Interim report
Q1 2021

ZITON A/S
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Highlights of the report

Highlights of Q1 2021

- The Siemens Gamesa Renewable Energy ("SGRE") long-term time charter of 3 years and 8 months was initiated on 1 March 2021. As customary for time charter contracts, SGRE will pay a fixed time charter rate and pay for variable OPEX-related costs during the tenor of the time charter. SGRE will take on the full weather risk while ZITON will be responsible for operational uptime of the vessel.
- The Meerwind blade campaign to repair and upgrade blades on 80 turbines was initiated mid-March 2021, and J/U WIND SERVER is expected to operate on the project for 9-12 months depending mostly on weather. According to the terms of the Meerwind contract, ZITON will receive a fixed price per intervention plus compensation for adverse weather days (up to a predetermined time-period), thus significantly reducing weather risk for ZITON.
- The activity level for regular major component replacements was relatively strong in the second half of 2020. This trend continued in the first quarter of 2021, with a strong market compared to the same period the year before. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly seem to drive the need for component replacement.
- EBITDA amounted to a loss of EUR 0.8m in Q1 2021 compared to a loss of EUR 1.6m in Q1 2020. The main reason for reduced losses was the increase in revenue for J/U WIND and J/U WIND PIONEER, partly offset by lower revenue from J/U WIND ENTERPRISE as the vessel did not generate any revenue during dry-docking of the vessel during January and February 2021.
- Bondholders approved on 18 May 2021 a proposal to:
  - Waive covenants for the subordinated capital ratio ("SCR") for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%;
  - Increase the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extend the facility until 31 December 2021;
  - Postpone the approval and announcement of the final 2020 Annual Financial Statements, due at the end of April 2021, to 31 May 2021, and;
  - Postpone the payment into the Retention Account of the first lien bond, scheduled for 30 April 2021, to 31 May 2021.
- Compared to the guidance reported in the interim report for Q4 2020, the KPI guidance for 2021 is unchanged:
  - **Weighted average utilisation rate**. We expect a utilisation rate in the range of 55%-65%.
  - **EBITDA**. We expect EBITDA to be in the range of EUR 20-25m.
  - **Cash flow from operating activities.** We expect cash flows from operating activities of EUR 18-23m. This reflects a strong reduction of working capital achieved towards the end of 2020, which is not assumed to be repeated at the end of 2021.
  - **CAPEX.** We expect CAPEX of up to EUR 5.0m, including CAPEX for 10-years classing of J/U WIND ENTERPRISE before entering into the SGRE long-term time charter.

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 activity level for regular major component replacements was relatively strong in the second half of 2020. This trend continued in the first quarter of 2021, with a strong market compared to the same period the year before.

Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly seem to drive the need for component replacement.

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.

Contract developments

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

- On 17 December 2020, Siemens Gamesa Renewable Energy ("SGRE") and ZITON signed a time charter of 3 years and 8 months from 1 March 2021 to 31 October 2024 for J/U WIND ENTERPRISE ("SGRE long-term charter").

  The time charter was initiated on 1 March 2021. As customary for time charter contracts, SGRE will pay a fixed time charter rate and pay for variable OPEX-related costs during the tenor of the time charter. SGRE will take on the full weather risk while ZITON will be responsible for operational uptime of the vessel.
- At the end of January 2021, SGRE and ZITON signed a turnkey contract for ZITON to repair and upgrade blades on 80 turbines at the Meerwind Süd/Ost Offshore Wind Farms ("Meerwind").

  The Meerwind blade campaign was initiated mid-March 2021, and J/U WIND SERVER is expected to operate on the project for 9-12 months depending mostly on weather. According to the terms of the Meerwind contract, ZITON will receive a fixed price per intervention plus compensation for adverse weather days (up to a predetermined time-period), thus significantly reducing weather risk for ZITON.
- On 1 May 2019, Ørsted and ZITON signed a framework agreement covering nine of Ørsted's offshore wind farms. The contract expires on 31 March 2022.
- On 18 December 2019, Vestas Offshore Wind ("Vestas") and ZITON signed a three-year framework agreement. The framework agreement is an extension and amendment of the two companies' former framework agreement. Most of the turbines for which Vestas has jack-up requirements are for their 8+MW turbines. J/U WIND ENTERPRISE is the only one of ZITON's vessel that can service these turbines. As J/U WIND ENTERPRISE is on SGRE long-term charter, ZITON will be constrained in our ability to service Vestas on their larger turbines.
- ZITON's framework agreement with Vattenfall Wind Power AB ("Vattenfall") expired in November 2020. Vattenfall has completed a tender to service both smaller and larger 8+MW turbines. As J/U WIND ENTERPRISE is on SGRE long-term charter and J/U WIND SERVER is occupied on the Meerwind project for most of 2021, ZITON is constrained in its ability to service Vattenfall on their larger turbines. ZITON was selected second supplier, which involves that if the first supplier declines to carry out a specific component exchange, ZTION will have the opportunity to assist Vattenfall. However, revenue from the Vattenfall agreement is expected to be marginal.

