# Interim report
# Q1 2022

**ZITON A/S**
**CVR 24620417**
**Bygholm Søpark 21e**
**DK - 8700 Horsens**

# Highlights of the report

### Highlights of Q1 2022

- The Siemens Gamesa Renewable Energy ("SGRE") long-term time charter of J/U WIND ENTERPRISE for 3 years and 8 months was initiated on 1 March 2021. The vessel continues to operate successfully on the time charter with limited off-hire days.
- The activity level for regular major component replacements saw steady growth during Q1 2022 in spite of adverse weather during February.
- EBITDA amounted to EUR 5.8m in Q1 2022 compared to EUR -0.8m in Q1 2021. The increase is due to increased revenue and lower OPEX and high project related costs.
- As communicated in earlier stock exchange announcements dated 31st March, 29th April and 1st June 2022, ZITON and its majority shareholder have had ongoing discussions with holders of its financial indebtedness to reach a solution for a long-term and viable capital structure. The parties have reached an agreement in principle and have entered into a lock-up agreement, subject to certain conditions precedent and regulatory approvals, to execute a transaction which will significantly improve the capital structure and liquidity of ZITON. The proposed transaction includes an extension of maturities of the first and second lien bond by 24 months, equitization of EUR 37m in subordinated debt and EUR 13.2m in incremental liquidity (EUR 10m in new second lien bonds, plus a waiver of amortisation and capitalisation of first lien interest totalling EUR 3.2m). EUR 3m of the new liquidity will be applied towards repayment of part of the second super senior working capital facility. Subject to satisfaction of the conditions and obtaining regulatory approvals, the debts of certain consenting creditors of ZITON will be partly or fully converted into equity, resulting in those creditors acquiring ~90% of the post-restructured ordinary equity of ZITON, and 100% of the preferred equity, subject to certain dilution. Following the transaction, proforma equity would be approximately EUR 10m and the controlling shareholder would be Permira Credit Solutions III Sub Master Euro S.à.r.l.
- The KPI guidance for 2022 is unchanged:
  - **Weighted average utilisation rate**. We expect a utilisation rate in the range of 70%-80%.
  - **EBITDA**. We expect EBITDA to be in the range of EUR 26-30m.
  - **Cash flow from operating activities.** We expect cash flows from operating activities of EUR 23-27m. This reflects a slight increase in working capital, resulting in a cash conversion rate of around 90%.
  - **CAPEX**. We expect CAPEX of around EUR 5m, including CAPEX for classing of J/U WIND.

### 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 saw steady growth during Q1 2022 in spite of adverse weather during February. 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. Further, our analysis shows that the market growth for major component replacements is expected to continue low double digit growth rates in the coming years.

The market for blade campaigns and other larger major component campaigns is more erratic, and initiation of such larger projects is subject to uncertainty and wider competition.

### Contract developments

There was no change to contracts during Q1 2022. 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.
- On 1 May 2019, Ørsted and ZITON signed a three-years' framework agreement covering nine of Ørsted's offshore wind farms. The contract has been extended and now expires on 31 March 2023.
- 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. As J/U WIND ENTERPRISE is on SGRE long-term charter, ZITON is constrained in our ability to service most of Vestas' 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. ZITON was selected second supplier, which involves that if the first supplier declines to carry out a specific component exchange. Under the new contract ZITON has continued to perform major component replacements for Vattenfall.

### Vessel operations

J/U WIND ENTERPRISE continues to operate on time charter with SGRE with limited off-hire days.

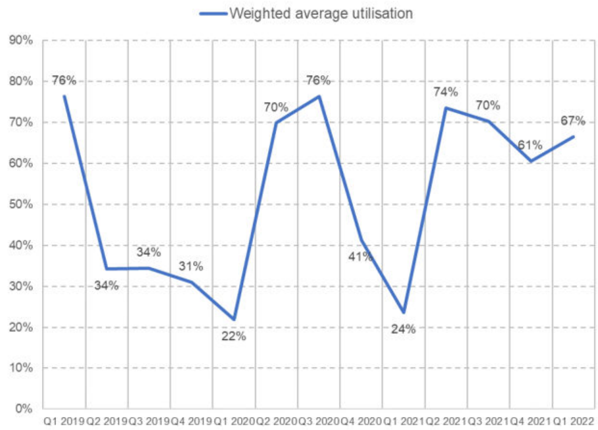
During Q1 2022, J/U WIND, J/U WIND PIONEER and J/U WIND SERVER operated under framework agreements with Ørsted and Vestas as well as other tenders attained.

