

ZITON



Interim report
Q1 2023



ZITON A/S
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Highlights of the report

Highlights of Q1 2023

- On 28 April 2023, Siemens Gamesa Renewable Energy (“Siemens Gamesa”) and ZITON announced a strategic agreement whereby the current time charter agreement for J/U WIND ENTERPRISE will be extended by four and a half years and the parties will enter into a new six-years’ time charter agreement for a new vessel to be purchased which is the sister vessel to J/U WIND ENTERPRISE.
- ZITON has mandated Pareto Securities AB to conduct a series of fixed income meetings and, subject to market conditions, raise financing of the new vessel. The net proceeds from the financing are intended to be used to repay ZITON’s and the subsidiary Wind Enterprise P/S’s outstanding bonds, to finance the purchase of the sister vessel and related capital expenditures for an aggregate amount of EUR 93m, to repay drawn amounts on the working capital facility and to finance transaction costs and general corporate purposes.
- EBITDA amounted to EUR 8.7m in Q1 2023 compared to EUR 5.8m in Q1 2022. The improvement is due to an increase in revenue reflecting improved utilisation of all three of the smaller vessels as the market for major component replacements showed double digit growth rates in Q1 2023 compared to Q1 2022.
- The guidance for 2023, does not consider the effects of the contemplated financing and purchase of the sister vessel to J/U WIND ENTERPRISE. The following sets out our KPI guidance for 2023:
 - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 80%-90% up from the previous guidance of 75%-85%.
 - **EBITDA.** We expect EBITDA to be in the range of EUR 30-34m which was revised upwards from EUR 28-32m on 28 April 2023.
 - **Cash flow from operating activities.** We expect cash flows from operating activities of EUR 27-31m which was revised upwards from EUR 25-29m on 28

April 2023. 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.

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 2018/2024 (ISIN NO 0010832488).

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

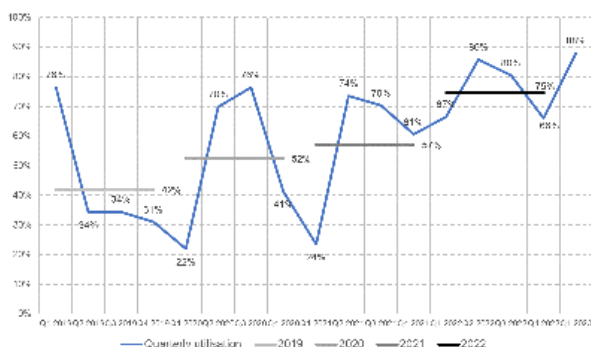
The activity level for regular major component replacements showed double digit growth rates in Q1 2023 compared to the same quarter the year before. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly set in and drive an increase in the need for major component replacement. On average, turbines below 4MW have an average age of around 11 years and turbines between 6-10 MW have an average age of less than 4 years. Therefore, the majority of the current market for major component replacement is for turbines below 4 MW that can be serviced by our vessels J/U WIND, J/U WIND PIONEER and J/U WIND SERVER. During the coming 2-6 years, we expect the market for 6-10 MW turbines to increase significantly. This market can be serviced by our vessel J/U WIND ENTERPRISE.

In addition, serial defects on major components will further increase the activity level for major component replacements.

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.

Utilisation rates

The weighted average utilisation rate for Q1 2023 was 88%. This is an improvement compared to a utilisation of 67% in Q1 2022.



Note: The 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 is the clear market leader within dedicated O&M services for major component replacements at offshore wind farms. The only clear exceptions to this are Harren Group, who operates two O&M dedicated jack-up vessels, and Gulf Marine Services who have won a O&M time-charter tender for Ørsted with a single vessel, while Van Oord – who is the first supplier on a four-year framework agreement with Vattenfall - operates two vessels regularly used for O&M. The primary business of most other jack-up vessels is within transport and installation (“T&I”) of new offshore wind farms. From time-to-time T&I vessels are also used for O&M services. The outlook for offshore wind continues to be robust driven by transition towards zero-emissions by 2050. This has spurred demand for jack-up vessels within T&I, and has reduced the supply of jack-up vessels within O&M. The consequence is that demand-supply within O&M is getting increasingly tight resulting in customers seeking commitment for availability of vessels when needed. This is in particular important in the current environment as high electricity prices make extended downtime of turbines increasingly expensive. In turn, this leads to higher prices achieved for O&M services for major component replacements.