Vessel operations

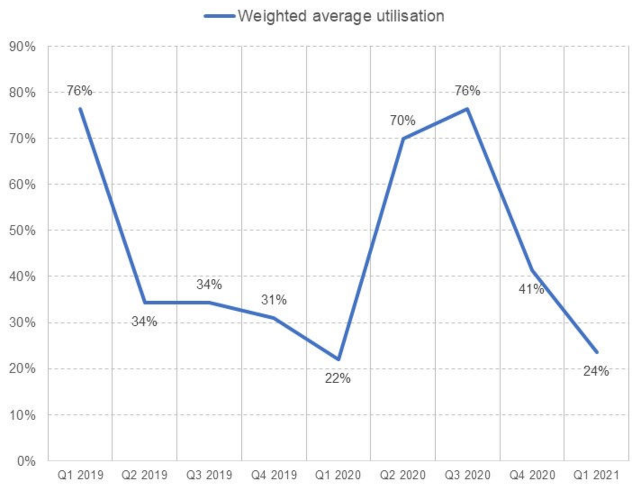
On 18 December 2020, ZITON exercised its purchase option to purchase J/U WIND ENTERPRISE. Purchase of the vessel was closed in January 2021. During January and February 2021, J/U WIND ENTERPRISE completed 10-years dry-dock surveys and repairs to maintain the vessel in good condition to avoid unexpected off-hire days going into the SGRE long-term charter. During the stay in the dry dock various damages to the legs and the jetting system were discovered. In order to avoid conditions of class, these critical conditions were repaired. As it was not possible to detect these damages before the vessel was in dry dock, the cost of the docking stay exceeded the budgeted cost of EUR 1.6m by EUR 1.0m. According to the operational support agreement between ZITON A/S and Wind Enterprise P/S, ZITON A/S will be reimbursed when the cash generation can cover the additional CAPEX. The vessel entered into the SGRE long-term charter on 1 March 2021.

During Q1 2021, J/U WIND SERVER operated on a project on the east coast of the UK for which completion was delayed by several weeks. This also resulted in delayed initiation of the Meerwind blade campaign until mid-March 2021. The consequence was low utilization of the vessel during the quarter. For the Meerwind blade campaign 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 quarter, J/U WIND and J/U WIND PIONEER operated under framework agreements with Ørsted, and Vestas as well as other tenders attained.

Utilisation rates

The weighted average utilisation rate for Q1 2021 was at 24%. The low utilisation reflects that J/U WIND ENTERPRISE was in dry dock for the first two months of the quarter, and that J/U WIND SERVER was delayed in completion of the project on the east coast of the UK, which further delayed the initiation of the Meerwind blade campaign.



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.

Outlook for 2021

Compared to the guidance reported in the interim report for Q4 2020, the KPI guidance for 2021 is unchanged:

- **Weighted average utilisation rate**. We expect a utilisation rate in the range of 55%-65%.
- **EBITDA**. We expect EBITDA to be in the range of EUR 20-25m.
- **Cash flow from operating activities** We expect cash flows from operating activities of EUR 18-23m. This reflects a strong reduction of working capital achieved towards the end of 2020, which is not assumed to be repeated at the end of 2021.
- **CAPEX.** We expect CAPEX of up to EUR 5.0m, including CAPEX for 10-years classing of J/U WIND ENTERPRISE before entering into the SGRE long-term time charter.

Competitive environment

ZITON is the clear market leader within dedicated O&M services for major component replacements at offshore wind farms. The primary business of most other jack-up vessels is within Transport & Installation ("T&I") of new offshore wind farms. From time-to-time T&I vessel are also used for O&M services. The main exception is Van Oord, that recently was selected first supplier for the four-year framework agreement with Vattenfall.

