



Interim report
Q2 2021



Highlights of the report

Highlights of Q2 2021

- 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 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 into Q4 2021 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 vessel has operated successfully on the Meerwind blade campaign during Q2 2021.
- The activity level for regular major component replacements was relatively strong in the second half of 2020. This trend continued in 1H 2021, with a very 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. Further, our analysis shows that the market growth for major component replacements is expected to continue. This trend positively affected the utilisation of J/U WIND and J/U WIND PIONEER during Q2 2021.
- EBITDA amounted to EUR 6.8m in Q2 2021 compared to EUR 6.2m in Q2 2020. The increase is due to good vessel utilisation leading to increase in revenue that was partly offset by increase in project-related expenses.
- In the beginning of August 2021, ZITON announced that its Board of Directors has engaged Evercore to act as financial advisor in reviewing strategic alternatives focused on maximizing shareholder value. These alternatives include, among other things, a corporate sale, a business combination or a partnership, while continuing to develop other growth opportunities. There can be no assurance that this strategic review will result in any transaction. The Company has not set a timetable for completion of the process, and it does not intend to comment further unless a specific transaction is approved by ZITON’s Board of Directors and shareholders, or it is otherwise determined that further disclosure is appropriate or required by law.
- 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 very strong in the second half of 2020. This trend continued in the first half of 2021, with a very 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. Further, our analysis shows that the market growth for major component replacements is expected to continue.

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

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 into Q4 2021 depending mostly on weather. According to the terms of the Meerwind contract, ZITON receives 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. A new tender process is ongoing.
- 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 currently the only one of ZITON's vessel that can service these turbines. As J/U WIND ENTERPRISE is on SGRE long-term charter, ZITON is 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, ZITON 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

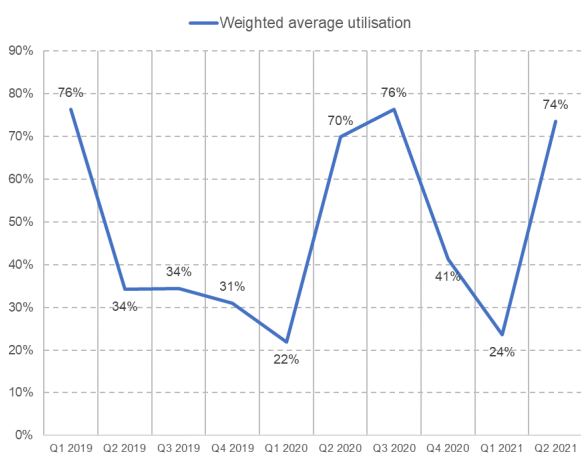
the docking stay exceeded the budgeted cost of EUR 1.6m by EUR 2.1m. According to the operational support agreement between ZITON A/S and Wind Enterprise P/S, ZITON A/S will be reimbursed when the cash generation can cover the additional CAPEX. The vessel entered into the SGRE long-term charter on 1 March 2021 and continues to operate successfully on the time charter with limited off-hire days.

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, leading to low utilization during Q1 2021. The vessel has operated successfully on the Meerwind blade campaign during Q2 2021. 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 first half 2021, 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 Q2 2021 was at 74%. The high utilisation reflects strong pipeline and execution in Q2 on all four vessels. This is a robust improvement compared to utilisation of 24% in Q1 2021 when J/U WIND ENTERPRISE was in dry dock for the first two months of the quarter, and J/U WIND SERVER was delayed in completion of a UK project.



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

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.

Approval of 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.

ZITON to explore strategic alternatives

In the beginning of August 2021, ZITON announced that its Board of Directors has engaged Evercore to act as financial advisor in reviewing strategic alternatives focused on maximizing shareholder value. These alternatives include, among other things, a corporate sale, a business combination or a partnership, while continuing to develop other growth opportunities. There can be no assurance that this strategic review will result in any transaction. The Company has not set a timetable for completion of the process, and it does not intend to comment further unless a specific transaction is approved by ZITON's Board of Directors and shareholders, or it is otherwise determined that further disclosure is appropriate or required by law.