Vessel operations

J/U WIND ENTERPRISE continues to operate on time charter with Siemens Gamesa with limited off-hire days. During Q1 2023, J/U WIND, J/U WIND PIONEER and J/U WIND SERVER mainly operated under framework agreements with RWE, Ørsted, Vattenfall and SSE Renewables.

Contract developments

On 28 April 2023, Siemens Gamesa and ZITON announced a strategic agreement whereby the current time charter agreement for J/U WIND ENTERPRISE will be extended by four and a half years and the parties will enter into a new six-years’ time charter agreement for a new vessel to be purchased.

Extension of existing time charter

The current time charter agreement for J/U WIND ENTERPRISE expires on 31 October 2024 with Siemens

Gamesa having various extension options to extend the current agreement until 20 June 2025. Siemens Gamesa will make use of all options to extend the agreement on terms similar to the current agreement. In addition, the parties have reached an agreement for extension of the time charter from 21 June 2025 to 31 December 2029 at more favourable terms, including a higher day rate, reflecting the changes in the market environment since the original time charter was entered into in December 2020. As variable OPEX-related costs are generally paid by Siemens Gamesa, profitability on WIND ENTERPRISE is expected to increase materially. After 1 January 2027, Siemens Gamesa will retain an option for early termination of the contract against payment of a one-off compensation.

New time charter for new vessel

Siemens Gamesa and ZITON have entered into an agreement of time charter of a new vessel on terms similar to the extension agreement for J/U WIND ENTERPRISE. The time charter is expected to be initiated when the vessel is operational which is expected in the beginning of 2024. The time charter will end on 31 December 2029. For this time charter contract, Siemens Gamesa does not hold any options for early termination.

ZITON has signed an agreement to purchase the sister vessel to J/U WIND ENTERPRISE, subject to securing financing. The vessel has the same specifications as J/U WIND ENTERPRISE and was built a few months later than J/U WIND ENTERPRISE in 2011 at the same yard. ZITON has been operating J/U WIND ENTERPRISE since May 2019 and has, amongst others, completed 10-years classing of J/U WIND ENTERPRISE during January and February 2021 prior to the vessel entering into the current time charter agreement with Siemens Gamesa. The vessel has operated very efficiently on the time charter with Siemens Gamesa since 1 March 2021 with less than five days of off-hire in the period. ZITON has therefore gained significant experience in efficient operations and maintenance of the vessel.

This experience can effectively be applied to the sister vessel. Earlier in the year, ZITON inspected the vessel while it was installing turbines in China. ZITON performed inspection of the vessel crane, jacking system, engines etc. and the vessel was found to be in sound condition. The vessel is currently in dry dock in China to complete final inspection of legs and spudcans.

Upon completion of financing and purchase of the vessel, the living area will be prepared in China for a complete upgrade at a yard stay in Europe. Thereafter, the vessel will be transported back to Europe, which is a journey of approximately two and a half months. Once in Europe, the vessel will complete a yard stay to be upgraded according to dock specifications prepared from the findings in our inspection reports. The sister vessel will be upgraded to the current high standards of J/U WIND ENTERPRISE for essential functions such as vessel crane, jacking system and engines. In addition, accommodation, laundry facilities, galley and messroom areas and the gymnasium will be upgraded to high-level European standards. Currently, the vessel has 78m legs which are planned to be extended for the vessel to operate at some of the deepest locations of current and future offshore wind turbines installed by Siemens Gamesa.

As customary for time charter contracts, Siemens Gamesa will pay a fixed time charter rate and pay for variable OPEX-related costs during the tenure of the time charter. The total value of the remaining part of the J/U WIND ENTERPRISE time charter and the six-years' time charter agreement for the sister vessel can amount up to approximately EUR 373m.

In addition to the Siemens Gamesa contracts, ZITON's current contracts within offshore wind O&M includes:

- On 22 December 2022, RWE and ZITON entered into a strategic agreement that will provide RWE with priority services and quick response to avoid unscheduled downtime on their offshore wind turbines. The framework agreement has a duration of four years and allows RWE to utilise multiple vessels across ZITON's versatile fleet dedicated to O&M services. The agreement involves that RWE makes a minimum annual commitment for utilisation of ZITON's fleet of EUR 10m.
- On 1 May 2019, Ørsted and ZITON signed a three-year framework agreement covering nine of Ørsted's offshore wind farms. The contract has been extended and now expires on 31 March 2024. Ørsted has time chartered a competitors' jack-up vessel for a longer time period. However, we expect that Ørsted's demand cannot be fully fulfilled by one jack-up vessel and we expect to continue deriving revenue from Ørsted, even though it is expected to be significantly reduced in

the coming years. Reduced revenue from Ørsted is expected to be partly counterbalanced by the RWE framework agreement.

