

ZITON

Interim report
Q2 2023



Highlights of the report

Highlights of Q2 2023

- On 28 April 2023, Siemens Gamesa and ZITON announced a strategic agreement whereby the current time charter agreement for J/U WIND ENTERPRISE was extended by four and a half years while the parties also entered into a new six-year time charter agreement for the jack-up vessel J/U WIND ENERGY.
- On 25 May 2023, ZITON completed the financing for the purchase of J/U WIND ENERGY.
- On 20 June 2023, ZITON completed the purchase of J/U WIND ENERGY. The vessel was in dock in China from the end of June through July 2023. On 9 August 2023, the jack-up departed from China on a semi-submersible vessel (as pictured on the front page) to be transported back to Europe, which is a journey of approximately two months. Once in Europe, the vessel will complete a yard stay to be upgraded. It is expected that J/U WIND ENERGY will go on time charter with Siemens Gamesa from around 1 January 2024.
- EBITDA amounted to EUR 11.1m in Q2 2023 compared to EUR 7.7m in Q2 2022. The improvement is due to an increase in revenue reflecting improved utilisation of all three of the smaller vessels due to a stronger market for major component replacements.
- Following the strong results for Q2 2023, we upgrade our expectations for EBITDA for 2023. The following sets out our KPI guidance for 2023:
 - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 80-90% which is unchanged from the previous guidance.
 - **EBITDA.** We expect EBITDA to be in the range of EUR 32-36m up from the previous guidance of EUR 30-34m and our initial guidance of EUR 28-32m.
 - **Cash flow from operating activities.** We expect cash flows from operating activities to be in the range of EUR 29-35m up from the previous guidance of EUR 27-31m and our initial guidance of EUR 25-29m. The upgrade is in line with increased forecast for EBITDA,

though we see a slightly higher upside for cash flow from operating activities due to increase in payables related to upgrade of J/U WIND ENERGY.

- **CAPEX.** We expect CAPEX of around EUR 5m excluding CAPEX related to J/U WIND ENERGY. In addition, we expect CAPEX for J/U WIND ENERGY of approximately EUR 82m including capitalised interest costs of approximately EUR 5m related to the vessel.

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 150,000,000 callable bonds 2023/2028 (ISIN N00012928185).

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

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 was extended by four and a half years while the parties also entered into a new six-year time charter agreement for the jack-up vessel J/U WIND ENERGY which was purchased in June 2023.

Time charter agreement for J/U WIND ENTERPRISE

The current time charter agreement for J/U WIND ENTERPRISE expires on 20 June 2025 as Siemens Gamesa has utilised all of their extension options. The new agreement extends 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. Therefore, the profitability of J/U WIND ENTERPRISE is expected to increase materially from mid-2025. Siemens Gamesa will retain an option for early termination of the contract after 1 January 2027 against a one-off compensation payment.

Time charter agreement for J/U WIND ENERGY

Siemens Gamesa and ZITON have entered into a time charter agreement for J/U WIND ENERGY 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 has a duration of six years. For this time charter contract, Siemens Gamesa does not hold any options for early termination.

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-year time charter agreement for J/U WIND ENERGY amount up to approximately EUR 370m.

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 which 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. From spring 2023, Ørsted has time chartered a competitors' jack-up vessel for a multi-year period. However, we expect that Ørsted's demand for major component replacement 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 and J/U WIND ENERGY are time chartered by Siemens Gamesa, ZITON is constrained in our ability to service most of Vestas' larger turbines. ZITON continue to support Vestas' requirements for major component replacement for their below 4 MW requirements.
- From the beginning of 2021, 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 continues to perform major component replacements for Vattenfall.

Completion of refinancing

On 25 May 2023, ZITON completed the financing for the purchase of J/U WIND ENERGY. In addition, ZITON refinanced its existing debt to optimise and extend its capital structure. ZITON successfully raised EUR 250m in senior debt consisting of EUR 150m first lien bonds and EUR 100m in an ESG-loan. Further, ZITON issued EUR 31.3m in second lien bonds and raised EUR 15 million in equity.