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	Q2 2021	Q2 2020	Change	YTD 2021	YTD 2020	Change
Revenue	17,837	14,955	2,882	25,530	22,302	3,228
OPEX and project-related expenses	-9,250	-7,342	-1,908	-16,255	-14,870	-1,386
SG&A	-1,744	-1,463	-281	-3,273	-2,855	-418
EBITDA	6,843	6,151	692	6,002	4,577	1,424
Depreciation	-2,733	-2,687	-46	-5,514	-5,372	-142
EBIT	4,110	3,464	646	487	-795	1,282
Financials, net	-5,589	-5,123	-466	-11,094	-9,626	-1,468
Income before tax	-1,479	-1,660	180	-10,606	-10,421	-185
Key ratios						
EBITDA margin	38.4%	41.1%	-2.8%	23.5%	20.5%	3.0%

Review of the income statement for Q2 2021

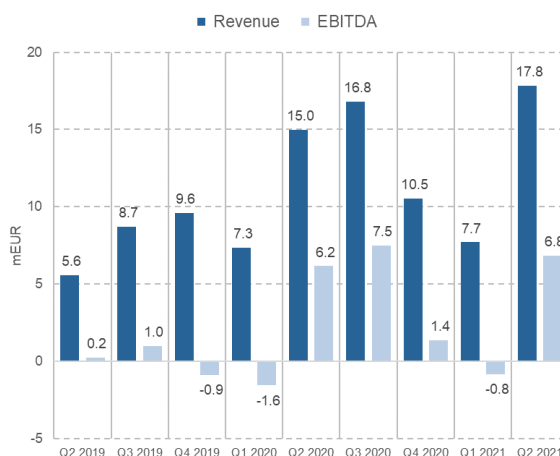
The consolidated income statement for the ZITON Group shows revenue for Q2 2021 of EUR 17.8m, compared to revenue of EUR 15.0m in Q2 2020. The increase in revenue was driven by good utilisation of the two smaller vessels J/U WIND and J/U WIND PIONEER as wear and tear for turbines below 4 MW increasingly seem to drive the need for component replacement. Revenue for J/U WIND SERVER in Q1 2021 was below the same quarter the year before. In Q2 2020 the vessel operated on WoDS blade campaign assuming the full weather risk. In Q2 2020, weather was favourable on WoDS leading to strong revenue in that quarter. In Q2 2021, the vessel is operating on the Meerwind blade campaign with limited weather risk, which also reduces the upside when weather is favourable. Revenue for J/U WIND ENTEPRISE was largely unchanged compared to the same quarter the year before. In Q2 2021, the vessel operated on the SGRE long-term time charter and in Q2 2020 it operated mainly on framework agreements.

Vessel OPEX and project related costs increased to EUR 9.3m for Q2 2021 from EUR 7.3m in Q2 2020. The main reason for the increase is higher project-related expenses on the Meerwind blade campaign, as well as higher project related expenses for the two smaller vessels due to the higher level of activity.

SG&A increased slightly to EUR 1.7m in Q2 2021 from EUR 1.5m in Q2 2020 mainly due to increased salaries because of more employees.

EBITDA amounted to EUR 6.8m in Q2 2021 compared to EUR 6.2m in Q2 2020. The increase is due to good vessel utilisation leading to increase in revenue that

was partly offset by increase in project-related expenses.



Depreciation was unchanged at EUR 2.7m in Q2 2021 compared to EUR 2.7m in Q2 2020.

Financials, net was an expense of EUR 5.6m in Q2 2021 compared to an expense of EUR 5.1m in Q2 2020. The increased financial costs were mainly a consequence of higher interest-bearing debt partly as interest on the subordinated loan and second lien loans are accrued.

Review of income statement 1st half 2021

The consolidated income statement for the ZITON Group shows revenue for 1H 2021 of EUR 25.5m compared to a revenue of EUR 22.3m in 1H 2020. The increase in revenue was driven by good utilisation of the two smaller vessels J/U WIND and J/U WIND PIONEER as wear and tear for turbines below 4 MW increasingly seem to drive the need for component

replacement. Revenue for J/U WIND SERVER in 1H 2021 was below the same period the year before when revenue was positively affected by favourable weather. Revenue for J/U WIND ENTERPRISE declined in 1H 2021 compared to the same period the year before as the vessel did not earn revenue when it completed 10-years dry-dock surveys and repairs during January and February 2021.

