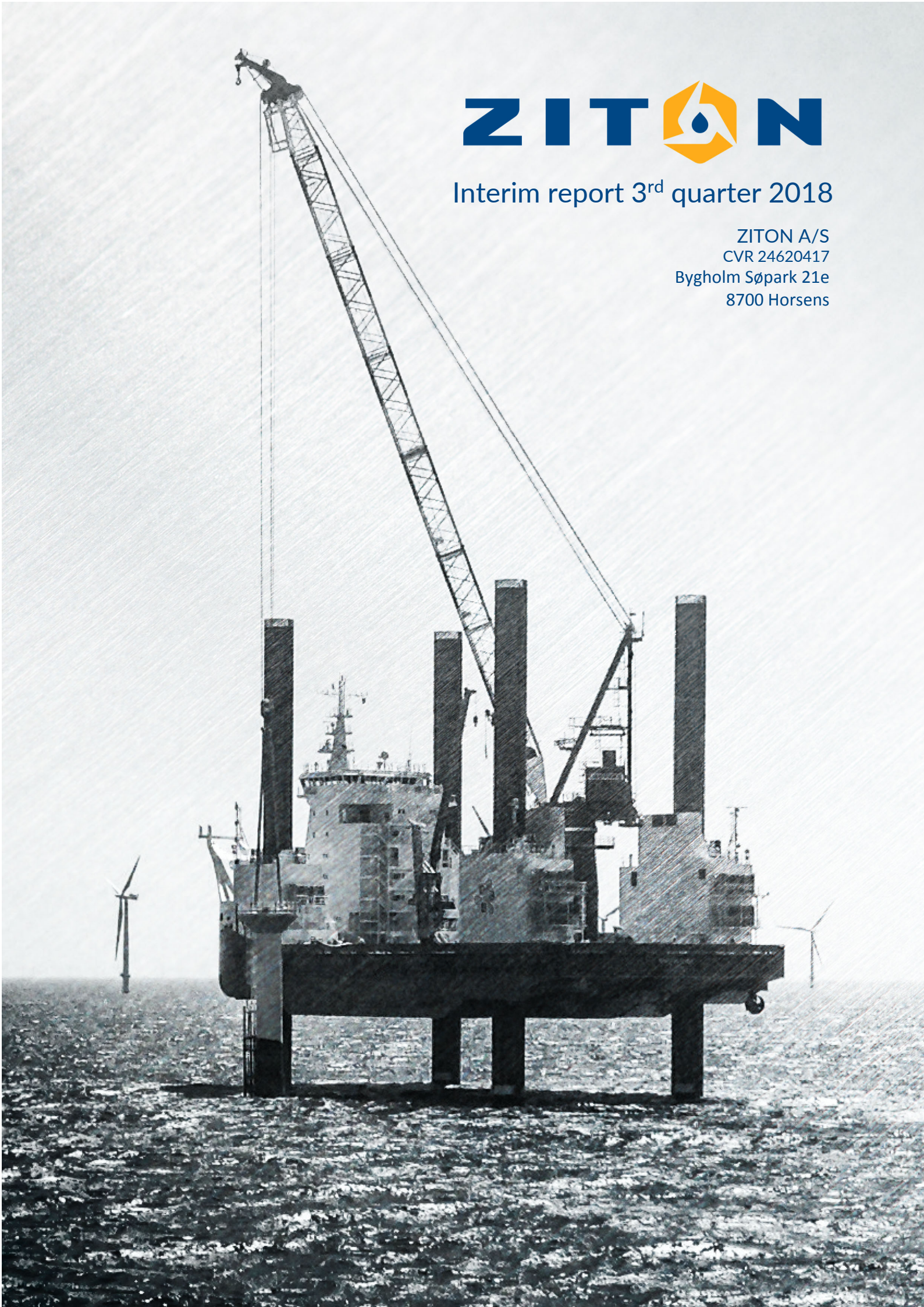




## Interim report 3<sup>rd</sup> quarter 2018

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





## Highlights of the report

### Highlights of Q3 2018

- During the quarter ZITON benefitted from decommissioning of an older windfarm and use of a vessel accommodation for cable repair. We maintained a satisfactory market share in Q3 2018.
- EBITDA was a EUR 8.1m profit in Q3 2018 compared to a profit of EUR 4.4m in Q3 2017. The main reason for the increase in EBITDA is the high activity level.
- The weighted average utilisation rate for Q3 2018 was at 97%, substantially above the full year guidance in the range of 80-90%.
- Performance during the first three quarters of 2018 was better than expected. Further, performance so far and sales pipeline for Q4 2018 is satisfactory. As a result, we expect our weighted average utilisation rate and EBITDA to be towards the upper end of the former guidance. However, cash flow from operating activities will be negatively affected by one-off financial costs of around EUR 4.2m related to refinancing in Q4 2018.