The EUR 150m first lien bonds have a tenor of 5 years and carry a floating rate coupon of 3m EURIBOR + 950 basis points per annum, stepping down by 300 basis points when "Net interest-bearing debt / EBITDA" is reduced to below 4.25x.

The EUR 100m ESG-loan is denominated in DKK, have a tenor of 5 years and two thirds of the loan carry a fixed rate of 12.23% and one third carries a floating rate coupon of 3m CIBOR + 900 basis points per annum initially, both tranches stepping down by 270 basis points when "Net interest-bearing debt / EBITDA" is reduced to below 4.25x. Further, the ESG-loan defines specific ESG targets which, if not met by the defined date, will trigger a penalty margin increase of up to 25 basis points per annum.

The proceeds from the refinancing were partly used to repay existing debt, including the EUR 98m first lien bond, EUR 51.1m second lien bond and EUR 6.3m working capital facility issued by ZITON A/S, and the outstanding EUR 19.5m bond issued by Wind Enterprise P/S, a subsidiary of ZITON A/S. In addition, EUR 92.7m will be used to finance the acquisition of the jack-up vessel J/U WIND ENERGY. The purchase price of the vessel amounted to EUR 54.2m. In addition, EUR 38.5m has been placed on a CAPEX-account reserved for upgrading the vessel to the required standards including a yard stay in China, transport back to Europe, a yard stay in Europe and leg extension. At the end of June 2023, the amount on the CAPEX-account was unchanged at EUR 38.5m.

Further, net proceeds of EUR 13.3m will be used for general corporate purposes including building additional cash buffer as contingency for eventual delays in getting J/U WIND ENERGY on time charter 1 January 2024 and/or eventual CAPEX overruns compared to budget.

Purchase of the new vessel J/U WIND ENERGY

On 20 June 2023, ZITON completed the purchase of J/U WIND ENERGY. J/U WIND ENERGY is the sister vessel to J/U WIND ENTERPRISE. The vessel has the same specifications and was built a few months later than J/U WIND ENTERPRISE in 2011 at the same yard in South Korea. ZITON has been operating J/U WIND ENTERPRISE since May 2019 and has, amongst other things, completed its 10-years classing during January and February 2021 prior to the vessel entering into the current time charter agreement with Siemens Gamesa. J/U WIND ENTERPRISE has operated very efficiently since 1 March 2021 with less than five off-hire days in the period. ZITON has therefore gained significant experience in efficient operations and maintenance of the vessel which will be applied to J/U WIND ENERGY.

From the end of June through July 2023, J/U WIND ENERGY was in dock in China and completed painting of the hull, certain steelwork and cleansing of the living area. On 9 August 2023, the jack-up departed from China on a semi-submersible vessel to be transported back to Europe, which is a journey of approximately two months. The vessel is currently in Singapore to re-arrange the seafastening to ensure a more effective voyage back to Europe. The stopover in Singapore will cause a few weeks of delay.

Once in Europe, J/U WIND ENERGY will complete a yard stay to be upgraded to the same high standards as J/U WIND ENTERPRISE for essential functions such as the main crane, the jacking system and the engines. In addition, accommodation, laundry facilities, the galley and messroom areas and the gymnasium will be upgraded to high 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. The leg extension is expected to be completed during 2024. The leg extension is not a prerequisite for the vessel entering into the Siemens Gamesa time charter. It is expected that J/U WIND ENERGY will go on time charter with Siemens Gamesa during January 2024.

Market activity

The activity level for regular major component replacements showed double digit growth rates in 1H 2023 compared to the same period the year

before. Our analysis show 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 replacements. On average, turbines below 4 MW 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 replacements is for turbines below 4 MW which 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 vessels J/U WIND ENTERPRISE and J/U WIND ENERGY.

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.

Vessel operations

J/U WIND ENTERPRISE continues to operate on time charter with Siemens Gamesa with limited off-hire days. During Q2 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 as well as other tenders attained.