- On 18 December 2019, Vestas Offshore Wind ("Vestas") and ZITON signed a three-year framework agreement. Discussions are ongoing for an extension and enlargement of the 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 the Siemens Gamesa charter, ZITON is constrained in our ability to service most of Vestas' larger turbines until expiry of the Siemens Gamesa charter.
- ZITON's framework agreement with Vattenfall Wind Power AB ("Vattenfall") expired in November 2020. Following that, Vattenfall completed a tender to service both smaller and larger 8+MW turbines, where ZITON was selected second supplier. It means that if the first supplier declines to carry out a specific component exchange, ZITON can take on the task. Under this contract ZITON has continued to perform major component replacements for Vattenfall. Discussions are ongoing for an extension of the framework agreement to ensure Vattenfall improved availability of vessels.

Contemplated refinancing

ZITON has mandated Pareto Securities AB to conduct a series of fixed income meetings and, subject to market conditions, raise financing of the new vessel. The net proceeds from the financing are intended to be used to repay ZITON's and the subsidiary Wind Enterprise P/S's outstanding bonds, to finance the purchase of the sister vessel and related capital expenditures for an aggregate amount of EUR 93m, to repay drawn amounts on the working capital facility and to finance transaction costs and general corporate purposes.

Outlook for 2023

The outlook for 2023, is based on the key assumptions that J/U WIND ENTERPRISE will continue to operate successfully on the Siemens Gamesa 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 guidance for 2023, does not consider the effects of the contemplated financing and purchase of the sister vessel to J/U WIND ENTERPRISE. The following set out our KPI guidance for 2023:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 80%-90% up from the previous guidance of 75%-85%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 30-34m which was revised upwards from EUR 28-32m on 28 April 2023.
- **Cash flow from operating activities.** We expect cash flows from operating activities of EUR 27-31m which was revised upwards from EUR 25-29m on 28 April 2023. 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.

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 48-50 and note 4.1 "Risk management" on page 101 of the 2022 annual report.

Financial Review

REVIEW OF THE INCOME STATEMENT

EUR '000	Q1 2023	Q1 2022	Change
Revenue	16,239	12,448	3,791
OPEX and project-related expenses	-5,319	-5,003	-316
SG&A	-2,236	-1,689	-547
EBITDA	8,684	5,757	2,927
Depreciation	-2,859	-2,778	-81
EBIT	5,825	2,979	2,846
Financials, net	-5,746	-5,817	71
Income before tax	79	-2,838	2,918
Key ratios			
EBITDA margin	53.5%	46.2%	7.2%

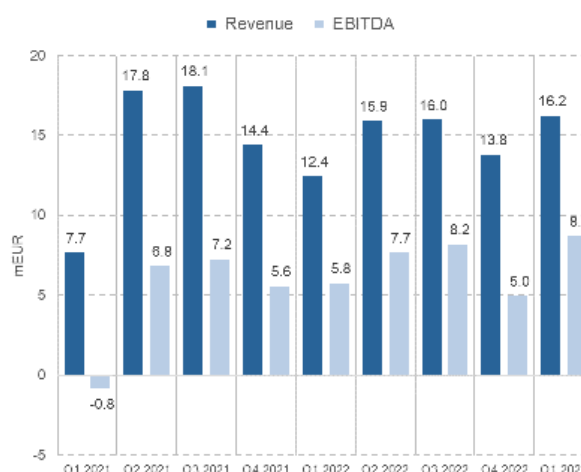
Review of the income statement for Q1 2023

The consolidated income statement for the ZITON Group shows revenue for Q1 2023 of EUR 16.2m, compared to revenue of EUR 12.4m in Q1 2022. The increase in revenue reflects improved utilisation of all three of the smaller vessels as the market for major component replacements showed double digit growth rates in Q1 2023 compared to Q1 2022.

Vessel OPEX and project-related costs increased by EUR 0.3m from Q1 2022 to Q1 2023. The main reasons are increases in OPEX which are due to increases in crew salaries and provisions for a retention programme for vessel crews and turbine technicians.