Our updated guidance for the full year 2018 is:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 85%-90%, compared to previous guidance in the range of 80%-90%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 27-28m, compared to our previous guidance of EUR 25-28m.
- **Cash flow from operating activities** is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 12-15m, compared to our previous guidance of EUR 15-18m.
- **CAPEX.** We expect, unchanged, CAPEX of up to EUR 4.0m.

### Information in this report

The information in this interim report is submitted in accordance with the Bond Agreements on FRN ZITON A/S EUR 100,000,000 callable bonds 2018/2021 (ISIN NO 0010832488) and FRN second secured EUR 25,000,000 callable PIK bonds 2018/2022 (ISIN NO 0010832512). The Bonds are expected to be listed on Oslo Stock Exchange less than 60 days after the issue date on 3<sup>rd</sup> October 2018.

According to 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 uncertain and subject to risks, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. A multitude of factors can 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

During the third quarter the market activity remained high, mainly influenced by blade campaigns at two offshore wind farm sites. Regular major component replacement was at a satisfactory level.

During the quarter ZITON benefitted from decommissioning of an older windfarm. J/U WIND PIONEER was used for removal of 7 turbines and foundations. As the European offshore wind market matures, older WTGs will eventually reach the end of their useful life and will have to be decommissioned. ZITON has already carried out decommissioning of a number met mast and turbines and expects this area to become an increasingly contributor to overall revenues as turbines reach the end of their lifetime.

Further, a charter was concluded to use J/U WIND as accommodation vessel for cable repair.

We maintained a satisfactory market share in Q3 2018.

### Contract developments

No new contract development took place in the third quarter. ZITON's current contracts within offshore wind O&M includes:

- A three-year charter with Siemens Gamesa Renewable Energy ("SGRE") for J/U WIND SERVER; commenced on 14 March 2016. It is expected that SGRE will enter into a tender process to cover their future requirements.
- Framework agreement with Ørsted expiring in March 2019. It is expected that Ørsted will initiate a tender process to enter into a new framework agreement.
- Framework agreement with Vattenfall that expires in November 2019.
- In addition, we entered into a framework agreement with MHI Vestas Offshore Wind in December 2014. This agreement is prolonged until one of the parties cancels the agreement.

Having contracts with four of the leading players within the offshore wind industry demonstrates the strength of ZITON's business model of

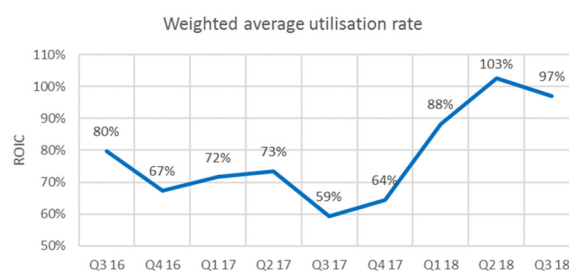
providing dedicated offshore wind O&M services and having vessels available at all times to ensure reduced wind turbine down-time.

### Competitive environment

ZITON operates in a satisfactory competitive environment, being the only dedicated provider of O&M services for major components replacement. All other jack-up companies have installation of new wind farms as their primary business.

### Utilisation rates

The weighted average utilisation rate for Q3 2018 was at 97%, substantially above the full year guidance in the range of 80-90%.



*Note: the weighted average utilisation rate is calculated as revenue during the quarter divided by full utilisation at standard rates of EUR 135k/day. Each vessel has a different weighting depending on its specifications.*

### Vessel status

J/U WIND SERVER remains on charter with Siemens Gamesa Renewable Energy, having commenced a three-year charter on 14 March 2016. During most of Q3 the vessel was employed on a blade campaign.

J/U WIND PIONEER and J/U WIND mainly operate on the framework agreements with Ørsted, Vattenfall and MHI Vestas Offshore Wind.

## Refinancing

On 3<sup>rd</sup> October 2018, ZITON successfully issued a three-year EUR 100 million senior secured bond loan and a three and a half year EUR 25 million second secured bond.

The proceeds are used to refinance the outstanding bond and subordinated debt and buy back a minority stake in the subsidiary Jack-up InvestCo 3 Plc, owned by Blue Water Capital S.A. and payment of transaction costs.