Summons for Written Resolution

Bondholders of the first and second lien bond, as well as provider of subordinated capital approved on 18 May 2021 a proposal to:

- Waive covenants for the subordinated capital ratio ("SCR") for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%;
- Increase the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extend the facility until 31 December 2021;
- Postpone the approval and announcement of the final 2020 Annual Financial Statements, due at the end of April 2021, to 31 May 2021, and;
- Postpone the payment into the Retention Account of the first lien bond, scheduled for 30 April 2021, to 31 May 2021.

The bondholders and subordinated capital providers are compensated by a new 12-month rolling EBITDA covenant of minimum EUR 14.0m for Q2 2021, EUR

15.5m for Q3 2021 and EUR 17.0m for Q4 2021. Further, the first lien bondholders are compensated by 0.15% of the amount outstanding to be repaid when ZITON refinances or at maturity.

Following bondholders' approval of Written Resolution, management has prepared scenarios for cash flow and SCR, and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations and the SCR during 2021.

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 50-53 and note 4.1 "Risk management" on pages 94-97 of the 2020 annual report.

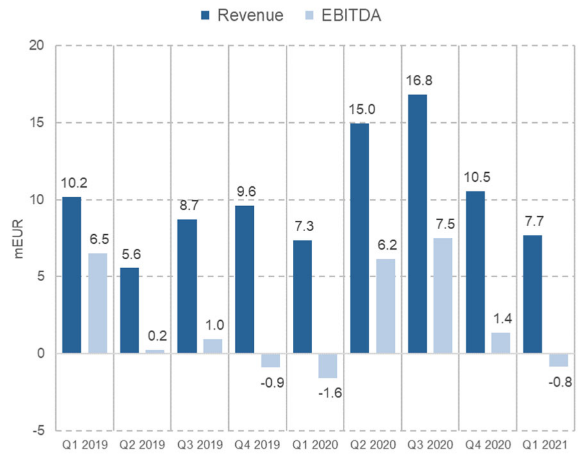
Financial Review

REVIEW OF THE INCOME STATEMENT

EUR´000	Q1 2021	Q1 2020	Change
Revenue	**7,693**	**7,346**	**346**
OPEX and project-related expenses	-7,005	-7,528	523
SG&A	-1,528	-1,392	-137
EBITDA	**-841**	**-1,573**	**732**
Depreciation	-2,781	-2,686	-96
EBIT	**-3,622**	**-4,259**	**636**
Financials, net	-5,504	-4,502	-1,002
Income before tax	**-9,127**	**-8,761**	**-366**

Review of the income statement for Q1 2021

The consolidated income statement for the ZITON Group shows revenue for Q1 2021 of EUR 7.7m, compared to revenue of EUR 7.3m in Q1 2020. The increase in revenue was driven by J/U WIND and J/U WIND PIONEER as the market demand for turbines below 4MW increased as many of these turbines have reached an age where wear and tear increasingly seem to drive the need for component replacement. Revenue for J/U WIND ENTERPRISE declined as the vessel completed 10-years dry-dock surveys and repairs during January and February 2021 to maintain the vessel in good condition to avoid unexpected off-hire days going into the SGRE long-term charter.



Vessel OPEX and project related costs decreased to EUR 7.0m for Q1 2021 from EUR 7.5m in Q1 2020. The main reason for the decrease is a reduction of OPEX on J/U WIND ENTERPRISE following right-sizing of crew and employment of ZITON's own crew on net salary under Danish International Shipping Register ("DIS") replacing crew employed by a ship management company.

SG&A increased slightly to EUR 1.5m in Q1 2021 from EUR 1.4m in Q1 2021.

EBITDA amounted to a loss of EUR 0.8m in Q1 2021 compared to a loss of EUR 1.6m in Q1 2020. The main reason for reduced losses was the increase in revenue for J/U WIND and J/U WIND PIONEER, partly offset by lower revenue from J/U WIND ENTERPRISE as the vessel did not generate any revenue during dry-docking of the vessel during January and February 2021.

Depreciation charges increased slightly to EUR 2.8m in Q1 2021 compared to EUR 2.7m in Q1 2020.

