



**Interim report
Q2 2022**



ZITON A/S
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Highlights of the report

Highlights of Q2 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.
- EBITDA amounted to EUR 7.7m in Q2 2022 compared to EUR 6.8m in Q2 2021. The increase is due to improved profitability of framework agreements and other tenders attained during Q2 2022 compared to the Meerwind blade campaign and tenders attained during Q2 2021.
- 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.

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 slightly lower than the same quarter the year before, mainly due to strong demand in Q2 2021. For the full year the market is expected to show double digit growth rates. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly seem to drive the need for component replacement.

The market for blade campaigns 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 Q2 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 Q2 2022, J/U WIND, J/U WIND PIONEER and J/U WIND SERVER operated under framework agreements with Ørsted, Vestas and Vattenfall as well as other tenders attained.

J/U WIND was out of operations from mid-June until mid-August, for ordinary five years renewal survey according to class requirements. During dry dock the condition of the legs, tanks and hull are thoroughly assessed. The vessel conditions turned out to be very satisfactory, thus capex is expected to be within budget.

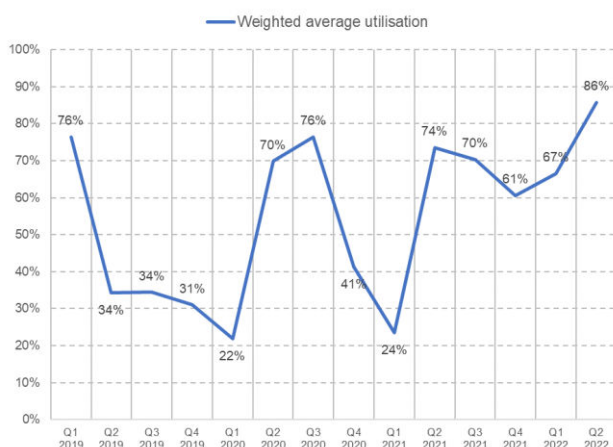
Competitive environment

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 Q2 2022 was at 86%. This is an improvement compared to utilisation of 74% in Q2 2021. The improvement in utilisation reflects higher utilisation of J/U WIND, J/U WIND PIONEER and J/U WIND SERVER that all

operated on framework agreements and tenders attained. The utilisation of J/U WIND ENTERPRISE was unchanged compared to the year before at high level reflecting limited off hire days.



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 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.

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	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
Revenue	15,914	17,837	-1,923	28,363	25,530	2,833
OPEX and project-related expenses	-5,632	-9,250	3,618	-10,635	-16,255	5,620
SG&A	-2,587	-1,744	-843	-4,275	-3,273	-1,003
EBITDA	7,695	6,843	853	13,452	6,002	7,450
Depreciation	-2,761	-2,733	-29	-5,539	-5,514	-25
EBIT	4,934	4,110	824	7,913	487	7,425
Financials, net	-6,148	-5,589	-558	-11,965	-11,094	-871
Income before tax	-1,214	-1,479	266	-4,052	-10,606	6,554
Key ratios						
EBITDA margin	48.4%	38.4%	10.0%	47.4%	23.5%	23.9%

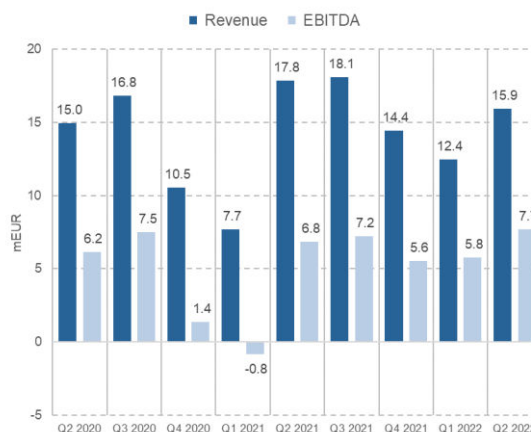
Review of the income statement for Q2 2022

The consolidated income statement for the ZITON Group shows revenue for Q2 2022 of EUR 15.9m, compared to revenue of EUR 17.8m in Q2 2021. The lower revenue reflects that ZITON, in Q2 2021, provided a turnkey solution at the Meerwind blade campaign resulting in the customer being invoiced costs for technicians and repair facilities. Otherwise, revenue was positively affected by improved utilisation of J/U WIND and J/U WIND PIONEER.