Utilisation rates

The weighted average utilisation rate for Q2 2023 was 108%. This is a strong improvement compared to a utilisation of 86% in Q2 2022.

Our definition of financial utilisation is a simple calculation of “revenue - project related expenses” / “standard day rate for the vessel” x “no. of days in the period”. We use this definition as many of our projects are offered on a fixed price basis, where neither the day rate nor the number of days used on the projects are fixed. Thus, our utilisation can be higher than 100% due to effective operations when we are able to complete projects in fewer days than expected when we carry out fixed price projects.

In Q2 2023, the financial utilisation was above 100% both due to improvements in prices and very good execution of fixed price projects.



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. Competitors includes Harren Group, who operates two O&M dedicated jack-up vessels, Gulf Marine Services who have won a O&M time-charter tender for Ørsted with a single vessel, and Van Oord who is the first supplier on a four-year framework agreement with Vattenfall and 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 the 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.

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. It is further an assumption that J/U WIND

ENERGY will go on time charter with Siemens Gamesa from around 1 January 2024 and that most costs will be capitalised until the time charter is initiated, therefore there is a limited effect on our guidance for 2023.

Following the strong results for Q2 2023, we upgrade our expectations for EBITDA for 2023. The following sets out our KPI guidance for 2023:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 80-90% which is unchanged from the previous guidance.
- **EBITDA.** We expect EBITDA to be in the range of EUR 32-36m up from the previous guidance of EUR 30-34m and our initial guidance of EUR 28-32m.
- **Cash flow from operating activities.** We expect cash flows from operating activities to be in the range of EUR 29-35m up from the previous guidance of EUR 27-31m and our initial guidance of EUR 25-29m. The upgrade is in line with increased forecast for EBITDA, though we see a slightly higher upside for cash flow from operating activities due to increase in payables related to upgrade of J/U WIND ENERGY.
- **CAPEX.** We expect CAPEX of around EUR 5m excluding CAPEX related to J/U WIND ENERGY. In addition, we expect CAPEX for J/U WIND ENERGY of approximately EUR 82m including capitalised interest costs of approximately EUR 5m related to the vessel.

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	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change
Revenue	20,205	15,914	4,291	36,444	28,363	8,081
OPEX and project-related expenses	-6,838	-5,632	-1,206	-12,157	-10,635	-1,521
SG&A	-2,230	-2,587	357	-4,466	-4,275	-190
EBITDA	11,137	7,695	3,442	19,822	13,452	6,369
Depreciation	-2,924	-2,761	-162	-5,783	-5,539	-243
EBIT	8,214	4,934	3,280	14,039	7,913	6,126
Financials, net	-6,296	-6,148	-148	-12,042	-11,965	-77
Income before tax	1,918	-1,214	3,132	1,997	-4,052	6,049
Key ratios						
EBITDA margin	55.1%	48.4%	6.8%	54.4%	47.4%	7.0%

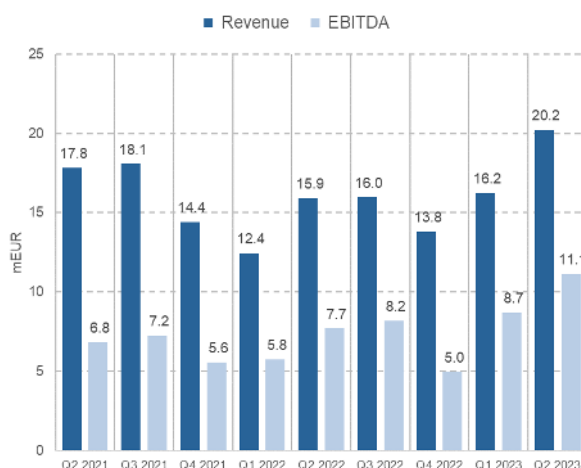
Review of the income statement for Q2 2023

The consolidated income statement for the ZITON Group shows revenue for Q2 2023 of EUR 20.2m, compared to revenue of EUR 15.9m in Q2 2022, an increase by 27%. The increase in revenue reflects improved utilisation of all three of the smaller vessels as the market for major component replacements was strong, while revenue from the largest vessel J/U WIND ENTERPRISE was unchanged compared to last year.