Financials, net was an expense of EUR 5.5m in Q1 2021 compared to an expense of EUR 4.5m in Q1 2020. The increased financial costs were mainly a consequence of the increase in interests on the bond loans on which the terms were renegotiated in April 2020, as well as interest expenses related to purchase of J/U WIND ENTERPRISE.

REVIEW OF THE BALANCE SHEET AT THE END OF Q1 2021

BALANCE SHEET *EUR´000*	**Q1 2021**	**Q1 2020**	**Change**	**Q1 2021**	**Q4 2020**	**Change**
Assets						
Vessel, including fixtures & equipment	188,562	192,602	-4,039	188,562	187,671	891
Other non-current assets	249	640	-391	249	268	-19
Non-current assets	**188,812**	**193,242**	**-4,431**	**188,812**	**187,939**	**873**
Trade and other receivables	8,095	3,541	4,554	8,095	2,585	5,510
Cash and cash equivalents	242	4,234	-3,992	242	284	-42
Current assets	**8,337**	**7,775**	**562**	**8,337**	**2,869**	**5,468**
Total assets	**197,148**	**201,017**	**-3,868**	**197,148**	**190,808**	**6,340**
Equity and Liabilities						
Equity	**-16,183**	**-11,710**	**-4,473**	**-16,183**	**-16,910**	**728**
Subordinated loan	30,728	26,403	4,325	30,728	29,574	1,154
Bond loans, second lien	33,429	29,500	3,929	33,429	32,322	1,108
Bond loans, first lien	131,937	93,829	38,108	131,937	97,787	34,150
Lease obligations	771	42,809	-42,038	771	43,135	-42,364
Working capital facility	6,664	5,495	1,169	6,664	490	6,174
Other liabilities	9,802	14,691	-4,889	9,802	4,412	5,390
Total liabilities	**213,330**	**212,727**	**603**	**213,330**	**207,718**	**5,612**
Total equity and liabilites	**197,148**	**201,017**	**-3,869**	**197,148**	**190,808**	**6,340**
Key ratios						
Subordinated capital ratio	26.1%	31.5%	-5.4%	26.1%	31.1%	-5.0%

Review of the balance sheet, end of Q1 2021

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 188.6m at the end of Q1 2021. This compares to EUR 192.6m at the end of Q1 2020. The decrease is mainly due to depreciation.

Trade and other receivables amounted to EUR 8.1m at the end of Q1 2021 compared to EUR 3.5m at the end of Q1 2020 and EUR 2.6m at the end of Q4 2020. The increase is due to initiation of the SGRE long-term charter and the Meerwind blade campaign in March 2021.

In December 2020, ZITON exercised its option to purchase J/U WIND ENTERPRISE. The purchase of the vessel was closed in January 2021 for EUR 42.5m, of which EUR 32.5m was cash and EUR 10.0m shares in ZITON A/S. Total equity was negative at EUR 16.2m at the end of Q1 2021, a change from a negative amount of EUR 11.7m at the end of Q1 2020 and EUR 16.9m at the end of Q4 2020. The decline in equity was mainly a consequence of losses incurred during the period, partly offset by the capital increase of EUR 10.0m carried out in January 2021.

The subordinated capital ratio (SCR) at end of Q1 2021 was 26.1% compared to 31.5% at the end of Q1 2021 and 31.1% at the end of Q4 2020. However, the definition of SCR was altered when the Written Resolution was approved on 17 December 2020. This is further explained in Alternative Performance Measures in pages 54-55 of the 2020 annual report.
At the end of Q1 2021, the SCR of 26.1% was below the covenant of minimum 29.0%. The breach of covenant was cured by bondholders’ approval of a written resolution on 18 May 2021. The written resolution resulted in bondholders’ approval of a proposal to waive covenants for the SCR for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%.

Following bondholders’ approval of the Written Resolution, management has prepared scenarios for SCR, and management is confident that the consolidated group retains sufficient capability to fulfil its SCR during 2021.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q1 2021

EUR´000	Q1 2021	Q1 2020	Change
EBITDA	**-841**	**-1,573**	**732**
Working capital adjustments	-263	204	-468
Other adjustments	-162	-1,265	1,103
Net cash flows from operating activities	**-1,266**	**-2,634**	**1,368**
Financial payments, net	-2,684	-849	-1,835
Net cash before investing activities	**-3,949**	**-3,483**	**-466**
Investing activities	-3,528	-227	-3,301
Net cash flows after investing activities	**-7,477**	**-3,710**	**-3,767**
Financing activities	7,437	4,848	2,589
Net cash flows after financing activities	**-41**	**1,138**	**-1,179**

Available liquidity	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Liquidity	**242**	**284**	**3,372**	**3,437**	**1,056**
Available draw on working capital facility	-	12,193	11,193	13,166	1,179
Available liquidity	**242**	**12,477**	**14,566**	**16,603**	**2,235**

Review of the cash flow statement

Cash flows from operating activities were an outflow of EUR 1.3m in Q1 2021 driven by negative EBITDA. This compares to an outflow of EUR 2.6m in Q1 2020.