### 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 was selected first supplier for the four-year framework agreement with Vattenfall and operates two vessels regularly used for O&M. Further, Harren & Partner operate to jack-up vessels dedicated for O&M.

### Utilisation rates

The weighted average utilisation rate for Q1 2022 was at 67%. This is a significant improvement compared to utilisation of 24% in Q1 2021. The improvement in utilisation reflects a comparable weak Q1 2021 when J/U WIND ENTERPRISE was in dock for the first two months of Q1 2021. Further, J/U WIND SERVER operated on a project on the east coast of the UK for which completion was delayed by several weeks, resulting in low utilisation during Q1 2021. In general, adverse weather during February had a slight negative effect on utilisation of J/U WIND, J/U WIND PIONEER and J/U WIND SERVER during the quarter as all vessels operated on framework agreements and tenders attained.




*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.*

**Resignation of board member**

Morten Melin resigned from the Board of Directors on 28th February 2022. The Board of Directors of ZITON A/S will, until further notice, continue with five members of the board.

**Outlook for 2022**

The outlook for 2022, is based on the key assumptions that J/U WIND ENTERPRISE will continue to operate successfully on the SGRE time charter with limited off-hire days, and that the three other vessels will carry out regular major component replacements on framework agreements and other tenders attained. The KPI guidance for 2022 is unchanged:

- **Weighted average utilisation rate**. We expect a utilisation rate in the range of 70%-80%.
- **EBITDA**. We expect EBITDA to be in the range of EUR 26-30m.
- **Cash flow from operating activities** We expect cash flows from operating activities of EUR 23-27m. This reflects a slight increase in working capital, resulting in a cash conversion rate of around 90%.
- **CAPEX.** We expect CAPEX of around EUR 5m, including CAPEX for classing of J/U WIND.

**Solution for a long term and viable capital structure**

As communicated in earlier stock exchange announcements dated 31st March, 29th April and 1st June 2022, ZITON and its majority shareholder have had ongoing discussions with holders of its financial indebtedness to reach a solution for a long-term and viable capital structure.

The parties have reached an agreement in principle and have entered into a lock-up agreement, subject to certain conditions precedent and regulatory approvals, to execute a transaction which will significantly improve the capital structure and liquidity of ZITON. The proposed transaction includes an extension of maturities of the first and second lien bond by 24 months, equitization of EUR 37m in subordinated debt and EUR 13.2m in incremental liquidity (EUR 10m in new second lien bonds, plus a waiver of amortisation and capitalisation of first lien interest totalling EUR 3.2m). EUR 3m of the new liquidity will be applied towards repayment of part of the second super senior working capital facility. Subject to satisfaction of the conditions and obtaining regulatory approvals, the debts of certain consenting creditors of ZITON will be partly or fully converted into equity, resulting in those creditors acquiring ~90% of the post-restructured ordinary equity of ZITON, and 100% of the preferred equity, subject to certain dilution. Following the transaction, proforma equity would be approximately EUR 10m and the controlling shareholder would be Permira Credit Solutions III Sub Master Euro S.à.r.l..

Pareto Securities AB has been retained as financial advisor by the Company

**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 39-41 and note 4.1 "Risk management" on pages 74-75 of the 2021 annual report.

# Financial Review

## REVIEW OF THE INCOME STATEMENT

| *EUR´000* | Q1 2022 | Q1 2021 | Change |
|---|---|---|---|
| **Revenue** | **12,448** | **7,693** | **4,756** |
| OPEX and project-related expenses | -5,003 | -7,005 | 2,002 |
| SG&A | -1,689 | -1,528 | -160 |
| **EBITDA** | **5,757** | **-841** | **6,598** |
| Depreciation | -2,778 | -2,781 | 4 |
| **EBIT** | **2,979** | **-3,622** | **6,601** |
| Financials, net | -5,817 | -5,504 | -313 |
| **Income before tax** | **-2,838** | **-9,127** | **6,288** |
| **Key ratios** | | | |
| EBITDA margin | 46.2% | -10.9% | 57.2% |