Vessel OPEX and project related costs increased to EUR 16.3m in 1H 2021 from EUR 14.9m in 1H 2020. The main reason for the increase is higher project-related expenses on the Meerwind blade campaign, as well as higher project related expenses for the two smaller vessels due to the higher level of activity.

SG&A expenses amounted to EUR 3.3m in 1H 2021 compared to EUR 2.9m 1H 2020 mainly due to increased salaries because of more employees.

EBITDA was a EUR 6.0m profit in 1H 2021 compared to a profit of EUR 4.6m in 1H 2020. The increase is due to good vessel utilisation leading to increase in revenue that was partly offset by increase in project-related expenses. For the first two months of Q1 2021 J/U WIND ENTERPRISE was in dry dock to prepare for the SGRE long-term charter. Had the vessel operated on the charter, EBITDA would have been approx. EUR 2.7m higher for 1H 2021.

Depreciation charges of EUR 5.5m in 1H 2021 compared to EUR 5.4m in 1H 2020. The increase in depreciation is related to capitalisation and depreciation of J/U WIND ENTERPRISE.

Financials, net was an expense of EUR 11.1m in 1H 2021 compared to an expense of EUR 9.6m in 1H 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 higher interest-bearing debt partly as interest on the subordinated loan and second lien loans are accrued.

REVIEW OF THE BALANCE SHEET AT THE END OF Q2 2021

EUR '000	Q2 2021	Q2 2020	Change	Q2 2021	Q4 2020	Change
Assets						
Vessel, including fixtures & equipment	186,127	190,297	-4,170	186,127	187,671	-1,544
Other non-current assets	242	632	-389	242	268	-26
Non-current assets	186,369	190,928	-4,559	186,369	187,939	-1,569
Trade and other receivables	8,254	3,776	4,478	8,254	2,586	5,668
Cash and cash equivalents	3,002	3,437	-435	3,002	284	2,719
Current assets	11,256	7,213	4,043	11,256	2,869	8,387
Total assets	197,626	198,141	-515	197,626	190,808	6,819
Equity and Liabilities						
Equity	-17,680	-13,722	-3,958	-17,680	-16,910	-771
Subordinated loan	31,943	27,431	4,512	31,943	29,574	2,370
Bond loans, second lien	34,591	30,301	4,289	34,591	32,322	2,269
Bond loans, first lien	129,468	95,016	34,451	129,468	97,787	31,681
Lease obligations	669	42,241	-41,572	669	43,135	-42,466
Working capital facility	9,118	196	8,922	9,118	490	8,628
Other liabilities	9,518	16,678	-7,160	9,518	4,411	5,107
Total liabilities	215,306	211,863	3,443	215,306	207,718	7,589
Total equity and liabilities	197,626	198,141	-515	197,626	190,808	6,818
Key ratios						
Subordinated capital ratio	26.6%	32.7%	-6.1%	26.6%	31.1%	-4.5%

Review of the balance sheet, end of Q2 2021

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 186.1m at the end of Q2 2021. This compares to EUR 190.3m at the end of Q2 2020. The decrease is mainly due to depreciation partly offset by vessel CAPEX.

Trade and other receivables amounted to EUR 8.3m at the end of Q2 2021 compared to EUR 3.8m at the end of Q2 2020 and EUR 2.6m at the end of Q4 2020. The increase is due to initiation of the long-term charter and the Meerwind blade campaign with SGRE.

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 17.9m at the end of Q2 2021, a change from a negative amount of EUR 13.7m at the end of Q2 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 Q2 2021 was 26.6% compared to 32.7% at the end of Q2 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.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q2 2021

EUR '000	Q2 2021	Q2 2020	Change	YTD 2021	YTD 2020	Change
EBITDA	6,843	6,151	692	6,002	4,577	1,424
Working capital adjustments	-541	1,181	-1,722	-713	1,403	-2,116
Other adjustments	-67	-1,378	1,311	-323	-2,654	2,331
Net cash flows from operating activities	6,235	5,953	281	4,966	3,326	1,640
Financial payments, net	-2,591	-771	-1,821	-5,275	-1,620	-3,655
Net cash before investing activities	3,643	5,182	-1,539	-309	1,706	-2,016
Investing activities	-444	-93	-350	-3,971	-320	-3,652
Net cash flows after investing activities	3,200	5,089	-1,889	-4,281	1,387	-5,667
Financing activities	-438	-401	-37	6,999	-1,047	8,046
Net cash flows after financing activities	2,761	4,688	-1,926	2,718	340	2,379