Working capital adjustments in Q1 2021 was negative of EUR 0.3m as an increase of trade and other receivables by EUR 5.6m was offset by an increase in trade and other payables of EUR 5.3m. The increase in receivables is due to initiation of the SGRE long-term charter and the Meerwind blade campaign in March 2021.

Financial payments, net amounted to negative EUR 2.7m in Q1 2021 compared to negative EUR 0.9m in Q1 2020. In Q1 2020, financial payments were at reduced levels, as a consequence of postponed quarterly interest payments on the first lien bond loan.

Investing activities amounted to an outflow of EUR 3.5m in Q1 2021 compared to an outflow of EUR 0.2m in Q1 2020. Investing activities in Q1 2021, mainly related to J/U WIND ENTERPRISE as the vessel completed 10-years dry-dock surveys and repairs to maintain it in good condition to avoid unexpected off-hire days going into the SGRE long-term charter. During the stay in the dry dock various damages to the legs and the jetting system were discovered. In order to avoid conditions of class, these critical conditions were repaired. As it was not possible to detect these damages before the vessel was in dry dock, the cost of the docking stay exceeded the budgeted cost of EUR 1.6m by EUR 1.0m.

Financing activities amounted to a cash inflow of EUR 7.4m in Q1 2021 compared to an inflow of EUR 4.8m in Q1 2020. The cash flow outflow from operating activities, financial payments and investing activities were mainly financed by full utilitation of the Second Super Senior Working Capital Facility (SSS WCF) of EUR 6.0 million.

Available liquidity including available drawings on our working capital facility amounted to EUR 0.2m at the end of Q1 2021 compared to EUR 12.5m available at the end of Q4 2020. The reduction of available liquidity is the consequence of the full utilisation of the SSS WCF to finance cash outflow during Q1 2021 and reduction of the Working Capital Facility (WCF) under the First Super Senior Working Capital Facility (FSS WCF) from EUR 6.7 million to EUR 0.4 million. The WCF, under the FSS WCF, was reduced as ZITON, during February 2021, provided the performance guarantee to SGRE under the SGRE long-term charter.

Following bondholders' approval of the Written Resolution, the SSS WCF will be increased from EUR 6.0m to EUR 9.0m and facility extended until 31 December 2021. Further, management has prepared scenarios for cash flow and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations during 2021.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

EUR´000	Note	Q1 2021	Q1 2020
Revenue	2	**7,693**	**7,346**
Project-related expenses		-1,980	-2,788
Operational expenses		-5,025	-4,740
Gross profit		**688**	**-182**
Administrative expenses		-419	-402
Staff costs, office staff		-1,109	-989
EBITDA		**-841**	**-1,573**
Depreciation & amortisation		-2,781	-2,686
EBIT		**-3,622**	**-4,259**
Financial income		100	172
Financial expenses		-5,605	-4,674
Income before tax		**-9,127**	**-8,761**
Tax on profit (loss)		-146	1,684
Income for the year		**-9,273**	**-7,078**
Attributable to:			
Owners of ZITON A/S		-9,271	-7,071
Non-controllong interest - Profit/loss		-2	-7
Income for the year		**-9,273**	**-7,078**

STATEMENT OF COMPREHENSIVE INCOME

EUR´000	Note	Q1 2021	Q1 2020
Income for the year		**-9,273**	**-7,078**
Items that will be reclassified subsequently to the income statement when specific conditions are met:			
Exchange adjustments of foreign entities, net of tax		-	-55
Cash flow hedges, realised gains/(losses) incurred during period		-	132
Cash flow hedges, deferred gains/(losses) incurred during period		-	559
Total comprehensive income for the year, after tax		**-9,273**	**-6,442**
Attributable to:			
Owners of ZITON A/S		-9,271	-6,435
Non-controllong interest - Profit/loss		-2	-7
Total comprehensive income for the year, after tax		**-9,273**	**-6,442**