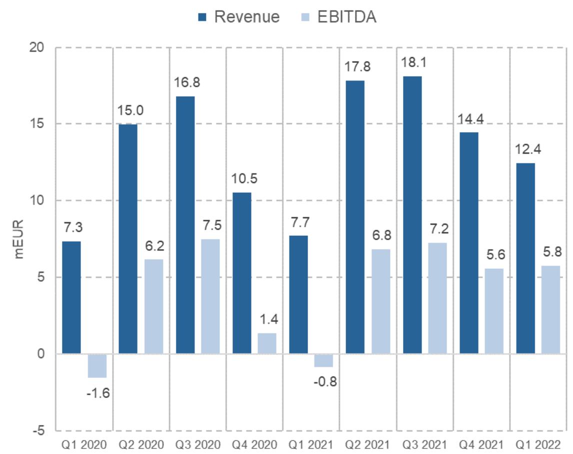
### Review of the income statement for Q1 2022

The consolidated income statement for the ZITON Group shows revenue for Q1 2022 of EUR 12.4m, compared to revenue of EUR 7.9m in Q1 2022. The improvement in revenue reflects a comparable weak Q1 2021 when J/U WIND ENTERPRISE was in dock for the first two months of Q1 2021. Further, J/U WIND SERVER operated on a project on the east coast of the UK for which completion was delayed by several weeks, resulting in low revenue in Q1 2021. In addition, adverse weather during February 2022 had a slight negative effect on revenue J/U WIND, J/U WIND PIONEER and J/U WIND SERVER during Q1 2022.

Vessel OPEX and project related costs were lower at EUR 5.0m for Q1 2022 compared to EUR 7.0m in Q1 2021. During Q1 2021, J/U WIND SERVER operated on a project on the east coast of the UK with OPEX and high project related costs.

SG&A amounted to EUR 1.7m in Q1 2022 slightly higher than EUR 1.5m in Q1 2022 mainly due to strengthening of the organisation.

EBITDA amounted to EUR 5.8m in Q1 2022 compared to EUR -0.8m in Q1 2021. The increase is due to increased revenue and lower OPEX and high project related costs.




Depreciation was largely unchanged at EUR 2.8m in Q1 2022 compared to the same period the year before.

Financials, net was an expense of EUR 5.8m in Q1 2022 compared to an expense of EUR 5.5m in Q1 2021. The increased financial costs are mainly a consequence of slightly higher debt and expensing of capitalised issue costs.

## REVIEW OF THE BALANCE SHEET AT THE END OF Q1 2022

| *EUR´000* | Q1 2022 | Q1 2021 | Change | Q1 2022 | Q4 2021 | Change |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Vessel, including fixtures & equipment | 179,628 | 188,562 | -8,935 | 179,628 | 182,147 | -2,520 |
| Other non-current assets | 246 | 249 | -3 | 246 | 256 | -10 |
| **Non-current assets** | **179,874** | **188,812** | **-8,938** | **179,874** | **182,404** | **-2,530** |
| Trade and other receivables | 8,658 | 8,095 | 563 | 8,658 | 5,669 | 2,989 |
| Cash and cash equivalents | 404 | 242 | 162 | 404 | 1,498 | -1,094 |
| **Current assets** | **9,062** | **8,337** | **725** | **9,062** | **7,167** | **1,895** |
| **Total assets** | **188,937** | **197,148** | **-8,211** | **188,937** | **189,570** | **-633** |
| | | | | | | |
| **Equity and Liabilities** | | | | | | |
| **Equity** | **-25,070** | **-16,182** | **-8,888** | **-25,070** | **-22,245** | **-2,825** |
| Subordinated loan | 35,843 | 30,728 | 5,115 | 35,843 | 34,511 | 1,331 |
| Bond loans, second lien | 38,307 | 33,429 | 4,878 | 38,307 | 37,048 | 1,259 |
| Bond loans, first lien | 123,594 | 131,937 | -8,343 | 123,594 | 124,700 | -1,106 |
| Lease obligations | 544 | 771 | -227 | 544 | 639 | -94 |
| Working capital facility | 9,356 | 6,664 | 2,693 | 9,356 | 9,152 | 204 |
| Other liabilities | 6,363 | 9,802 | -3,439 | 6,363 | 5,765 | 598 |
| **Total liabilities** | **214,007** | **213,330** | **677** | **214,007** | **211,815** | **2,192** |
| **Total equity and liabilites** | **188,937** | **197,148** | **-8,211** | **188,937** | **189,571** | **-633** |
| | | | | | | |
| **Key ratios** | | | | | | |
| Subordinated capital ratio | 26.0% | 26.1% | -0.1% | 26.0% | 31.1% | -5.1% |