Vessel OPEX and project related costs decreased by EUR 3.6m from Q2 2021 to Q2 2022. The main reason was a reduction of project related costs, as ZITON in Q2 2021 provided a turnkey solution at the Meerwind blade campaign including costs for technicians and repair facilities.

SG&A increased to EUR 2.6m in Q2 2022 from EUR 1.7m in Q2 2021 due to one-off costs of approx. EUR 1.0m related to abortion of the sales process and initiation of the debt restructuring process.

EBITDA amounted to EUR 7.7m in Q2 2022 compared to EUR 6.8m in Q2 2021. The increase is due to improved profitability of framework agreements and other tenders attained during Q2 2022 compared to the Meerwind blade campaign and tenders attained during Q2 2021.



Depreciation was largely unchanged at EUR 2.8m in Q2 2022 compared to the same period the year before.

Financials, net was an expense of EUR 6.1m in Q2 2022 compared to an expense of EUR 5.6m in Q2 2021. The increased financial costs are mainly a consequence of slightly higher debt and expensing of capitalised issue costs.

Review of income statement 1H 2022

The consolidated income statement for the ZITON Group shows an increase in revenue by EUR 2.8m to EUR 28.4m 1H 2022 compared to a revenue of EUR 25.5m in 1H 2021. The improvement in revenue is composed of an increase in revenue in Q1 2022 of EUR 4.8m and a decrease in Q2 2022 of EUR 1.9m.

In Q1 2021, 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.

The lower revenue in Q2 2022, reflects that ZITON, in Q2 2021, provided a turnkey solution at the Meerwind blade campaign resulting in the customer being invoiced costs for technicians and repair facilities.

Vessel OPEX and project related costs decreased to EUR 10.6m in 1H 2022 from EUR 16.3m in 1H 2021. The main reason for the decrease is primarily high project-related expenses in Q2 2021 for the Meerwind blade campaign, as well as a project on the east coast of the UK during Q1 2021.

SG&A increased to EUR 4.3m in 1H 2022 from EUR 3.3m in 1H 2021 due to one-off costs of approx. EUR 1.0m related to abortion of the sales process and initiation of the debt restructuring process.

EBITDA amounted to EUR 13.5m 1H 2022 compared to EUR 6.0m 1H 2021. The increase is due to improved profitability of framework agreements and other tenders attained during 2022 compared to the Meerwind blade campaign and other tenders during 2021. Further, during Q1 2021, J/U WIND ENTERPRISE was in dock for the first two months of the year and 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.

Depreciation was largely unchanged at EUR 5.5m in 1H 2022 compared to the same period the year before.

Financials, net was an expense of EUR 12.0m in 1H 2022 compared to an expense of EUR 11.1m in 1H 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 Q2 2022

EUR '000	Q2 2022	Q2 2021	Change	Q2 2022	Q1 2022	Change
Assets						
Vessel, including fixtures & equipment	177,125	186,127	-9,002	177,125	182,147	-5,022
Other non-current assets	236	242	-6	236	256	-20
Non-current assets	177,361	186,369	-9,008	177,361	182,404	-5,043
Trade and other receivables	10,844	8,254	2,590	10,844	5,669	5,174
Cash and cash equivalents	2,358	3,002	-645	2,358	1,498	860
Current assets	13,201	11,256	1,945	13,201	7,167	6,034
Total assets	190,563	197,626	-7,063	190,563	189,571	992
Equity and Liabilities						
Equity	-26,270	-17,680	-8,589	-26,270	-22,245	-4,025
Subordinated loan	37,239	31,943	5,296	37,239	34,511	2,728
Bond loans, second lien	39,619	34,591	5,029	39,619	37,048	2,571
Bond loans, first lien	123,819	129,468	-5,649	123,819	124,700	-881
Lease obligations	457	669	-212	457	639	-181
Working capital facility	9,317	9,118	199	9,317	9,152	165
Other liabilities	6,382	9,518	-3,136	6,382	5,765	616
Total liabilities	216,833	215,306	1,527	216,833	211,815	5,018
Total equity and liabilities	190,563	197,626	-7,063	190,563	189,571	992
Key ratios						
Subordinated capital ratio	26.1%	26.6%	-0.5%	26.1%	27.0%	-0.9%