Available liquidity	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Liquidity	3,002	242	284	3,372	3,437
Available draw on working capital facility	267	-	12,193	11,193	13,166
Available liquidity	3,269	242	12,477	14,565	16,603

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 6.2m in Q2 2021 driven by positive EBITDA. This compares to an inflow of EUR 6.0m in Q2 2020. For 1H 2021 were an inflow of EUR 5.0m compared to EUR 3.3m in 1H 2020. The increase is mainly a consequence of improved EBITDA.

Working capital adjustments in Q1 2021 was negative EUR 0.5m compared to EUR 1.2m in Q2 2021.

Financial payments, net amounted to negative EUR 2.6m in Q2 2021 compared to negative EUR 0.8m in Q2 2020. Financial payments mainly includes interest on bonds loans. In Q2 2020, interest payments on the first lien bond loan were postponed until maturity of the bonds.

Investing activities amounted to an outflow of EUR 0.4m in Q2 2021 and EUR 4.0m in 1H 2021 compared to an outflow of EUR 0.1m in Q2 2020 and EUR 0.3m in 1H 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.

Financing activities amounted to a cash outflow of EUR 0.4m in Q2 2021 compared to an outflow of EUR 0.4m in Q2 2020. During Q2 2021, amortisation on bond loans were financed by utilisation on the Second Super Senior Working Capital Facility (SSS WCF).

Available liquidity including available drawings on our working capital facility amounted to EUR 3.3m at the end of Q2 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 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. The SSS WCF of EUR 6.0m was fully utilised at the end of Q1 2021. The SSS WCF was increased from EUR 6.0m to EUR 9.0m during Q2 2021 and was fully utilised towards the end of 1H 2021.

Following bondholders' approval of the Written Resolution on 18 May 2021, the SSS WCF was 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

<i>EUR '000</i>	Note	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Revenue	2	17,837	14,955	25,530	22,302
Project-related expenses		-4,571	-2,417	-6,551	-5,205
Operational expenses		-4,679	-4,925	-9,704	-9,665
Gross profit		8,587	7,614	9,274	7,432
Administrative expenses		-503	-374	-922	-776
Staff costs, office staff		-1,241	-1,089	-2,350	-2,078
EBITDA		6,843	6,151	6,002	4,577
Depreciation & amortisation		-2,733	-2,687	-5,514	-5,372
EBIT		4,110	3,464	487	-795
Financial income		45	207	142	379
Financial expenses		-5,635	-5,331	-11,235	-10,005
Income before tax		-1,479	-1,660	-10,606	-10,421
Tax on profit (loss)		-8	-423	-154	1,260
Income for the year		-1,487	-2,083	-10,760	-9,161
<i>Attributable to:</i>					
Owners of ZITON A/S		-1,482	-2,084	-10,753	-9,155
Non-controlling interest - Profit/loss		-5	0	-7	-6
Income for the year		-1,487	-2,083	-10,760	-9,161
STATEMENT OF COMPREHENSIVE INCOME					
<i>EUR '000</i>	Note	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Income for the year		-1,487	-2,083	-10,760	-9,161
<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		-	22	-	-210
Cash flow hedges, realised gains/(losses) incurred during period		-	9	-	-93
Cash flow hedges, deferred gains/(losses) incurred during period		-	924	-	1,007
Total comprehensive income for the year, after tax		-1,487	-1,128	-10,760	-8,457
<i>Attributable to:</i>					
Owners of ZITON A/S		-1,482	-1,129	-10,753	-8,450
Non-controlling interest - Profit/loss		-5	0	-7	-6
Total comprehensive income for the year, after tax		-1,487	-1,128	-10,760	-8,456