SG&A increased to EUR 2.2m in Q1 2023 from EUR 1.7m in Q1 2022 mainly due to costs related to the implementation of an employee retention programme following the completion of the debt restructuring.

EBITDA amounted to EUR 8.7m in Q1 2023 compared to EUR 5.8m in Q1 2022. The improvement is due to an increase in revenue reflecting improved utilisation of all three of the smaller vessels as the market for major component replacements showed double digit growth rates in Q1 2023 compared to Q1 2022. In addition, it includes one-off revenue of EUR 0.8m related to the extension of the current time charter contract for J/U WIND ENTERPRISE



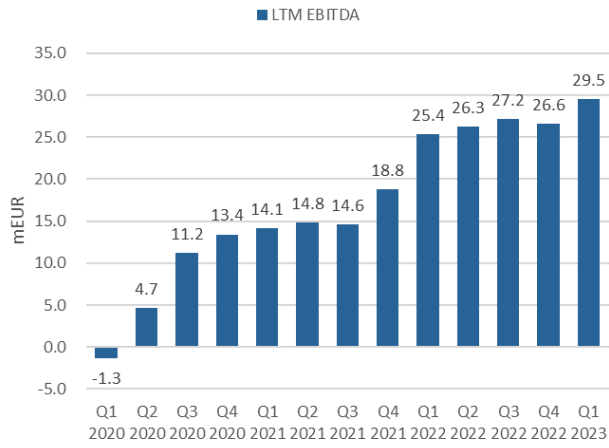
Depreciation and impairment increased slightly to EUR 2.9m in Q1 2023 from EUR 2.8m in Q1 2022.

Financials, net was an expense of EUR 5.7m in Q1 2023 compared to an expense of EUR 5.8m in Q1 2022. The reduced financial costs are mainly a consequence of the conversion of EUR 38.7m in subordinated debt into equity which involves that interests will no longer be charged on subordinated debt. This reduction was partly offset by an increase in the 3 months' EURIBOR on the company's first lien bond loan issued by ZITON A/S.

EBITDA covenant

As part of the debt restructuring, the covenant for subordinated capital ratio ("SCR") was discontinued and replaced by a minimum EBITDA covenant of EUR 16.25m for rolling twelve months. At the end of Q1 2023, rolling twelve months' EBITDA was at EUR 29.5m. This is a steady improvement compared to prior years as illustrated below with the improvement

halted in Q4 2022 mainly due to a one-off effect from an incident with the jacking system on J/U WIND SERVER, causing the vessel to be out of operations for a few weeks in Q4 2022.



REVIEW OF THE BALANCE SHEET AT THE END OF Q1 2023

EUR '000	Q1 2023	Q1 2022	Change	Q4 2022	Change
Assets					
Vessel, including fixtures & equipment	173,303	179,628	-6,325	175,429	-2,126
Other non-current assets	300	247	53	265	35
Non-current assets	173,603	179,874	-6,272	175,694	-2,091
Trade and other receivables	12,213	8,658	3,554	10,498	1,715
Cash and cash equivalents	5,742	404	5,338	4,607	1,135
Current assets	17,955	9,062	8,892	15,104	2,850
Total assets	191,557	188,937	2,621	190,798	759
Equity and Liabilities					
Equity	7,046	-25,070	32,116	7,304	-257
Subordinated loan	-	35,843	-35,843	-	-
Bond loans, second lien	53,569	38,307	15,262	51,940	1,630
Bond loans, first lien	117,286	123,594	-6,308	118,881	-1,595
Lease obligations	650	544	106	360	290
Working capital facility	6,450	9,356	-2,906	128	6,322
Other liabilities	6,556	6,362	194	12,185	-5,629
Total liabilities	184,511	214,006	-29,495	183,494	1,017
Total equity and liabilities	191,557	188,937	2,620	190,798	759
Key ratios					
Subordinated capital ratio	31.6%	26.0%	5.6%	31.1%	-1.2%

Review of the balance sheet, end of Q1 2023

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 173.3m at the end of Q1 2023. This compares to EUR 179.6m at the end of Q1 2022. The decrease is mainly due to depreciation partly offset by vessel CAPEX.

Trade and other receivables amounted to EUR 12.2m at the end of Q1 2023 compared to EUR 8.7m at the end of Q1 2022. The increase is mainly due to increased activity level.