Vessel OPEX and project-related costs increased by EUR 1.2m from Q2 2022 to Q2 2023. The main reason was increases in OPEX due to increases in crew salaries and provisions for a retention programme for vessel crews and turbine technicians.

SG&A declined to EUR 2.2m in Q2 2023 from EUR 2.6m in Q2 2022 mainly due to one-off costs in Q2 2022 of approximately EUR 1.0m related to the abortion of the sales process and the initiation of the debt restructuring process. This was partly offset by an increase in costs related to an employee retention programme.

EBITDA amounted to EUR 11.1m in Q2 2023 compared to EUR 7.7m in Q2 2022. The improvement was due to an increase in revenue reflecting improved utilisation of all three of the smaller vessels due to a stronger market for major component replacement.



Depreciation and impairment increased slightly to EUR 2.9m in Q2 2023 from EUR 2.8m in Q2 2022.

Financials, net was an expense of EUR 6.3m in Q2 2023 compared to an expense of EUR 6.1m in Q2 2022. The increased financial costs were because of higher EURIBOR for floating rate bonds which was partly offset by conversion of EUR 38.7m in subordinated debt into equity in September 2022, which meant that interests would no longer be charged on subordinated debt.

Review of income statement 1H 2023

The consolidated income statement for the ZITON Group shows revenue for 1H 2023 of EUR 36.4m, compared to revenue of EUR 28.4m in 1H 2022, an increase by 28%. The increase in revenue reflects improved utilisation of all three of the smaller vessels, as well as one-off revenue of EUR 0.8m related to the extension of the current time charter contract for J/U WIND ENTERPRISE.

Vessel OPEX and project related costs increased to EUR 12.2m in 1H 2023 from EUR 10.6m in 1H 2022. The main reason was increases in OPEX due to increases in crew salaries and provisions for a retention programme for vessel crews and turbine technicians.

SG&A increased to EUR 4.5m in 1H 2023 from EUR 4.3m in 1H 2022 due to increases in costs related to an employee retention programme which was partly offset by one-off costs in 1H 2022 of approximately EUR 1.0m related to the abortion of the sales process and the initiation of the debt restructuring process.

EBITDA amounted to EUR 19.8m 1H 2023 compared to EUR 13.5m 1H 2022. The improvement was due to an increase in revenue reflecting improved utilisation of all three of the smaller vessels due to a stronger market for major component replacements, as well as a one-off income 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 5.8m in 1H 2023 from EUR 5.5m in 1H 2022.

Financials, net was an expense of EUR 12.0m in 1H 2023 which was unchanged from 1H 2022. The unchanged financial costs were due to higher EURIBOR for floating rate bonds which was offset by the conversion of EUR 38.7m in subordinated debt into equity in September 2022, which meant that interests would no longer be charged on subordinated debt.

REVIEW OF THE BALANCE SHEET AT THE END OF Q2 2023

EUR '000	Q2 2023	Q2 2022	Change	Q2 2023	Q4 2022	Change
Assets						
Vessel, including fixtures & equipment	226,462	177,125	49,337	226,462	175,429	51,033
Other non-current assets	349	236	113	349	265	84
Non-current assets	226,811	177,361	49,450	226,811	175,694	51,117
Trade and other receivables	16,438	10,844	5,595	16,438	10,498	5,941
Cash and cash equivalents	58,036	2,358	55,679	58,036	4,607	53,430
Current assets	74,475	13,201	61,274	74,475	15,104	59,371
Total assets	301,286	190,563	110,723	301,286	190,798	110,488
Equity and Liabilities						
Equity	23,954	-26,270	50,224	23,954	7,304	16,650
Subordinated loan	-	37,239	-37,239	-	-	-
ESG loan	95,642	-	95,642	95,642	-	95,642
Bond loans, second lien	29,980	39,619	-9,640	29,980	51,940	-21,960
Bond loans, first lien	143,330	123,819	19,511	143,330	118,881	24,449
Lease obligations	588	457	130	588	360	227
Working capital facility	1	9,317	-9,316	1	6,339	-6,338
Other liabilities	7,792	6,381	1,411	7,792	5,975	1,817
Total liabilities	277,332	216,833	60,499	277,332	183,495	93,837
Total equity and liabilities	301,286	190,563	110,723	301,286	190,798	110,488