<i>EUR '000</i>		Q2 2021	Q2 2020	Q4 2020
Assets				
Non-current assets				
Vessel, including fixtures & equipment	3	186,127	190,297	187,671
Intangible assets		134	115	160
Deferred tax asset		108	517	108
Non-current assets		186,369	190,928	187,939
Current assets				
Inventories		179	145	233
Trade and other receivables		8,074	3,630	2,352
Cash and cash equivalents		3,002	3,437	284
Current assets		11,256	7,213	2,869
Total assets		197,626	198,141	190,808
Equity and Liabilities				
Equity				
Share capital		14,473	13,098	13,098
Reserves		-33	136	-23
Retained earnings		-32,400	-27,011	-30,272
Total equity attributable to owners of ZITON A/S		-17,960	-13,777	-17,196
Non-controlling interest		280	55	287
Total equity		-17,680	-13,722	-16,910
Liabilities				
Non-current liabilities				
Subordinated loan		31,943	27,431	29,574
Bond loans, second lien		34,591	30,301	32,322
Bond loans, first lien		125,210	92,937	94,305
Lease obligations		381	40,007	878
Deferred income tax liabilities		650	4,877	497
Provision for other liabilities		318	230	318
Total non-current liabilities		193,093	195,783	157,893
Current liabilities				
Bond loans, first lien		4,258	2,079	3,482
Lease obligations		288	2,234	42,257
Current tax payable		336	-	336
Working capital facility		9,118	196	490
Trade and other payables		7,588	10,789	2,599
Provision for other liabilities		626	782	660
Total current liabilities		22,214	16,081	49,825
Total liabilities		215,306	211,863	207,718
Total equity and liabilities		197,626	198,141	190,808

<i>EUR '000</i>	Note	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Income before tax		-1,479	-1,660	-10,606	-10,421
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		5,594	5,123	11,097	9,626
Depreciation and writedowns of the period		2,728	2,687	5,511	5,372
Other adjustments		-67	-1,378	-323	-2,654
<i>Working capital adjustments</i>					
Change in inventories		-38	84	54	148
Change in trade receivables		-212	463	-5,722	-592
Change in trade payables		-291	634	4,955	1,848
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		6,234	5,953	4,966	3,327
<i>Financial payments</i>					
Financial receipts		-	-	-	-
Financial payments		-2,591	-771	-5,275	-1,620
Net cash flows before investing activities		3,643	5,182	-309	1,707
Investing activities					
Purchase of vessel, fixtures & equipment		-444	-93	-3,971	-320
Other cash flows from investing activities		-	-	-	-
Net cash used in investing activities		-444	-93	-3,971	-320
Financing activities					
Bond loans		-2,816	-	31,033	-
Draw on working capital facility		2,454	196	8,628	196
Lease payments		-77	-569	-32,662	-1,243
Net cash used/received in financing activities		-438	-401	6,999	-1,047
Net (decrease)/increase in cash and cash equivalents		2,761	4,688	2,719	341
Cash and cash equivalents at beginning of period		242	-1,251	284	3,097
Exchange gains/losses on cash and cash equivalents		-	-	-	-
Net cash and cash equivalents at end of period		3,003	3,437	3,002	3,438

STATEMENT OF CHANGES IN EQUITY

YTD 2021

EUR '000	Share capital	Attributable to owners of ZITON A/S					Total	Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings			
Balance at 31 December 2020	13,098	143	-166	-	-23	-30,272	-17,197	287	-16,911
Total comprehensive income, after tax	-	-	-10	-	-10	-10,753	-10,763	-7	-10,770
Capital increase in parent	1,375	-	-	-	-	8,625	10,000	-	10,000
Balance at YTD	14,473	143	-176	-	-33	-32,400	-17,960	280	-17,680

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 Q2 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	Attributable to owners of ZITON A/S					Total	Non-controlling interest	Total equity
		Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings			
Balance at 31 December 2019	13,098	142	-11	-701	-570	-17,857	-5,328	61	-5,267
Total comprehensive income, after tax	-	-	-210	915	704	-9,154	-8,449	-6	-8,455
Capital increase in parent	-	-	-	-	-	-	-	-	-
Balance at YTD	13,098	142	-221	214	134	-27,011	-13,777	55	-13,722