**Review of the balance sheet, end of Q1 2022**

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 179.6m at the end of Q1 2022. This compares to EUR 188.6m at the end of Q1 2021. The decrease is mainly due to depreciation partly offset by vessel CAPEX.

Trade and other receivables amounted to EUR 8.7m at the end of Q1 2022 compared to EUR 8.1m at the end of Q1 2021. The slight increase is mainly due to a higher activity level.

Equity was negative at EUR 25.1m at the end of Q1 2022, compared to a negative amount of EUR 16.2m at the end of Q1 2022. The decline in equity was a consequence of losses incurred during the period.

**Subordinated Capital Ratio covenant**

The subordinated capital ratio (SCR) at end of Q1 2022 was at 26.0%, hence not fulfilling the covenant of 31.0%. This constitutes an Event of Default and for this reason holders representing a majority of the first lien bond and over 2/3 of the holders in the second lien bond have entered into a standstill agreement temporarily preventing, inter alia, any enforcement of security as well as cross defaults triggered under ZITON's other financing agreements with the majority creditors. The standstill was entered into in March 2022 and has subsequently extended to provide sufficient time to reach a long-term solution with all relevant stakeholders. On 7 June an agreement was reached encompassing, amongst others, that a proposal will be put forward to holders of the holders of bonds issued by ZITON A/S for bondholders' resolution for certain covenant amendments and waivers, including replacement of the subordinated capital ratio with a minimum EBITDA covenant of EUR 16.25m.

## REVIEW OF STATEMENT OF CASH FLOWS FOR Q1 2022

| *EUR´000* | Q1 2022 | Q1 2021 | Change |
|---|---|---|---|
| **EBITDA** | **5,757** | **-841** | **6,598** |
| Working capital adjustments | -2,465 | -263 | -2,202 |
| Other adjustments | -146 | -162 | 16 |
| **Net cash flows from operating activities** | **3,145** | **-1,266** | **4,411** |
| Financial payments, net | -1,793 | -2,684 | 891 |
| **Net cash before investing activities** | **1,353** | **-3,949** | **5,302** |
| Investing activities | -281 | -3,528 | 3,247 |
| **Net cash flows after investing activities** | **1,072** | **-7,477** | **8,549** |
| Financing activities | -2,158 | 7,437 | -9,596 |
| **Net cash flows after financing activities** | **-1,086** | **-41** | **-1,046** |

| *Available liquidity* | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|---|---|---|---|---|---|
| **Liquidity** | **404** | **1,498** | **1,328** | **3,002** | **242** |
| Available draw on working capital facility | 24 | 224 | 390 | 267 | - |
| **Available liquidity** | **428** | **1,722** | **1,718** | **3,269** | **242** |

### Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 2.6m in Q1 2022 driven by positive EBITDA partly offset by working capital increase. This compares to an outflow of EUR 1.3m in Q1 2021. Working capital adjustments in Q1 2022 was negative EUR 2.5m compared to negative EUR 0.3m in Q1 2021. The main reason being lower trade payables that were relatively high at the end of Q1 2021 as a consequence of a initiation of the turnkey blade campaign.

Financial payments, net amounted to negative EUR 1.8m in Q1 2022 compared to negative EUR 2.7m in Q1 2021, due to non-payment of interest on the first lien bond payable.

Investing activities amounted to an outflow of EUR 0.3m in Q1 2022 compared to an outflow of EUR 3.5m in Q1 2021. The change is mainly related to capex in connection with 10-years classing of J/U WIND ENTERPRISE that was completed in Q1 2021.