Review of the balance sheet, end of Q2 2023

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 226.5m at the end of Q2 2023. This compares to EUR 177.1m at the end of Q2 2022. The increase of EUR 49.3m is mainly due to the purchase of J/U WIND ENERGY in June 2023 which was somewhat offset by the depreciations of the existing fleet.

Trade and other receivables amounted to EUR 16.4m at the end of Q2 2023 compared to EUR 10.8m at the end of Q2 2022, and EUR 10.5m at the end of Q4 2022. The increase was mainly due to a higher activity level.

Cash and cash equivalents amounted to EUR 58.0m at the end of Q2 2023 compared to EUR 2.4m at the end of Q2 2022, and EUR 4.6m at the end of Q4 2022. The improvement was mainly due to a net liquidity improvement of EUR 13.3m following the completion of the refinancing in June 2023. In addition, cash and cash equivalents include EUR 38.5m which was deposited on a CAPEX-account for which the funds are reserved for the upgrade of J/U WIND ENERGY including docking in China, transport back to Europe, vessel upgrade at yard stay in Europe and leg extension.

Equity was positive at EUR 24.0m at the end of Q2 2023, compared to a negative amount of EUR 26.3m at the end of Q2 2022, and a positive amount of EUR 7.3m at the end of Q4 2022. The

significant increase in equity was a consequence of the conversion of EUR 38.7m in subordinated debt into equity in September 2022 and the increase of equity by EUR 15m in June 2023.

Subordinated loan was reduced to zero following the conversion into equity in September 2022, compared to EUR 37.2m at the end of Q2 2022.

Bond loans, second lien amounted to EUR 30.0m at the end of Q2 2023 compared to EUR 39.6m at the end of Q2 2022 and EUR 51.9m at the end of Q4 2022. The changes consisted of accrued interest and an increase of the loan by EUR 10m as part of the completion of the debt restructuring in September 2022. Further, during the refinancing in June 2023, EUR 15m of the loan was converted into equity and EUR 10m was repaid.

Working capital facility amounted to EUR 0m at the end of Q2 2023 compared to EUR 9.3m at the end of Q2 2022. The reduction was due to a EUR 3.1m partial repayment of the second super senior working capital as part of completion of the debt restructuring in September 2022 and the full repayment of the facility during the refinancing in June 2023. A new first super senior working capital facility was available, but it had not been drawn upon.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q2 2023

<i>EUR '000</i>	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	Change
EBITDA	11,137	7,695	3,442	19,822	13,452	6,369
Working capital adjustments	-2,993	-1,891	-1,103	-4,122	-4,356	234
Other adjustments	319	349	-30	336	-558	894
Income tax expense	-	-	-	-	-	-
Net cash flows from operating activities	8,463	6,153	2,309	16,035	8,538	7,497
Financial payments, net	-10,618	-1,691	-8,927	-13,823	-2,724	-11,100
Net cash before investing activities	-2,156	4,462	-6,617	2,212	5,815	-3,603
Investing activities	-56,088	-294	-55,794	-56,823	-574	-56,248
Net cash flows after investing activities	-58,243	4,168	-62,411	-54,611	5,240	-59,851
Financing activities	110,538	-2,209	112,747	108,040	-4,368	112,408
Net cash flows after financing activities	52,295	1,959	50,336	53,430	873	52,557
Available liquidity	Q2 2023	Q2 2022				
Cash and cash equivalents	58,036	2,358				
Available draw on working capital facility	6,713	24				
Available liquidity	64,750	2,382				
Amount on CAPEX accounts	-38,515					
Available liquidity (net of CAPEX accounts)	26,235					

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 8.5m in Q2 2023 driven by positive EBITDA but partly offset by working capital adjustments. This compares to a cashflow from operating activities of EUR 6.2m in Q2 2022. Working capital adjustments were mainly related to increased activity levels leading to an increase in trade receivables.

