,137</b>
Depreciation at 1 January	-	-368	-38,012	-38,381
Exchange rate adjustments	-	-	-9	-9
Depreciations on leased assets	-52	-4	-	-56
Depreciation	-	-56	-1,994	-2,050
Disposals	-	35	12	47
<b>Depreciation YTD</b>	<b>-52</b>	<b>-394</b>	<b>-40,003</b>	<b>-40,449</b>
Impairment losses at 1 January	-	-	-	-
Impairment losses YTD	-	-	-	-
<b>Carrying amount YTD</b>	<b>850</b>	<b>1,163</b>	<b>150,675</b>	<b>152,688</b>

### Obligations related to right of use assets

On 28 May 2019, ZITON entered into a bareboat charter of J/U WIND ENTERPRISE running until 31 March 2021. As part of the agreement ZITON was given an option to acquire the vessel. If the call option is not exercised by 20<sup>th</sup> December 2020, ZITON is liable to pay a breakaway fee.

### Assessment of Impairment of vessels

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. One such events include the COVID-19 disease. The potential impact on ZITON is the risk that vessel crews are quarantined and not allowed or able to operate the vessels because someone from the crew has been infected, or delays caused by other parties in the value chain beyond the

control of ZITON. Customers of ZITON are also evaluating the impact of corona virus, and some customers and wind farm owners are implementing their own procedures that may impact ZITON's ability to operate as effectively as before the corona virus.

ZITON has taken a number of precautions to avoid quarantine of vessel crews, which are based on the recommendations from the Danish Health Authorities and other health authorities in the countries in which ZITON operates. We are continuously informing all ZITON employees and subcontractors of any changes in the recommendations.

The impact from corona virus has, until now, had a limited effect on ZITON's revenue. Nevertheless, some customers are hesitant to initiate operations & maintenance projects, thus a negative effect on financial performance cannot be excluded at a later stage. Various scenarios have been prepared that, amongst others, take into account the effect of the COVID-19 disease.

COVID-19 is an indicator of impairment, and as a result, ZITON performed an impairment test. An impairment loss is recognised at the amount by which an 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 total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters as well as estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on the 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, ZITON's expected market share, and jack-up vessel requirements for blade campaigns.
- Average day rates are based on estimated future market prices and/or contracts.

Hence, the exact value used to measure impairment charges is subject to some degree of uncertainty and is based on what the company believes is 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 including ZITON Contractors A/S are included (jack-up vessel operating 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, a determined WACC of 8.3% before tax, and a growth rate in the terminal period of 0%.

The value in use was estimated to be higher than the carrying amount of EUR 192,602k

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 loss.

## **Note 4 - Commitments and contingencies**

Since the end of 2019, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2019.



## 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 was disclosed in the 2019 annual report.

## 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

### 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 accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not applied early adoption of any other standard, interpretation or amendment that has been issued but is not yet effective.

### Significant estimates and assumptions

#### *Going Concern*

In 2019 the ZITON Group expanded to UK, Germany and China, leased a new vessel and undertook a major project in UK which was adversely affected by poor planning, execution and weather conditions. Further, with increasing competition in the market and under the current capital structure both liquidity and the operating activity were negatively affected, resulting in negative equity at year end.

Management has prepared revised cash flow forecast scenarios and is currently evaluating strategic options to ensure the consolidated group retains sufficient liquidity to meet its debt obligations and the Subordinated Capital Ratio during 2020. As part of this process, ZITON has engaged Pareto Securities as financial adviser to explore options to strengthen the company's liquidity and capital structure, including by raising new equity and/or subordinated capital as well as amending the terms of the corporate bond loans.

Based on the above, events or conditions may arise that could cause material uncertainty as to the entity's ability to continue as a going concern. The entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

As a result of the current events and conditions, management has made a plan to deal with these events and conditions. It is management's assessment that the contemplated process to ensure sufficient liquidity will be successfully completed, consequently the Financial statements have been prepared on a going concern basis.

Management assess the entity's ability to continue as a going concern for met and the consolidated financial statement are therefore prepared on the basis of going concern and no changes to recognition or measurement have been made.

*Risks*

For a description of the risks ZITON A/S is exposed to, please refer to the Risk Management section on pages 51-53 and note 4.1 "Risk management" on pages 96-99 of the 2019 annual report.

**Note 8 – Alternative Performance Measures**

Alternative Performance Measures ("APMs") are non-IFRS financial measures used as supplements to financial statements. The APMs used in this quarterly report are unchanged compared to the annual report 2019. Please refer to pages 54-55 of the 2019 annual report.

**Management statement**

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for the first quarter of 2020. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for the first quarter of 2020 has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and further 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 the ZITON's assets, liabilities, and financial position at 31 March 2020, and of the results of the ZITON's operations and cash flow for 2020.

We further consider that the Management review gives a true and fair view of the developments in ZITON's activities and business, the results for the period and of ZITON's financial position as a whole, and a description of the most significant risks and uncertainties which ZITON faces.

Horsens, 14 May 2020

Executive Management

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Thorsten Jalk  
CEO

Board of Directors

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Vagn Lehd Møller  
Chairman

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Ove Carsten Eriksen

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Esben Bay Jørgensen

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Lars Thorsgaard Jensen

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Henrik Kleis

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Morten Melin

**Financial calendar 2020**

Interim report Q2 2020 – 27 August 2020

Interim report Q3 2020 – 19 November 2020

**For further information, please contact**

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