Financing activities amounted to a cash outflow of EUR 2.2m in Q1 2022 compared to an inflow of EUR 7.4m in Q4 2020. In Q1 2021, cash flow inflow from financing activities were related to full draw on the Second Super Senior Working Capital Facility of EUR 6.0m.

Available liquidity including available drawings on our working capital facility amounted to EUR 0.4m at the end of Q1 2022 compared to EUR 1.7m available at the end of Q4 2021.

## Consolidated financial statements for ZITON A/S

**INCOME STATEMENT**

| *EUR´000* | Note | Q1 2022 | Q1 2021 |
|---|---|---|---|
| **Revenue** | 1 | **12,448** | **7,693** |
| Project-related expenses | | -936 | -1,981 |
| Operational expenses | | -4,067 | -5,024 |
| **Gross profit** | | **7,446** | **688** |
| Administrative expenses | | -397 | -419 |
| Staff costs, office staff | | -1,292 | -1,109 |
| **EBITDA** | | **5,757** | **-841** |
| Depreciation & amortisation | | -2,778 | -2,781 |
| **EBIT** | | **2,979** | **-3,622** |
| Financial income | | 20 | 100 |
| Financial expenses | | -5,837 | -5,605 |
| **Income before tax** | | **-2,838** | **-9,127** |
| Tax on profit (loss) | | -2 | -146 |
| **Income for the year** | | **-2,840** | **-9,273** |
| | | | |
| *Attributable to:* | | | |
| Owners of ZITON A/S | | -2,832 | -9,271 |
| Non-controllong interest - Profit/loss | | -8 | -2 |
| **Income for the year** | | **-2,840** | **-9,273** |

**STATEMENT OF COMPREHENSIVE INCOME**

| *EUR´000* | Note | Q1 2022 | Q1 2021 |
|---|---|---|---|
| **Income for the year** | | **-2,840** | **-9,273** |
| | | | |
| *Items that will be reclassified subsequently to the income statement when specific conditions are met:* | | | |
| | | | |
| Exchange adjustments of foreign entities, net of tax | | 15 | - |
| Cash flow hedges, realised gains/(losses) incurred during period | | - | - |
| Cash flow hedges, deferred gains/(losses) incurred during period | | - | - |
| **Total comprehensive income for the year, after tax** | | **-2,825** | **-9,273** |
| | | | |
| *Attributable to:* | | | |
| Owners of ZITON A/S | | -2,817 | -9,271 |
| Non-controllong interest - Profit/loss | | -8 | -2 |
| **Total comprehensive income for the year, after tax** | | **-2,825** | **-9,273** |

**BALANCE SHEET**

| *EUR´000* | Note | Q1 2022 | Q1 2021 | Q4 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| ***Non-current assets*** | | | | |
| Vessel, including fixtures & equipment | 2 | 179,628 | 188,562 | 182,147 |
| Intangible assets | | 138 | 141 | 148 |
| Deferred tax asset | | 108 | 108 | 108 |
| **Non-current assets** | | **179,874** | **188,812** | **182,404** |
| ***Current assets*** | | | | |
| Inventories | | 102 | 141 | 193 |
| Trade and other receivables | | 8,556 | 7,954 | 5,476 |
| Cash and cash equivalents | | 404 | 242 | 1,498 |
| **Current assets** | | **9,062** | **8,337** | **7,167** |
| **Total assets** | | **188,937** | **197,148** | **189,571** |
| **Equity and Liabilities** | | | | |
| ***Equity*** | | | | |
| Share capital | | 14,473 | 14,474 | 14,473 |
| Reserves | | 13 | -23 | -2 |
| Retained earnings | | -39,806 | -30,918 | -36,974 |
| **Total equity attributable to owners of ZITON A/S** | | **-25,320** | **-16,467** | **-22,503** |
| Non-controlling interest | | 250 | 285 | 258 |
| **Total equity** | | **-25,070** | **-16,182** | **-22,245** |
| **Liabilities** | | | | |
| ***Non-current liabilities*** | | | | |
| Subordinated loan | | 35,843 | - | 34,511 |
| Bond loans, second lien | | 38,307 | - | 37,048 |
| Bond loans, first lien | | 23,192 | - | 22,638 |
| Lease obligations | | 211 | 514 | 279 |
| Deferred income tax liabilities | | 791 | 643 | 791 |
| Provision for other liabilities | | - | 318 | - |
| **Total non-current liabilities** | | **98,344** | **1,475** | **95,267** |
| ***Current liabilites*** | | | | |
| Subordinated loan | | - | 30,728 | - |
| Bond loans, second lien | | - | 33,429 | - |
| Bond loans, first lien | | 100,402 | 131,937 | 102,062 |
| Lease obligations | | 333 | 257 | 360 |
| Current tax payable | | 336 | 336 | 336 |
| Working capital facility | | 9,356 | 6,664 | 9,152 |
| Trade and other payables | | 4,216 | 7,949 | 3,656 |
| Provision for other liabilities | | 1,020 | 556 | 982 |
| **Total current liabilites** | | **115,663** | **211,856** | **116,548** |
| **Total liabilities** | | **214,007** | **213,330** | **211,815** |
| **Total equity and liabilites** | | **188,937** | **197,148** | **189,571** |