Cash and cash equivalents amounted to EUR 5.7m at the end of Q1 2023 compared to EUR 0.4m at the end of Q1 2022. The improvement is mainly due to a net liquidity improvement of EUR 10.1m following the completion of the debt restructuring at the end of September 2022 which was partly offset by non-recurring cash items related to the debt restructuring of EUR 4.0m.

Equity was positive at EUR 7.0m at the end of Q1 2023, compared to a negative amount of EUR 25.1m

at the end of Q1 2022. The significant increase in equity is a consequence of the conversion of EUR 38.7m in subordinated debt into equity but partly offset by losses incurred during the period.

Subordinated loan was reduced to zero following conversion into equity, compared to EUR 35.8m at the end of Q1 2022.

Bonds loan, second lien amounted to EUR 53.6m at the end of Q1 2023 compared to EUR 38.3m at the end of Q1 2022. The increase is mainly due to an increase of the loan by EUR 10m as part of the completion of the debt restructuring as well as accrued interest.

Working capital facility amounted to EUR 6.5m at the end of Q1 2023 compared to EUR 9.4m at the end of Q1 2022. The reduction is due to a EUR 3.1m partial repayment of the second super senior working capital as part of completion of the debt restructuring.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q1 2023

<i>EUR '000</i>	Q1 2023	Q1 2022	Change
EBITDA	8,684	5,757	2,927
Working capital adjustments	-1,129	-2,465	1,337
Other adjustments	-6	-145	139
Income tax expense	-	-	-
Net cash flows from operating activities	7,549	3,146	4,403
Financial payments, net	-3,206	-1,793	-1,413
Net cash before investing activities	4,344	1,353	2,990
Investing activities	-711	-281	-430
Net cash flows after investing activities	3,633	1,073	2,560
Financing activities	-2,498	-2,159	-339
Net cash flows after financing activities	1,135	-1,086	2,221

<i>Available liquidity</i>	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Cash and cash equivalents	8,210	4,869	12,858	3,624	404
Cash on retention account	2,469	262	2,270	1,266	-
Liquidity	5,742	4,607	10,588	2,358	404
Available draw on working capital facility	382	385	65	24	224
Available liquidity	6,124	4,992	10,653	2,382	628

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 7.5m in Q1 2023 driven by positive EBITDA but partly offset by working capital adjustments. This compares to a cashflow from operating activities of EUR 3.1m in Q1 2022. Working capital adjustments are mainly related to increased activity levels leading to an increase in trade receivables.

Financial payments, net amounted to negative EUR 3.2m in Q1 2023 compared to negative EUR 1.8m in Q1 2022. Interest payments include cash payments on first lien bond loans in ZITON A/S, Wind Enterprise P/S, working capital facilities and performance guarantees. This increase is primarily related to an increase in the 3 months' EURIBOR on the company's first lien bond loan issued by ZITON A/S.

Investing activities, net amounted to an outflow of EUR 0.7m in Q1 2023 compared to an outflow of EUR 0.3m in Q1 2022.

Financing activities amounted to a cash outflow of EUR 2.5m in Q1 2023 compared to an outflow of EUR 2.2m in Q1 2022. It is mainly related to the ordinary amortisation on bonds issued by Wind Enterprise P/S.

Available liquidity including available drawings on our working capital facility amounted to EUR 6.1m at the end of Q1 2023, compared to EUR 5.0m available at the end of 2022.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

EUR '000

Note	Q1 2023	Q1 2022
Revenue	16,239	12,448
Other operating income	-	-
Project-related expenses	-195	-936
Operational expenses	-5,124	-4,067
Gross profit	10,920	7,446
Administrative expenses	-583	-397
Staff costs, office staff	-1,653	-1,292
EBITDA	8,684	5,757
Depreciation & amortisation	-2,859	-2,778
EBIT	5,825	2,979
Financial income	19	20
Financial expenses	-5,765	-5,837
Income before tax	79	-2,838
Tax on profit (loss)	-1	-2
Income for the year	78	-2,840
<i>Attributable to:</i>		
Owners of ZITON A/S	84	-2,832
Non-controlling interest - Profit/loss	-5	-8
Income for the year	78	-2,840