The outstanding bond FRN ZITON A/S Senior Secured Callable Bond Issue 2016/2019 (ISIN NO 0010751332) was repaid on 5<sup>th</sup> November 2018.

Partial repayment of subordinated debt and buy back a minority stake in the subsidiary Jack-up InvestCo 3 Plc, were completed on 11<sup>th</sup> October 2018.

At the end of Q3 2018 ZITON had liquidity of EUR 11.4m. Of this cash position EUR 9.8m was used in the refinancing process to further reduce debt. The use of proceeds appears from the table below.

Use of proceeds (EUR '000)	
Repayment of existing bond incl. redemption costs	91 688
Purchase of BWC's shares in Jack-Up InvestCo 3 Plc.	23 658
Partial repayment of subordinated loan	17 000
Transaction costs	2 500
General corporate purposes	-9 845
<b>Total</b>	<b>125 000</b>

The refinancing will have a one-off effect on financial costs in Q4 2018. The financial costs are related to repayment of the outstanding bond mainly to the 3.02% call premium, double interest until repayment and expensing of capitalised issue cost of the bond. The additional financial costs amount to EUR 4.2m.

The senior secured bonds, maturing in October 2021, will bear a floating coupon of 3 months EURIBOR + 6.90% (paid quarterly) and the second secured bonds, maturing in April 2022 will bear a floating coupon of 3 months EURIBOR + 11.85% PIK interest.

Listing of the bonds on Oslo Stock Exchange will take place within 60 days of settlement.

## Outlook for 2018

Performance during the first three quarters of 2018 was better than expected. Further, performance so far and sales pipeline for Q4 2018 is satisfactory. As a result, we expect our weighted average utilisation rate and EBITDA to be towards the upper end of the former guidance. However, cash flow from operating activities will be negatively affected by one-off financial costs of around EUR 4.2m related to refinancing in Q4 2018. Our updated guidance for the full year 2018 is:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 85%-90% compared to previous guidance in the range of 80%-90%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 27-28m, compared to our previous guidance of EUR 25-28m.
- **Cash flow from operating activities** is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 12-15m, compared to our previous guidance of EUR 15-18m.
- **CAPEX.** We expect, unchanged, CAPEX of up to EUR 4.0m.

## 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 38-39 and note 4.1 "Risk management" in the annual report 2017 pages 74-75. Apart from the general risks, we have identified no specific risks affecting the outlook for the financial year 2018.

## Financial Review

### REVIEW OF THE INCOME STATEMENT FOR Q3 2018

INCOME STATEMENT EUR '000	Q3 18	Q3 17	Change	YTD 18	YTD 17	Change
<b>Revenue</b>	<b>12 154</b>	<b>7 353</b>	<b>4 801</b>	<b>36 209</b>	<b>25 277</b>	<b>10 932</b>
OPEX and project-related expenses	-2 970	-1 898	-1 072	-8 632	-6 728	-1 904
SG&A	-1 128	-1 076	-52	-3 493	-3 586	93
<b>EBITDA</b>	<b>8 056</b>	<b>4 379</b>	<b>3 677</b>	<b>24 084</b>	<b>14 963</b>	<b>9 121</b>
Depreciation	-1 973	-1 997	24	-5 869	-5 935	66
<b>EBIT</b>	<b>6 083</b>	<b>2 382</b>	<b>3 701</b>	<b>18 215</b>	<b>9 028</b>	<b>9 187</b>
Financials, net	-3 246	-3 302	56	-9 818	-9 862	44
<b>Income before tax</b>	<b>2 837</b>	<b>-920</b>	<b>3 757</b>	<b>8 397</b>	<b>-834</b>	<b>9 231</b>
<b>Key ratios</b>						
EBITDA margin	66.3%	59.6%	6.7%	66.5%	59.2%	7.3%

#### Review of income statement for Q3 2018

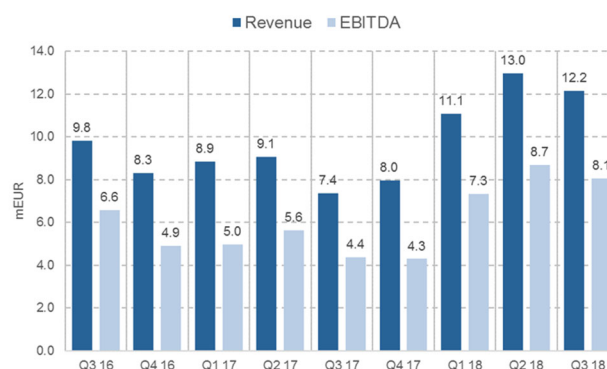
The fully consolidated results for ZITON shows net revenue for Q3 2018 of EUR 12.2m compared to EUR 7.4m in Q3 2017. The main reason for the increase in revenue is decommissioning of an older windfarm, where J/U WIND PIONEER was used for removal of 7 turbines and foundations. Further, a charter was concluded to use J/U WIND as accommodation vessel for cable repair.