Financial payments, net amounted to a negative amount of EUR 10.6m in Q2 2023 compared to EUR 1.7m in Q2 2022. Interest payments included cash payments on first lien bond loans in ZITON A/S, Wind Enterprise P/S and working capital facilities, as well as payment of accrued interest on the second lien bond which was repaid as part of the refinancing in June 2023.

Investing activities, net amounted to an outflow of EUR 56.1m in Q2 2023 compared to an outflow of EUR 0.3m in Q2 2022. The increase was mainly due to the purchase of J/U WIND ENERGY in June 2023.

Financing activities amounted to a cash inflow of EUR 110.5m in Q2 2023 compared to an outflow of

EUR 2.2m in Q2 2022. The inflow in Q2 2023 was the proceeds from the refinancing which will be used for the purchase and upgrade of J/U WIND ENERGY and for general corporate purposes including building additional cash buffer as contingency for eventual delays in getting J/U WIND ENERGY on time charter 1 January 2024 and/or eventual CAPEX overruns compared to budget.

Available liquidity including available drawings on our working capital facility amounted to EUR 26.2m at the end of Q2 2023, compared to EUR 2.4m available at the end of Q2 2022. In addition, EUR 38.5m is available on a CAPEX-account reserved for the contemplated upgrade of J/U WIND ENERGY.

Liquidity covenant

The terms of bonds and loans involves that the only covenant that is applicable from end of Q2 2023 until Q3 2024, is the covenant of minimum available liquidity of EUR 15m.

At the end of June 2023, available liquidity amounted to EUR 26.2m, thereby substantially exceeding the covenant of EUR 15m.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

EUR '000	Note	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Revenue	1	20,205	15,914	36,444	28,363
Other operating income		-	-	-	-
Project-related expenses		-1,106	-1,108	-1,301	-2,045
Operational expenses		-5,732	-4,524	-10,855	-8,591
Gross profit		13,367	10,282	24,287	17,727
Administrative expenses		-586	-1,382	-1,169	-1,779
Staff costs, office staff		-1,644	-1,205	-3,297	-2,496
EBITDA		11,137	7,695	19,822	13,452
Depreciation & amortisation		-2,924	-2,761	-5,783	-5,539
EBIT		8,214	4,934	14,039	7,913
Financial income		49	0	69	20
Financial expenses		-6,345	-6,148	-12,110	-11,985
Income before tax		1,918	-1,214	1,997	-4,052
Tax on profit (loss)		-0	-1	-1	-2
Income for the year		1,918	-1,215	1,996	-4,054
<i>Attributable to:</i>					
Owners of ZITON A/S		1,925	-1,208	2,008	-4,040
Non-controlling interest - Profit/loss		-7	-7	-12	-14
Income for the year		1,918	-1,215	1,996	-4,054

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Income for the year		1,918	-1,215	1,996	-4,054
<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		-11	29	-11	-
Total comprehensive income for the year, after tax		1,906	-1,185	1,985	-4,054
<i>Attributable to:</i>					
Owners of ZITON A/S		1,913	-1,178	1,997	-4,040
Non-controlling interest - Profit/loss		-7	-7	-12	-14
Total comprehensive income for the year, after tax		1,906	-1,185	1,985	-4,054