Review of the balance sheet, end of Q2 2022

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 177.1m at the end of Q2 2022. This compares to EUR 186.1m at the end of Q2 2021 and 182.4m at the end of Q4 2021. The decrease is mainly due to depreciation partly offset by vessel CAPEX.

Trade and other receivables amounted to EUR 10.8m at the end of Q2 2022 compared to EUR 8.3m at the end of Q1 2021 and EUR 5.7m at the end of Q4 2021. The increase is mainly due to a higher activity level.

Equity was negative at EUR 26.3m at the end of Q2 2022, compared to a negative amount of EUR 17.7m at the end of Q1 2022 and EUR 22.2m at the end of Q4 2021. The decline in equity was a consequence of losses incurred during the periods.

Subordinated Capital Ratio covenant

The subordinated capital ratio (SCR) at end of Q2 2022 was at 26.1%, 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 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 Q2 2022

<i>EUR 000</i>	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
EBITDA	7,695	6,843	853	13,452	6,002	7,450
Working capital adjustments	-1,891	-541	-1,350	-4,356	-713	-3,643
Other adjustments	349	-67	416	-558	-323	-235
Net cash flows from operating activities	6,153	6,234	-81	8,538	4,966	3,572
Financial payments, net	-1,691	-2,591	900	-2,724	-5,275	2,551
Net cash before investing activities	4,462	3,643	819	5,815	-309	6,124
Investing activities	-294	-444	150	-574	-3,971	3,397
Net cash flows after investing activities	4,168	3,199	969	5,240	-4,281	9,521
Financing activities	-2,209	-438	-1,771	-4,368	6,999	-11,367
Net cash flows after financing activities	1,959	2,760	-801	873	2,717	-1,845
Available liquidity						
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	
Liquidity	2,358	404	1,498	1,328	3,002	
Available draw on working capital facility	65	24	224	390	267	
Available liquidity	2,422	428	1,722	1,718	3,269	

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 6.2m in Q2 2022 driven by positive EBITDA partly offset by working capital increase. This compares to an cashflow from operating activities of EUR 6.2m in Q1 2021. For 1H 2022, they were an inflow of EUR 8.5m compared to EUR 5.0m in 1H 2021.

Financial payments, net amounted to negative EUR 1.7m in Q2 2022 compared to negative EUR 2.6m in Q2 2021. For 1H 2022, they were an outflow of EUR 2.7m compared to outflow of EUR 5.3m in 1H 2021. Interest payment on the first lien loan issued by ZITON A/S of EUR 1.9m due on 4 April 2022 was not paid in cash, but as a replacement PIK-bonds were issued.

Investing activities amounted to an outflow of EUR 0.3m in Q2 2022 compared to an outflow of EUR 0.4m in Q2 2021. For 1H 2022, it showed an outflow of EUR 0.6m compared to an EUR 4.0m in 1H 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 Q2 2022 compared to an outflow of EUR 0.4m in Q2 2021. For 1H 2022, it showed an outflow of EUR 4.4m compared to an inflow of EUR 7.0m in 1H 2021. In 1H 2021, cash flow inflow from financing activities included full draw on the Second Super Senior Working Capital Facility of EUR 9.0m.