BALANCE SHEET

EUR´000		Q1 2021	Q1 2020	Q4 2020
Assets				
Non-current assets				
Vessel, including fixtures & equipment	3	188,562	192,602	187,671
Intangible assets		141	121	160
Deferred tax asset		108	519	108
Non-current assets		**188,812**	**193,242**	**187,939**
Current assets				
Inventories		141	229	233
Trade and other receivables		7,954	3,312	2,352
Cash and cash equivalents		242	4,234	284
Current assets		**8,337**	**7,775**	**2,869**
Total assets		**197,148**	**201,017**	**190,808**
Equity and Liabilities				
Equity				
Share capital		14,474	13,098	13,098
Reserves		-23	67	-23
Retained earnings		-30,918	-24,929	-30,272
Total equity attributable to owners of ZITON A/S		**-16,468**	**-11,764**	**-17,196**
Non-controlling interest		285	54	287
Total equity		**-16,183**	**-11,710**	**-16,910**
Liabilities				
Non-current liabilities				
Subordinated loan	4	-	26,403	29,574
Bond loans, second lien	4	-	29,500	32,322
Bond loans, first lien	4	-	89,516	94,305
Lease obligations		514	40,263	878
Deferred income tax liabilities		643	4,425	497
Provision for other liabilities		318	230	318
Total non-current liabilities		**1,475**	**190,337**	**157,893**
Current liabilites				
Subordinated loan	4	30,728	-	-
Bond loans, second lien	4	33,429	-	-
Bond loans, first lien	4	131,937	4,313	3,482
Lease obligations		257	2,546	42,257
Current tax payable		336	-	336
Working capital facility		6,664	5,495	490
Trade and other payables		7,949	9,352	2,599
Provision for other liabilities		556	684	660
Total current liabilites		**211,856**	**22,390**	**49,825**
Total liabilities		**213,330**	**212,727**	**207,718**
Total equity and liabilites		**197,148**	**201,017**	**190,808**

STATEMENT OF CASH FLOWS

EUR´000	Note	Q1 2021	Q1 2020
Income before tax		**-9,127**	**-8,761**
Operating activities			
Adjustments for non-cash items			
Reversal financial expenses, net		5,503	4,502
Depreciation and writedowns of the period		2,781	2,686
Other adjustments		-162	-1,265
Working capital adjustments			
Change in inventories		92	64
Change in trade receivables		-5,219	-674
Change in trade payables and other liabilities		4,864	813
Income tax expense			
Income tax expense		-	-
Net cash flows from operating activities		**-1,267**	**-2,634**
Financial payments			
Financial receipts		-	-
Financial payments		-2,684	-849
Net cash flows before investing activities		**-3,951**	**-3,483**
Investing activities			
Purchase of vessel, fixtures & equipment		-3,528	-227
Other cash flows from investing activites		-	-
Net cash used in investing activities		**-3,528**	**-227**
Financing activities			
New bond loan		33,848	-
Draw on working capital facility		6,174	5,493
Lease payments		-32,585	-647
Net cash used/received in financing activities		**7,437**	**4,847**
Net (decrease)/increase in cash and cash equivalents		**-41**	**1,137**
Cash and cash equivalents at beginning of period		284	3,096
Exchange gains/losses on cash and cash equivalents		-	-
Net cash and cash equivalents at end of period		**242**	**4,233**

STATEMENT OF CHANGES IN EQUITY

YTD 2021

EUR´000	Share capital	*Reserve for warrants*	*Translation reserves*	*Cash flow hedges*	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of ZITON A/S							
Balance at 31 December 2020	**13,098**	*143*	*-166*	-	**-23**	**-30,272**	**-17,196**	287	**-16,910**
Total comprehensive income, after tax	-	-	-	-	-	-9,271	-9,271	-2	-9,273
Capital increase in parent	1,375	-	-	-	-	8,625	10,000	-	10,000
Balance at YTD	**14,474**	*143*	*-166*	-	**-23**	**-30,918**	**-16,467**	**285**	**-16,182**

Share capital

In January 2021, the share capital was increased by EUR 1,375k as part of the purchase price of the vessel J/U WIND ENTERPRISE. The increase in share capital of EUR 1,375k resulted in a share premium of EUR 8,625k (in total EUR 10,000k). At the end of Q1 2021, the share capital consisted of 108,013,705 shares of DKK 1 each (EUR 14,474K). The shares are divided into two classes: 16,986,984 A shares of DKK 1 each and 91,026,721 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 2020

EUR´000	Share capital	*Reserve for warrants*	*Translation reserves*	*Cash flow hedges*	Total reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of ZITON A/S							
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
Capital increase in parent	-	-	-	-	-	-	-	-	-
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.