STATEMENT OF COMPREHENSIVE INCOME

EUR '000

Note	Q1 2023	Q1 2022
Income for the year	78	-2,840
<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	-1	-
Total comprehensive income for the year, after tax	77	-2,840
<i>Attributable to:</i>		
Owners of ZITON A/S	83	-2,832
Non-controlling interest - Profit/loss	-5	-8
Total comprehensive income for the year, after tax	77	-2,840

BALANCE SHEET				
<i>EUR '000</i>	Note	Q1 2023	Q1 2022	Q4 2022
Assets				
Non-current assets				
Vessel, including fixtures & equipment	2	173,303	179,628	175,429
Intangible assets		169	138	131
Financial assets		-	-	-
Deferred tax asset		130	108	134
Non-current assets		173,603	179,874	175,694
Current assets				
Inventories		267	102	421
Trade and other receivables		11,946	8,556	10,077
Cash and cash equivalents		5,742	404	4,607
Current assets		17,955	9,062	15,104
Total assets		191,557	188,937	190,798
Equity and Liabilities				
Equity				
Share capital		54	14,473	54
Reserves		-126	13	-125
Retained earnings		6,973	-39,806	7,225
Total equity attributable to owners of ZITON A/S		6,902	-25,320	7,154
Non-controlling interest		145	250	150
Total equity		7,046	-25,070	7,304
Liabilities				
Non-current liabilities				
Subordinated loan		-	35,843	-
Bond loans, second lien		53,569	38,307	51,940
Bond loans, first lien		110,752	23,192	112,635
Lease obligations		421	211	46
Deferred income tax liabilities		-	791	-
Working capital facility		-	-	6,211
Provision for other liabilities		-	-	-
Total non-current liabilities		164,742	98,344	170,831
Current liabilities				
Subordinated loan		-	-	-
Bond loans, second lien		-	-	-
Bond loans, first lien		6,534	100,402	6,246
Lease obligations		229	333	315
Current tax payable		-	336	-
Working capital facility		6,450	9,356	128
Trade and other payables		4,693	4,216	4,108
Provision for other liabilities		1,863	1,019	1,866
Total current liabilities		19,769	115,662	12,663
Total liabilities		184,511	214,006	183,494
Total equity and liabilities		191,557	188,937	190,798

STATEMENT OF CASH FLOWS

EUR '000	Note	Q1 2023	Q1 2022
Income before tax		79	-2,838
Operating activities			
<i>Adjustments for non-cash items</i>			
Reversal financial expenses, net		5,746	5,810
Depreciation and writedowns of the period		2,859	2,778
Other adjustments		-6	-145
<i>Working capital adjustments</i>			
Change in inventories		153	91
Change in trade receivables		-1,869	-3,080
Change in trade payables		587	523
<i>Income tax expense</i>			
Income tax expense		-	-
Net cash flows from operating activities		7,549	3,139
<i>Financial payments</i>			
Financial receipts		19	-
Financial payments		-3,225	-1,793
Net cash flows before investing activities		4,344	1,346
Investing activities			
Purchase of Tangible Fixed Assets		-662	-281
Disposal of Tangible Fixed Assets		-	-
Purchase of Intangible Fixed Assets		-48	-
Disposal of Intangible Fixed Assets		-	-
Other cash flows from investing activities		-	-
Net cash used in investing activities		-711	-281
Financing activities			
Repayment of borrowings		-2,207	-2,276
Proceeds from borrowings		-	-
Draw on working capital facility		111	204
Cost of capital increase		-334	-
Capital increase in parent		-	-
Lease payments		-67	-87
Net cash used/received in financing activities		-2,498	-2,159
Net (decrease)/increase in cash and cash equivalents		1,135	-1,094
Cash and cash equivalents at beginning of period		4,607	1,498
Exchange gains/losses on cash and cash equivalents		-	-
Net cash and cash equivalents at end of period		5,742	404

STATEMENT OF CHANGES IN EQUITY

YTD 2023

EUR '000	Attributable to owners of ZITON A/S					Total	Non-controlling interests	Total equity
	Share capital	Reserve for warrants	Translation reserves	Total reserves	Retained earnings			
Balance at 31 December 2022	54	-	-125	-125	7,225	7,154	150	7,304
Total comprehensive income, after tax	-	-	-1	-1	84	83	-5	77
Cost of capital increase	-	-	-	-	-335	-335	-	-335
Balance at YTD	54	-	-126	-126	6,973	6,902	145	7,046

Share capital

On 30 September 2022, ZITON A/S held an extraordinary general meeting. The company's share capital was reduced from 108,013,705 shares of DKK 1 each (EUR 14,474k) to zero and all of the company's share classes and warrants were cancelled. Subsequently, the company's share capital was increased by EUR 54k by conversion of existing debt. The increase in share capital of EUR 54k resulted in a share premium of EUR 38,707k. The company has only one class of shares owned by Zappy Topco ApS. Permira Credit Solutions III Sub Master Euro S.à.r.l. is the new controlling shareholder of ZITON A/S holding 55% of the voting shares in Zappy Topco ApS.