Available liquidity including available drawings on our working capital facility amounted to EUR 2.4m at the end of Q2 2022, compared to EUR 0.4m at the end of Q1 2022 and EUR 1.7m available at the end of Q4 2021. This reflects the improvement in liquidity of EUR 3.2m from interest and amortisation collectively that were due on 4 April 2022, were PIK-bonds were issued instead of payment in cash. Subject to satisfaction of the conditions of the lock-up agreement and obtaining regulatory approvals, ZITON will issue summons for bondholders' resolution and seek a waiver for capitalisation of the missing payments of interest and amortisation.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

<i>EUR '000</i>	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Revenue	1	15,914	17,837	28,363	25,530
Project-related expenses		-1,108	-4,571	-2,045	-6,553
Operational expenses		-4,524	-4,679	-8,591	-9,703
Gross profit		10,282	8,587	17,727	9,274
Administrative expenses		-1,382	-503	-1,779	-922
Staff costs, office staff		-1,205	-1,241	-2,496	-2,350
EBITDA		7,695	6,843	13,452	6,002
Depreciation & amortisation		-2,761	-2,733	-5,539	-5,514
EBIT		4,934	4,110	7,913	487
Financial income		0	45	20	142
Financial expenses		-6,148	-5,635	-11,985	-11,235
Income before tax		-1,214	-1,479	-4,052	-10,606
Tax on profit (loss)		-1	-8	-2	-154
Income for the year		-1,215	-1,487	-4,054	-10,760
<i>Attributable to:</i>					
Owners of ZITON A/S		-1,208	-1,482	-4,040	-10,753
Non-controlling interest - Profit/loss		-7	-5	-14	-7
Income for the year		-1,215	-1,487	-4,054	-10,760

STATEMENT OF COMPREHENSIVE INCOME

<i>EUR '000</i>	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Income for the year		-1,215	-1,487	-4,054	-10,760
<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		29	-	-	-
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		-1,185	-1,487	-4,054	-10,760
<i>Attributable to:</i>					
Owners of ZITON A/S		-1,178	-1,482	-4,040	-10,753
Non-controlling interest - Profit/loss		-7	-5	-14	-7
Total comprehensive income for the year, after tax		-1,185	-1,487	-4,054	-10,760

BALANCE SHEET				
EUR '000	Note	Q2 2022	Q2 2021	Q4 2021
Assets				
Non-current assets				
Vessel, including fixtures & equipment	2	177,125	186,127	182,147
Intangible assets		128	134	148
Deferred tax asset		108	108	108
Non-current assets		177,361	186,369	182,404
Current assets				
Inventories		294	179	193
Trade and other receivables		10,550	8,074	5,476
Cash and cash equivalents		2,358	3,002	1,498
Current assets		13,201	11,256	7,167
Total assets		190,563	197,626	189,571
Equity and Liabilities				
Equity				
Share capital		14,473	14,473	14,473
Reserves		27	-33	-2
Retained earnings		-41,014	-32,400	-36,974
Total equity attributable to owners of ZITON A/S		-26,514	-17,960	-22,503
Non-controlling interest		244	280	258
Total equity		-26,270	-17,680	-22,245
Liabilities				
Non-current liabilities				
Subordinated loan		37,239	31,943	34,511
Bond loans, second lien		39,619	34,591	37,048
Bond loans, first lien		22,004	125,210	22,638
Lease obligations		155	381	279
Deferred income tax liabilities		454	650	791
Provision for other liabilities		-	318	-
Total non-current liabilities		99,471	193,093	95,267
Current liabilities				
Subordinated loan		-	-	-
Bond loans, second lien		-	-	-
Bond loans, first lien		101,815	4,258	102,062
Lease obligations		302	288	360
Current tax payable		336	336	336
Working capital facility		9,317	9,118	9,152
Trade and other payables		4,542	7,588	3,656
Provision for other liabilities		1,050	626	982
Total current liabilities		117,362	22,214	116,548
Total liabilities		216,833	215,306	211,815
Total equity and liabilities		190,563	197,626	189,571