Note 1 – Total Comprehensive Income by Quarter

Income statement by quarter ***EUR´000***	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
Revenue	**7,693**	**10,536**	**16,799**	**14,955**	**7,346**
Project-related expenses	-1,980	-2,669	-2,893	-2,417	-2,788
Operational expenses	-5,025	-4,682	-4,901	-4,925	-4,740
Gross profit	**688**	**3,185**	**9,004**	**7,614**	**-182**
Administrative expenses	-419	-414	-373	-374	-402
Staff costs, office staff	-1,109	-1,418	-1,147	-1,089	-989
EBITDA	**-841**	**1,353**	**7,485**	**6,151**	**-1,573**
Depreciation	-2,781	-2,816	-2,724	-2,687	-2,686
EBIT	**-3,622**	**-1,462**	**4,761**	**3,464**	**-4,259**
Financial income	100	733	86	207	172
Financial expenses	-5,605	-5,662	-5,287	-5,331	-4,674
Income before tax	**-9,127**	**-6,392**	**-440**	**-1,660**	**-8,761**

Note 2 – Revenue

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, ZITON Contractors A/S and Hangout A/S revenue and expenses. As all jack-up vessels including ZITON Contractors A/S and Hangout 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 from customers

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***	**Q1 2021**	**Q1 2020**
United Kingdom	2,480	3,716
Denmark	1,550	2,199
Germany	1,860	122
Sweden	-	210
Belgium	310	-
Total	**6,200**	**6,247**
- Long-term time charter	1,492	-
Total revenue	**7,693**	**6,247**

Sales to the largest customers, accounting for more than 10% of revenue, made up 25%, 21%, 19%, 18% and 10%, of total revenue in 2021 (2020: 40%, 26% and 20%, respectively).

Time Charter

Where contracts are identified as a lease (time charter), revenue recognition is based on a straight-line basis over the term of the lease period.

The amount of revenue stated in the above table for both the current financial year and the comparable financial year include the agreed time charter rates earned during leases. The lease and service components are recognised as revenue under the same pattern of transfer to customers. A separate disclosure of the lease components and the service income components has not been provided as it is impracticable to establish such a disclosure.

Note 3 - Vessels and equipment

NOTE 3 - VESSELS AND EQUIPMENT

Q1 2021 *EUR´000*	**Property**	**Fixtures & equipment**	**Vessels**	**Total**
Cost at 1 January 2021	1,181	2,770	242,743	246,693
Exchange rate adjustments	-72	-25	-65	-162
Additions	-	82	3,520	3,602
Disposals	-	-171	-	-171
Additions to right-of-use assets	-	-	-	-
Disposals of right-of-use assets	-	-	-	-
Cost YTD	**1,109**	**2,656**	**246,198**	**249,963**
Depreciation at 1 January 2021	-507	-1,065	-57,451	-59,023
Exchange rate adjustments	81	100	167	348
Depreciation	-	-153	-2,518	-2,671
Disposals	-	56	-	56
Depreciation of right-of-use assets	-71	-39	-	-110
Disposals of right-of-use assets	-	-	-	-
Depreciation YTD	**-497**	**-1,101**	**-59,802**	**-61,400**
Impairment losses at 1 January 2021	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	**612**	**1,556**	**186,396**	**188,563**

Q1 2020 *EUR´000*	**Property**	**Fixtures & equipment**	**Vessels**	**Total**
Cost at 1 January 2020	1,181	2,517	239,521	243,219
Exchange rate adjustments	-	1	48	49
Additions	-	-	254	254
Disposals	-	-	-	-
Additions to right-of-use assets	-	59	-	59
Disposals of right-of-use assets	-	-55	-	-55
Cost YTD	**1,181**	**2,522**	**239,823**	**243,526**
Depreciation at 1 January 2020	-242	-726	-47,270	-48,238
Exchange rate adjustments	-	-	-42	-42
Depreciation	-	-90	-2,507	-2,596
Disposals	-	-	-	-
Depreciation of right-of-use assets	-59	-33	-	-93
Disposals of right-of-use assets	-	45	-	45
Depreciation YTD	**-301**	**-804**	**-49,819**	**-50,924**
Impairment losses at 1 January 2020	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	**880**	**1,717**	**190,004**	**192,602**