Share capital

At the end of Q2 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

<i>EUR '000</i>	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue	17,837	7,693	10,536	16,799	14,955
Project-related expenses	-4,571	-1,980	-2,669	-2,893	-2,417
Operational expenses	-4,679	-5,025	-4,682	-4,901	-4,925
Gross profit	8,587	688	3,185	9,004	7,614
Administrative expenses	-503	-419	-414	-373	-374
Staff costs, office staff	-1,241	-1,109	-1,418	-1,147	-1,089
EBITDA	6,843	-841	1,353	7,485	6,151
Depreciation	-2,733	-2,781	-2,816	-2,724	-2,687
EBIT	4,110	-3,622	-1,462	4,761	3,464
Financial income	45	100	733	86	207
Financial expenses	-5,635	-5,605	-5,662	-5,287	-5,331
Income before tax	-1,479	-9,127	-6,392	-440	-1,660

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

<i>EUR '000</i>	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Germany	8,181	-	10,116	1,224
United Kingdom	2,945	11,954	5,554	15,658
Denmark	1,773	2,279	3,174	4,479
Ireland	195	-	198	-
Sweden	-	-	-	218
Belgium	273	722	496	794
Netherlands	273	-	298	-
Total non time charter	13,639	14,955	19,836	22,373
Long- term time charter	4,202	-	5,694	-
Total	17,841	14,955	25,530	22,373

Sales to the largest customers, accounting for more than 10% of revenue, made up 48%, 20% and 11% of total revenue in 2021 (2020: 56%, 23% and 15%, 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

Q2 2021 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	1,181	2,770	242,743	245,513
Exchange rate adjustments	-	23	60	83
Additions	-	135	3,863	3,998
Disposals	-	-169	-	-169
Additions to leased assets (Right-of-use assets)	-	-	-	-
Disposals of leased assets (Right-of-use assets)	-	-	-	-
Cost YTD	1,181	2,759	246,665	250,606
Depreciation at 1 January 2021	-482	-1,065	-57,451	-58,998
Exchange rate adjustments	-	-35	-22	-57
Depreciation	-137	-243	-5,100	-5,479
Disposals	-	56	-	56
Depreciation on leased assets (Right-of-use assets)	-	-	-	-
Disposals of leased assets (Right-of-use assets)	-	-	-	-
Depreciation YTD	-619	-1,287	-62,572	-64,478
Impairment losses at 1 January 2021	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	562	1,472	184,093	186,127
Q2 2020 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2020	1,181	2,517	239,521	242,038
Exchange rate adjustments	-	2	358	360
Additions	-	51	288	339
Disposals	-	-	-	-
Additions to leased assets (Right-of-use assets)	-	59	44	103
Disposals of leased assets (Right-of-use assets)	-	-55	-	-55
Cost YTD	1,181	2,575	240,210	243,966
Depreciation at 1 January 2020	-242	-726	-47,312	-48,280
Exchange rate adjustments	-	-1	-69	-70
Depreciation	-	-170	-4,038	-4,332
Disposals	-	-	-	-
Depreciation on leased assets (Right-of-use assets)	-125	-67	-964	-1,156
Disposals of leased assets (Right-of-use assets)	-	45	-	45
Depreciation YTD	-367	-919	-52,383	-53,669
Impairment losses at 1 January 2020	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	814	1,656	187,827	190,297

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 the first half of 2021, ZITON realised a loss for the year, and the weighted average utilisation of the vessels fell slightly short of expectations with an average rate during first half of 49%. 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 186,127k

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

Note 4 - Commitments and contingencies

Since the end of 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 5 - Related party transactions

No significant changes have occurred to related parties or types and scale of transactions with these parties other than what was disclosed in the 2020 annual report.

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

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 7 – 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 half of 2021. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for the first half 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 30 June 2021, and of the results of the ZITON's operations and cash flow for the first half 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, 26 August 2021

Executive Management

Thorsten Jalk
CEO

Board of Directors

Lars Thorsgaard Jensen
Chairman

Ove Eriksen

Jacob Bergenholtz

Morten Melin

Henrik Kleis

Herman Marks

Financial calendar 2021

Interim report Q3 2021 – 23 November 2021

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