<i>EUR '000</i>	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Income before tax		-1,214	-1,479	-4,052	-10,606
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		6,142	5,594	11,952	11,097
Depreciation and writedowns of the period		2,761	2,728	5,539	5,511
Other adjustments		349	-67	-558	-323
<i>Working capital adjustments</i>					
Change in inventories		-192	-38	-101	54
Change in trade receivables		-1,994	-212	-5,074	-5,722
Change in trade payables		295	-291	818	4,955
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		6,148	6,234	8,526	4,966
<i>Financial payments</i>					
Financial receipts		-	-	-	-
Financial payments		-1,691	-2,591	-2,724	-5,275
Net cash flows before investing activities		4,457	3,643	5,802	-309
Investing activities					
Purchase of vessel, fixtures & equipment		-294	-444	-574	-3,971
Other cash flows from investing activities		-	-	-	-
Net cash used in investing activities		-294	-444	-574	-3,971
Financing activities					
Bond loans		-2,094	-2,816	-4,370	31,033
Draw on working capital facility		-39	2,454	165	8,628
Lease payments		-76	-77	-162	-32,662
Net cash used/received in financing activities		-2,209	-438	-4,368	6,999
Net (decrease)/increase in cash and cash equivalents		1,954	2,761	860	2,719
Cash and cash equivalents at beginning of period		404	242	1,498	284
Exchange gains/losses on cash and cash equivalents		-	-	-	-
Net cash and cash equivalents at end of period		2,358	3,002	2,358	3,002

STATEMENT OF CHANGES IN EQUITY

YTD 2022

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 2021	14,473	143	-145	-	-2	-36,974	-22,503	258	-22,245
Total comprehensive income, after tax	-	-	29	-	29	-4,040	-4,011	-14	-4,025
Capital increase	-	-	-	-	-	-	-	-	-
Balance at YTD	14,473	143	-116	-	27	-41,014	-26,514	244	-26,270

Share capital

At the end of Q2 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

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 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	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.

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>	Q2 2022	Q2 2021	YTD 2022	YTD 2021
United Kingdom	7,964	2,945	12,691	5,554
Denmark	1,466	1,773	4,171	3,174
Belgium	-	273	-	496
Netherlands	316	273	336	298
Sweden	-	-	-	-
Germany	1,172	8,181	1,601	10,116
Ireland	651	195	969	198
Total non time charter	11,569	13,639	19,769	19,836
Long- term time charter	4,350	4,202	8,594	5,694
Total	15,919	17,841	28,363	25,530

Sales to the largest customers, accounting for more than 10% of revenue, made up 35%, 27%, 19% and 10% of total revenue in Q2 2022 (Q2 2021: 48%, 20% and 11%, 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

Q2 2022 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2022	1,129	3,129	247,684	251,942
Exchange rate adjustments	6	5	81	93
Additions	-	111	456	567
Disposals	-	-	-	-
Additions to leased assets (Right-of-use assets)	-	7	-	7
Disposals of leased assets (Right-of-use assets)	-	-51	-	-51
Cost YTD	1,135	3,201	248,221	252,557
Depreciation at 1 January 2022	-748	-1,410	-67,668	-69,826
Exchange rate adjustments	-3	-3	-78	-84
Depreciation	-145	-214	-5,200	-5,559
Disposals	-	-	-	-
Depreciation on leased assets (Right-of-use assets)	-	-	-	-
Disposals of leased assets (Right-of-use assets)	-	37	-	37
Depreciation YTD	-896	-1,590	-72,946	-75,432
Impairment losses at 1 January 2022	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	239	1,611	175,275	177,125
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

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 20221, 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 177,125k.

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 Q2 2022. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for the first half 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 30 June 2022, and of the results of the ZITON's operations and cash flow the first half 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, 24 August 2022

Executive Management

Thorsten Jalk
CEO

Board of Directors

Lars Thorsgaard Jensen
Chairman

Ove Eriksen

Jacob Bergenholtz

Henrik Kleis

Herman Marks

Financial calendar 2022

Interim report Q3 2022 – 29 November 2022

For further information, please contact

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