BALANCE SHEET

EUR '000	Note	Q2 2023	Q2 2022	Q4 2022
Assets				
Non-current assets				
Vessel, including fixtures & equipment	2	226,462	177,125	175,429
Intangible assets		214	128	131
Financial assets		-	-	-
Deferred tax asset		136	108	134
Non-current assets		226,811	177,361	175,694
Current assets				
Inventories		313	294	421
Trade and other receivables		16,125	10,550	10,077
Cash and cash equivalents		58,036	2,358	4,607
Current assets		74,475	13,201	15,104
Total assets		301,286	190,563	190,798
Equity and Liabilities				
Equity				
Share capital		54	14,473	54
Reserves		-136	27	-125
Retained earnings		23,898	-41,014	7,225
Total equity attributable to owners of ZITON A/S		23,816	-26,514	7,154
Non-controlling interest		138	244	150
Total equity		23,954	-26,270	7,304
Liabilities				
Non-current liabilities				
Subordinated loan		-	37,239	-
ESG loan		95,642	-	-
Bond loans, second lien		29,980	39,619	51,940
Bond loans, first lien		143,300	22,004	112,635
Lease obligations		378	155	46
Deferred income tax liabilities		-	454	-
Working capital facility		-	-	6,211
Provision for other liabilities		-	-	-
Total non-current liabilities		269,299	99,471	170,831
Current liabilities				
Bond loans, first lien		30	101,815	6,246
Lease obligations		209	302	315
Current tax payable		-	336	-
Working capital facility		1	9,317	128
Trade and other payables		5,161	4,542	4,108
Provision for other liabilities		2,632	1,050	1,866
Total current liabilities		8,033	117,362	12,663
Total liabilities		277,332	216,833	183,494
Total equity and liabilities		301,286	190,563	190,798

STATEMENT OF CASH FLOWS

<i>EUR '000</i>	Note	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Income before tax		1,918	-1,214	1,997	-4,052
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		6,296	6,142	12,042	11,952
Depreciation and writedowns of the period		2,924	2,761	5,783	5,539
Other adjustments		319	349	336	-558
<i>Working capital adjustments</i>					
Change in inventories		-46	-192	107	-101
Change in trade receivables		-4,179	-1,994	-6,048	-5,074
Change in trade payables		1,232	295	1,819	818
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		8,463	6,148	16,035	8,526
<i>Financial payments</i>					
Financial receipts		44	-	63	-
Financial payments		-10,662	-1,691	-13,887	-2,724
Net cash flows before investing activities		-2,156	4,457	2,212	5,802
Investing activities					
Purchase of Tangible Fixed Assets		-56,008	-294	-56,695	-574
Disposal of Tangible Fixed Assets		-	-	-	-
Purchase of Intangible Fixed Assets		-80	-	-128	-
Disposal of Intangible Fixed Assets		-	-	-	-
Other cash flows from investing activities		-	-	-	-
Net cash used in investing activities		-56,088	-294	-56,823	-574
Financing activities					
Loan repayments		-170,158	-2,094	-172,365	-4,370
Loan costs		-9,218	-	-9,218	-
Proceeds from borrowings		281,312	-	281,312	-
Draw on working capital facility		-6,327	-39	-6,216	165
Capital contribution from parent		15,000	-	15,000	-
Cost of capital increase		-	-	-334	-
Lease payments		-71	-76	-138	-162
Net cash used/received in financing activities		110,538	-2,209	108,040	-4,368
Net (decrease)/increase in cash and cash equivalents		52,295	1,954	53,430	860
Cash and cash equivalents at beginning of period		5,742	404	4,607	1,498
Exchange gains/losses on cash and cash equivalents		-	-	-	-
Net cash and cash equivalents at end of period		58,036	2,358	58,036	2,358

STATEMENT OF CHANGES IN EQUITY

**STATEMENT OF CHANGES IN EQUITY
YTD 2023**

<i>EUR 000</i>	Attributable to owners of ZITON A/S						Non-controlling interests	Total equity
	Share capital	Reserve for warrants	Translation reserves	Total reserves	Retained earnings	Total		
Balance at 31 December 2022	54	-	-125	-125	7,225	7,154	150	7,304
Total comprehensive income, after tax	-	-	-11	-11	2,008	1,997	-12	1,985
Capital contribution from parent	-	-	-	-	15,000	15,000	-	15,000
Cost of capital increase	-	-	-	-	-335	-335	-	-335
Balance at YTD	54	-	-136	-136	23,898	23,816	138	23,954

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. In June 2022, Zappy Topco ApS provided a capital contribution to ZITON A/S of EUR 15m.