Vessel OPEX and project related costs increased to EUR 3.0m in Q3 2018 from EUR 1.9m in Q3 2017. The main reason for the cost increase is the high activity level during the quarter.

SG&A expenses amounted to EUR 1.1m in Q3 2018 more or less unchanged compared to EUR 1.1m in Q3 2017.

EBITDA was a EUR 8.1m profit in Q3 2018 compared to a profit of EUR 4.4m in Q3 2017. The main reason for the increase in EBITDA is the high activity level.

The illustration below shows the development in EBITDA since 2016.



Depreciation charges of EUR 2.0m in Q3 2018 were unchanged compared to Q3 2017.

EBIT was a EUR 6.1m profit in Q3 2018 compared to a profit of EUR 2.4m in Q3 2017. The main reason for the increase in EBIT is the high activity level.

Financials, net at EUR -3.2m in Q3 2018 was unchanged compared to Q3 2017.

Income before tax was a EUR 2.8m profit in Q3 2018 compared to a EUR -0.9m loss in Q3 2017.

#### Review of income statement YTD 2018

The fully consolidated results for ZITON shows net revenue for YTD 2018 of EUR 36.2m compared to EUR 25.3m YTD 2017, an increase of 43%. The main reason for the increase in revenue is solid execution of the strong pipeline of projects.

Vessel OPEX and project related costs increased to EUR 8.6m YTD 2018 from EUR 6.7m YTD 2017. The main reason for the cost increase is the high activity level, as well as expenses related to decommissioning projects.

SG&A expenses amounted to EUR 3.5m YTD 2018 slight a reduction compared to EUR 3.6m YTD 2017.

EBITDA was a EUR 24.1m profit YTD 2018 compared to a profit of EUR 15.0m YTD 2017, an improvement of 61%. The main reason for the increase in EBITDA is the improved activity level.

Depreciation charges of EUR 5.9m YTD 2018 were unchanged compared to YTD 2017.

EBIT was a EUR 18.2m profit YTD 2018 compared to a profit of EUR 9.0m YTD 2017. The main reason for the increase in EBIT is the improved activity level.

Financials, net at EUR -9.8m YTD 2018 was unchanged compared to YTD 2017.

Income before tax was a EUR 8.4m profit YTD 2018 compared to a EUR -0.8m loss YTD 2017.

## REVIEW OF BALANCE SHEET AT THE END OF Q3 2018

<b>BALANCE SHEET</b> <b>EUR '000</b>	<b>Q3 18</b>	<b>Q3 17</b>	<b>Change</b>	<b>Q3 18</b>	<b>Q4 17</b>	<b>Change</b>
<b>Assets</b>						
Vessel, including fixtures & equipment	149 306	156 431	-7 125	149 306	154 517	-5 211
Other non-current assets	6 149	6 158	-9	6 149	6 494	-345
<b>Non-current assets</b>	<b>155 455</b>	<b>162 589</b>	<b>-7 134</b>	<b>155 455</b>	<b>161 011</b>	<b>-5 556</b>
Trade and other receivables	6 953	2 837	4 116	6 953	3 966	2 987
Cash and cash equivalents	14 048	4 855	9 193	14 048	2 754	11 294
<b>Current assets</b>	<b>21 001</b>	<b>7 692</b>	<b>13 309</b>	<b>21 001</b>	<b>6 720</b>	<b>14 281</b>
<b>Total assets</b>	<b>176 456</b>	<b>170 281</b>	<b>6 175</b>	<b>176 456</b>	<b>167 731</b>	<b>8 725</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>	<b>39 252</b>	<b>34 505</b>	<b>4 747</b>	<b>39 252</b>	<b>33 844</b>	<b>5 408</b>
Subordinated loans	38 701	35 249	3 452	38 701	35 560	3 141
Bond loans	88 347	93 781	-5 434	88 347	90 923	-2 576
Bank loans and lease liabilities	142	175	-33	142	165	-23
Other liabilities	10 014	6 571	3 443	10 014	7 239	2 775
<b>Total liabilities</b>	<b>137 204</b>	<b>135 776</b>	<b>1 428</b>	<b>137 204</b>	<b>133 887</b>	<b>3 317</b>
<b>Total equity and liabilities</b>	<b>176 456</b>	<b>170 281</b>	<b>6 175</b>	<b>176 456</b>	<b>167 731</b>	<b>8 725</b>
<b>Key ratios</b>						
Subordinated capital ratio	44.2%	41.0%	3.2%	44.2%	41.5%	2.7%
NIBD (adjusted for capitalised financing costs)	75 094	90 320	-15 226	75 094	89 410	-14 316
Loan to Vessel ratio (NIBD/Vessel book value)	50.3%	57.7%	-7.4%	50.3%	57.9%	-7.6%