**STATEMENT OF CASH FLOWS**

| ***EUR´000*** | **Note** | **Q1 2022** | **Q1 2021** |
|---|---|---|---|
| **Income before tax** | | **-2,838** | **-9,127** |
| ***Operating activities*** | | | |
| *Adjustments for non-cash items* | | | |
| Reversal financial expenses, net | | 5,810 | 5,503 |
| Depreciation and writedowns of the period | | 2,778 | 2,781 |
| Other adjustments | | -146 | -162 |
| *Working capital adjustments* | | | |
| Change in inventories | | 91 | 92 |
| Change in trade receivables | | -3,080 | -5,219 |
| Change in trade payables | | 523 | 4,864 |
| *Income tax expense* | | | |
| Income tax expense | | - | - |
| **Net cash flows from operating activities** | | **3,138** | **-1,267** |
| *Financial payments* | | | |
| Financial receipts | | - | - |
| Financial payments | | -1,793 | -2,684 |
| **Net cash flows before investing activities** | | **1,345** | **-3,950** |
| ***Investing activities*** | | | |
| Purchase of vessel, fixtures & equipment | | -281 | -3,528 |
| Other cash flows from investing activites | | - | - |
| **Net cash used in investing activities** | | **-281** | **-3,528** |
| ***Financing activities*** | | | |
| Bond loans | | -2,276 | 33,848 |
| Draw on working capital facility | | 204 | 6,174 |
| Lease payments | | -87 | -32,585 |
| **Net cash used/received in financing activities** | | **-2,158** | **7,437** |
| **Net (decrease)/increase in cash and cash equivalents** | | **-1,094** | **-41** |
| Cash and cash equivalents at beginning of period | | 1,498 | 284 |
| Exchange gains/losses on cash and cash equivalents | | - | - |
| **Net cash and cash equivalents at end of period** | | **404** | **242** |

## STATEMENT OF CHANGES IN EQUITY

| YTD 2022 | | Attributable to owners of ZITON A/S | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *EUR´000* | Share capital | *Reserve for warrants* | *Translation reserves* | *Cash flow hedges* | Total reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 31 December 2021** | **14,473** | *143* | *-145* | - | **-2** | **-36,974** | **-22,503** | 258 | **-22,245** |
| Total comprehensive income, after tax | - | - | 15 | - | 15 | -2,832 | -2,817 | -8 | -2,825 |
| Capital increase | - | - | - | - | - | - | - | - | - |
| **Balance at YTD** | **14,473** | *143* | *-130* | - | ***13*** | ***-39,806*** | ***-25,320*** | **250** | ***-25,070*** |

### Share capital

At the end of Q1 2022, 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 2021 | | Attributable to owners of ZITON A/S | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *EUR´000* | Share capital | *Reserve for warrants* | *Translation reserves* | *Cash flow hedges* | Total reserves | Retained earnings | Total | Non-controlling interest | Total equity |
| **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 | 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.