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

<i>EUR 000</i>	Attributable to owners of ZITON A/S						Non-controlling interest	Total equity
	Share capital	Reserve for warrants	Translation reserves	Total reserves	Retained earnings	Total		
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 14,473K). 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>	Q2 2023	Q2 2022	YTD 2023	YTD 2022
United Kingdom	9,057	7,959	16,082	12,691
Denmark	4,161	1,466	8,588	4,171
Germany	1,713	1,172	1,277	1,601
Sweden	969	-	1,103	-
Belgium	-	-	-	-
Netherlands	1	316	1	336
Ireland	-	651	-	969
Total non time charter	15,900	11,564	27,051	19,769
Long- term time charter	4,305	4,350	9,393	8,594
Total	20,205	15,914	36,444	28,363

Sales to the largest customers, accounting for more than 10% of revenue, made up 40%, 23%, 21% and 14% of total revenue in Q2 2023 (Q2 2022: 35%, 27%, 19% and 10%).

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

NOTE 3 - VESSELS AND EQUIPMENT

Q2 2023 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2023	1,121	4,044	251,187	256,352
Exchange rate adjustments	-6	-19	-217	-242
Additions	0	241	56,443	56,685
Disposals	-	-	-	-
Additions to leased assets (Right-of-use assets)	24	-	-	24
Disposals of leased assets (Right-of-use assets)	-254	-82	-	-336
Cost YTD	885	4,184	307,413	312,482
Depreciation at 1 January 2023	-1,017	-1,602	-78,090	-80,709
Exchange rate adjustments	4	11	-36	-21
Depreciation	-	-158	-5,442	-5,600
Disposals	-	-0	-	-0
Depreciation on leased assets (Right-of-use assets)	-89	-49	-	-137
Disposals of leased assets (Right-of-use assets)	593	68	-	661
Depreciation YTD	-508	-1,730	-83,568	-85,806
Impairment losses at 1 January 2023	-	-214	-	-214
Impairment losses YTD	-	-	-	-
Carrying amount YTD	377	2,240	223,844	226,462

Q2 2022 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	1,126	3,130	247,724	251,980
Exchange rate adjustments	9	5	41	55
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	252,558
Depreciation at 1 January 2021	-746	-1,411	-67,676	-69,833
Exchange rate adjustments	-4	-3	-70	-77
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

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 226,462. 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.

In June 2023, completed refinancing of existing debt to simplify and extend its capital structure. Therefore the balance sheet presented in this interim report reflects the strengthening of the capital structure and liquidity of the company following the refinancing.

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 company's debt to minimum five years. The first lien bonds will hereafter mature on 9 June 2028, ESG-loan on 13 June 2028 and the second lien bonds on 9 December 2028.
- Conversion of EUR 15m of second lien bonds into equity, thereby increasing the company's equity.
- Net liquidity improvement of EUR 13.3m. In addition, EUR 38.5m is available on a Capex-account reserved for the contemplated upgrade of J/U WIND ENERGY.

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 Q2 2023. The interim report has not been audited or reviewed by the company’s independent auditors.

The interim report for Q2 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 on 30 June 2023, and of the results of the ZITON’s operations and cash flow from 1 January 2023 to 30 June 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, 30 August 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 2023/2024

- Interim report Q3 2023 - 23 November 2023
- Interim report Q4 2023 - 28 February 2024
- Annual report 2023 - 17 April 2024
- Interim report Q1 2024 - 15 May 2024
- Interim report Q2 2024 - 28 August 2024
- Interim report Q3 2024 - 20 November 2024

For further information, please contact

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