Reserves

Equity reserves consist of the following:

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 2022

EUR '000	Attributable to owners of ZITON A/S					Total	Non-controlling interest	Total equity
	Share capital	Reserve for warrants	Translation reserves	Total reserves	Retained earnings			
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 14,473K). 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.

<i>EUR '000</i>	Q1 2023	Q1 2022
United Kingdom	7,092	5,251
Denmark	4,170	1,887
Germany	-	427
Sweden	289	361
Belgium	-	279
Netherlands	-	-
Ireland	-	-
Total non time charter	11,550	8,204
Long- term time charter	4,689	4,244
Total	16,239	12,448

Sales to the largest customers, accounting for more than 10% of revenue, made up 28%, 24%, 20% and 15% of total revenue in Q1 2023 (Q1 2022: 50% and 32%, 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.

timing

Note 2 - Vessels and equipment

Q1 2023 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2023	1,121	4,044	251,186	256,351
Exchange rate adjustments	-6	-6	-251	-263
Additions	0	80	582	662
Disposals	0	-0	-	-0
Additions to leased assets (Right-of-use assets)	24	-	-	24
Disposals of leased assets (Right-of-use assets)	-254	-82	-	-336
Cost YTD	886	4,035	251,517	256,438
Depreciation at 1 January 2023	-1,017	-1,602	-78,090	-80,709
Exchange rate adjustments	4	3	-28	-21
Depreciation	0	-82	-2,701	-2,783
Disposals	0	-0	-	-0
Depreciation on leased assets (Right-of-use assets)	-44	-25	-	-69
Disposals of leased assets (Right-of-use assets)	593	68	-	661
Depreciation YTD	-464	-1,638	-80,819	-82,921
Impairment losses at 1 January 2023	-	-214	-	-214
Impairment losses YTD	-	-	-	-
Carrying amount YTD	422	2,183	170,698	173,303

Q1 2022 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	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 2021	-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	177,688	179,628

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. 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 11.1% 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 173,303k. 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 2022, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2022.

Note 4 - Related party transactions

Since the end of 2022 no significant changes have occurred to related parties or types and scale of transactions with these parties other than what was disclosed in the annual report for 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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, thereby leading to sizeable interest-bearing debt compared to equity and cash flow to service

the debt. This resulted in a debt restructuring that was completed on 30 September 2022, therefore the balance sheet presented in this interim report reflects the strengthening of the capital structure and liquidity of the company following debt restructuring.

The debt restructuring includes various elements to provide the company with a long-term sustainable capital structure and significant strengthening of liquidity:

- An extension of maturities of the first and second lien bonds issued by ZITON A/S by 24 months. The first lien bonds will hereafter mature on 3 October 2024 and the second lien bonds on 3 April 2025.
- Conversion of EUR 38.7m in subordinated debt into equity, thereby significantly strengthening the company's equity.
- Net liquidity improvement of EUR 10.1m. This consist of a EUR 10m increase in the second lien bonds. For the first lien bonds amortisation on 4 April 2022 was reduced from EUR 2.5m to EUR 1.25m and capitalisation of interest amounting to EUR 1.9m. EUR 3.1m of the new liquidity was applied towards repayment of part of the second super senior working capital facility.

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 48-50 and note 4.1 "Risk management" on page 101 of the 2022 annual report.

Management statement

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for Q1 2023. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for Q1 2023 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 2023, and of the results of the ZITON's operations and cash flow from 31 December 2022 to 31 March 2023.

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, 24 May 2023

Executive Management

Thorsten Jalk
CEO

Board of Directors

Samuel Martin Gross
Chairman

Jon Oliver Bryce

Lars Rabe Tønnesen

Thorsten Jalk

Jens Michael Haurum

Financial calendar 2023

Interim report Q2 2023 - 30 August 2023

Interim report Q3 2023 - 23 November 2023

For further information, please contact

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