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. In Q1 2021, ZITON realised a loss for the year, and the weighted average utilisation of the vessels fell short of expectations. Such lower utilisation rates are indicators of impairment, and as a result, ZITON performed an impairment test. An impairment loss is recognised in 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 fair value. The budget used for impairment testing is based on a five-year period, including a terminal period.

Management's assessment of indications of impairment of vessels is based on the cash-generating unit (CGU) in which all vessels, ZITON Contractors A/S and Hangout 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 8.1% 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 188,563k

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 – Loans

At the end of Q1 2021, the company breached its covenant for subordinated capital ratio for a minimum of 29.0%. Consequently, the non-current loans; the subordinated loan, the first and second lien bond loans have been classified as current liabilities. Management however expects that due to the renegotiated covenant terms, approved on 18 May 2021, that the loans will be classified as non-current in the interim report Q2 2021. Please refer to the Capital Structure section of the 2020 annual report for further details.

Note 5 - Commitments and contingencies

Since the end of 2020, the following changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2020.

As part of the First Super Senior Working Capital Facility, the Group's bank has provided performance guarantees in connection with the long-term of J/U WIND ENTERPRISE and the Meerwind blade campaign contract with Siemens Gamesa Renewable Energy A/S (SGRE). The performance guarantees were provided in February 2021.

The performance guarantee on the SGRE long-term charter amounts to EUR 6,300k, in respect of the supplier's performance of the contract. The guarantee shall be reduced to EUR 3,150k on the 1st November 2023. The guarantee expires 31st January 2025.

The performance guarantee on the Meerwind contract with SGRE amounts to EUR 1,100k, in respect of the supplier's performance of the contract. The guarantee expires 24 months after completion of the Contract Deliverables and Services (as defined in the contract) or 1st of March 2024.

Both guarantees are on-demand guarantees and serves to guarantee the full and punctual performance of ZITON A/S's obligations and payment of any sums that ZITON A/S is liable to pay under or in connection with the contracts.

Note 6 - 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 2020 annual report.

Note 7 – Subsequent events

At the end of Q1 2021, the company breached its covenant for subordinated capital ratio ("SCR") for a minimum of 29.0%. The breach of covenant was cured by bondholders' approval of a written resolution on 18 May 2021. The written resolution resulted in bondholders of the first and second lien bond, as well as provider of subordinated capital to approve a proposal to waive covenants for the SCR for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%. Please refer to the Capital Structure section of the 2020 annual report for further details.

Note 8 – 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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

ZITON Group incurred substantial losses during 2019 and 2020, resulting in negative equity at year-end. Further, the current capital structure shows sizeable interest-bearing debt compared to equity and cash flow to service the debt.

Bondholders of the first and second lien bond, as well as provider of subordinated capital approved on 18 May 2021 a proposal to, amongst others, waive covenants for the SCR for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%, and increase of the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extension of the facility until 31 December 2021. 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 has prepared scenarios for cash flow and SCR, and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations and the SCR during 2021. Further, ZITON is contemplating to issue new equity to enhance the capital structure and increase available liquidity.

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.

Management assesses the entity's ability to continue as a going concern to be met and the consolidated financial statement has therefore been prepared on a going concern basis 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 50-53 and note 4.1 "Risk management" on pages 94-97 of the 2020 annual report.

Note 9 – 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 2020. Please refer to pages 54-55 of the 2020 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 2021. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for the first quarter of 2021 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 2021, and of the results of the ZITON's operations and cash flow for the first quarter of 2021.

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, 20 May 2021

Executive Management

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Thorsten Jalk
CEO

Board of Directors

Vagn Lehd Møller Chairman	Ove Eriksen	Jacob Bergenholtz	Morten Melin
Lars Thorsgaard Jensen	Henrik Kleis	Herman Marks	

Financial calendar 2021
Interim report Q2 2021 – 26 August 2021
Interim report Q3 2021 – 19 November 2021

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