## Note 1 – 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.

| *EUR´000* | Q1 2022 | Q1 2021 |
|---|---|---|
| United Kingdom | 5,251 | 2,480 |
| Denmark | 1,887 | 1,550 |
| Germany | 427 | 1,860 |
| Sweden | 361 | - |
| Belgium | 279 | 310 |
| Netherlands | - | - |
| Ireland | - | - |
| **Total non time charter** | **8,204** | **6,200** |
| Long- term time charter | 4,244 | 1,492 |
| **Total** | **12,448** | **7,693** |

Sales to the largest customers, accounting for more than 10% of revenue, made up 36%, 15%, 15% and 11% of total revenue in Q1 2022 (Q1 2021: 25%, 21%, 19%, 18% and 10%, 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 2 - Vessels and equipment

| **Q1 2022** <br> ***EUR´000*** | **Property** | **Fixtures & equipment** | **Vessels** | **Total** |
|---|---|---|---|---|
| Cost at 1 January 2022 | 1,126 | 3,130 | 247,724 | 251,980 |
| Exchange rate adjustments | 6 | 5 | 81 | 93 |
| Additions | - | 26 | 254 | 280 |
| Disposals | - | - | - | - |
| Additions to leased assets (Right-of-use assets) | - | - | - | - |
| Disposals of leased assets (Right-of-use assets) | - | - | - | - |
| **Cost YTD** | **1,132** | **3,161** | **248,059** | **252,353** |
| Depreciation at 1 January 2022 | -746 | -1,411 | -67,676 | -69,833 |
| Exchange rate adjustments | -3 | -3 | -78 | -84 |
| Depreciation | -78 | -112 | -2,618 | -2,808 |
| Disposals | - | - | - | - |
| Depreciation on leased assets (Right-of-use assets) | - | - | - | - |
| Disposals of leased assets (Right-of-use assets) | - | - | - | - |
| **Depreciation YTD** | **-827** | **-1,526** | **-70,371** | **-72,725** |
| Impairment losses at 1 January 2022 | - | - | - | - |
| Impairment losses YTD | - | - | - | - |
| **Carrying amount YTD** | **305** | **1,635** | **177,687** | **179,628** |

| **Q1 2021** <br> ***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 leased assets (Right-of-use assets) | - | - | - | - |
| Disposals of leased assets (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 on leased assets (Right-of-use assets) | -71 | -39 | - | -110 |
| Disposals of leased assets (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** |

**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 2021, ZITON realised a loss for the year, and the weighted average utilisation of the vessels fell slightly 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 9.2% 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 179,628k.

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 3 - Commitments and contingencies

Since the end of 2021, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2021.

## Note 4 - 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 2021 annual report.

## Note 5 - 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 6 – 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*

During 2019 to 2021, ZITON's balance sheet deteriorated as operational earnings declined as a consequence of blade campaigns that were less profitable than anticipated, and because the vessel fleet was expanded with the purchase of

J/U WIND ENTERPRISE. Further, the current capital structure shows sizeable interest-bearing debt compared to equity and cash flow to service the debt.

Therefore, ZITON A/S' shareholders and the majority of the first lien bond and over two thirds of the holders in the second lien bond have negotiated a solution to set up ZITON with a long-term and viable capital structure. The agreement is conditional upon, amongst other things, approval of the written resolutions for the three bonds issued by ZITON A/S and Wind Enterprise P/S, formal approval of merger filings with competition authorities and foreign direct investments approval with authorities in Denmark. Management assesses that the required approvals will be attained.

Management has prepared scenarios for cash flow and financial covenants, and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations and fulfil its financial covenants during 2022.

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 have 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 39-41 and note 4.1 "Risk management" on pages 74-75 of the 2021 annual report.

**Management statement**

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for Q1 2022. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for the first quarter of 2022 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 the first quarter of 2022.

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, 15 June 2022

Executive Management

__________________________

Thorsten Jalk
CEO

Board of Directors

| | | |
|---|---|---|
| ____________________ | ______________ | _________________ |
| Lars Thorsgaard Jensen<br>Chairman | Ove Eriksen | Jacob Bergenholtz |
| ____________________ | ______________ | |
| Henrik Kleis | Herman Marks | |

**Financial calendar 2022**

Interim report Q2 2022 – 31 August 2022
Interim report Q3 2022 – 30 November 2022

**For further information, please contact**

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

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