### Review of balance end of Q3 2018

The total value of the vessels amounted to EUR 149.3m at the end of Q3 2018. This compares to EUR 156.4m at the end of Q3 2017, and EUR 154.5m at the end of Q4 2017. The reduced value is due to depreciation of the vessels.

Trade and other receivables amounted to EUR 7.0m at the end of Q3 2018 compared to EUR 2.8m at the end of Q3 2017, and EUR 4.0m at the end of Q4 2017. The increase in receivables is mainly a consequence of high activity level.

Total equity increased to EUR 39.2m at the end of Q3 2018, as compared to EUR 34.5m at the end of Q3 2017, and EUR 33.8m at the end of Q4 2017. The higher equity is a result of positive earnings during the period.

The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at end of Q3 2018 was 44.2%. This is higher than 41.0% end of Q3 2017, and 41.5% at the end of Q4 2017. The subordinated capital ratio has a safe margin relative to the company's only financial covenant, which requires a subordinated capital ratio of 34.0% or higher, at the end of Q3 2018.

Senior Net Interest-Bearing Debt (NIBD) amounted to EUR 75.1m at the end of Q3 2018. This is lower than EUR 90.3m end of Q3 2017. Hence, the senior Loan to Vessel value stood at 50.3% at the end of the period.

## REVIEW OF STATEMENT OF CASH FLOWS FOR Q3 2018

<b>CASH FLOWS</b> <b>EUR '000</b>	<b>Q3 18</b>	<b>Q3 17</b>	<b>Change</b>	<b>YTD 18</b>	<b>YTD 17</b>	<b>Change</b>
<b>EBITDA</b>	<b>8 056</b>	<b>4 379</b>	<b>3 677</b>	<b>24 084</b>	<b>14 963</b>	<b>9 121</b>
Working capital adjustments	2 226	1 459	767	-3 135	570	-3 705
Financial payments, net	-1 976	-2 088	112	-5 986	-6 402	416
Other adjustments	799	-416	1 215	359	147	212
<b>Net cash flows from operating activities</b>	<b>9 105</b>	<b>3 334</b>	<b>5 771</b>	<b>15 322</b>	<b>9 278</b>	<b>6 044</b>
Investing activities	-689	-248	-441	-1 026	-1 263	237
<b>Net cash flows after investing activities</b>	<b>8 416</b>	<b>3 086</b>	<b>5 330</b>	<b>14 296</b>	<b>8 015</b>	<b>6 281</b>
Financing activities	-	-	-	-3 001	-2 500	-501
<b>Net cash flows after financing activities</b>	<b>8 416</b>	<b>3 086</b>	<b>5 330</b>	<b>11 295</b>	<b>5 515</b>	<b>5 780</b>
<b>Available liquidity</b>						
<b>Cash and cash equivalents</b>	<b>14 048</b>	<b>4 855</b>	<b>9 193</b>			
Cash on retention account	2 696	2 699	-3			
<b>Liquidity</b>	<b>11 352</b>	<b>2 156</b>	<b>9 196</b>			
Available draw on working capital facility	6 689	6 718	-29			
<b>Available liquidity</b>	<b>18 041</b>	<b>8 874</b>	<b>9 167</b>			

### Review of cash flow statement

Cash flows from operating activities was positive of EUR 9.1m in Q3 2018 as result of positive EBITDA of EUR 8.1m that was partly counterbalanced by financial payments. Working capital adjustments were positive of EUR 2.2m during the quarter, mainly as trade receivables were reduced. The working capital adjustments are mainly a result of a reduction of trade receivables that were at a high level towards the end of Q2 2018.

Investing activities was at EUR 0.7m during Q3 2018.

Available liquidity including available draw on working capital facility amounted to EUR 18.0m at the end of Q3 2018. This is EUR 9.2m higher than at the end of Q3 2017, mainly due to positive operating cash flows during the period.



## Consolidated financial statements for ZITON A/S

### INCOME STATEMENT

<i>EUR '000</i>	Note	Q3 18	Q3 17	YTD 18	YTD 17
<b>Revenue</b>	2	<b>12 154</b>	<b>7 353</b>	<b>36 209</b>	<b>25 277</b>
Project-related expenses		-616	-61	-2 021	-928
Operating expenses		-2 354	-1 834	-6 611	-5 805
<b>Gross profit</b>		<b>9 184</b>	<b>5 458</b>	<b>27 577</b>	<b>18 544</b>
Administrative expenses		-362	-389	-1 184	-1 518
Staff costs, office staff		-766	-689	-2 309	-2 062
<b>EBITDA</b>		<b>8 056</b>	<b>4 380</b>	<b>24 084</b>	<b>14 964</b>
Depreciation and amortisation		-1 973	-1 997	-5 869	-5 935
<b>EBIT</b>		<b>6 083</b>	<b>2 383</b>	<b>18 215</b>	<b>9 029</b>
Financial income		1	-	1	-
Financial expenses		-3 247	-3 302	-9 819	-9 862
<b>Income before tax</b>		<b>2 837</b>	<b>-919</b>	<b>8 397</b>	<b>-833</b>
Tax on profit (loss)		-1 181	-610	-2 996	-1 550
<b>Income for the year</b>		<b>1 656</b>	<b>-1 529</b>	<b>5 401</b>	<b>-2 383</b>
<i>Attributable to:</i>					
Owners of ZITON A/S		931	-2 257	2 983	-4 551
Non-controlling interests		725	728	2 418	2 168
<b>Income for the year</b>		<b>1 656</b>	<b>-1 529</b>	<b>5 401</b>	<b>-2 383</b>

### STATEMENT OF COMPREHENSIVE INCOME

<i>EUR '000</i>	Note	Q3 18	Q3 17	YTD 18	YTD 17
<b>Income for the year</b>		<b>1 656</b>	<b>-1 529</b>	<b>5 401</b>	<b>-2 383</b>
<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	3	23	8	61	
<b>Total comprehensive income for the year, after tax</b>		<b>1 659</b>	<b>-1 506</b>	<b>5 409</b>	<b>-2 322</b>
<i>Attributable to:</i>					
Owners of ZITON A/S		935	-2 233	2 991	-4 489
Non-controlling interests		724	727	2 418	2 167
<b>Total comprehensive income for the year, after tax</b>		<b>1 659</b>	<b>-1 506</b>	<b>5 409</b>	<b>-2 322</b>

<b>BALANCE SHEET</b> <b>EUR '000</b>	<b>Note</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Q4 2017</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Vessels, including fixtures & equipment	3	149 306	156 431	154 517
Intangible assets		103	101	105
Financial assets		6 046	6 057	6 055
Deferred tax assets		-	-	334
<b>Non-current assets</b>		<b>155 455</b>	<b>162 589</b>	<b>161 011</b>
<b>Current assets</b>				
Inventories		58	-	38
Trade and other receivables		6 895	2 837	3 928
Cash and cash equivalents		14 048	4 847	2 754
<b>Current assets</b>		<b>21 001</b>	<b>7 684</b>	<b>6 720</b>
<b>Total assets</b>		<b>176 456</b>	<b>170 273</b>	<b>167 731</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital		11 093	11 093	11 093
Reserves		197	250	189
Retained earnings		6 500	5 287	3 517
<b>Total equity attributable to owners of ZITON A/S</b>		<b>17 790</b>	<b>16 630</b>	<b>14 799</b>
Non-controlling interests		21 462	17 875	19 044
<b>Total equity</b>		<b>39 252</b>	<b>34 505</b>	<b>33 843</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Subordinated loans		38 701	35 249	35 560
Bank and bond loans		83 037	88 345	85 596
Deferred income tax liabilities		6 807	4 098	4 029
Provision for other liabilities		-	-	-
<b>Total non-current liabilities</b>		<b>128 545</b>	<b>127 692</b>	<b>125 185</b>
<b>Current liabilities</b>				
Bank and bond loans		5 452	5 604	5 492
Trade and other payables		2 308	1 602	2 008
Provision for other liabilities		899	870	1 203
<b>Total current liabilities</b>		<b>8 659</b>	<b>8 076</b>	<b>8 703</b>
<b>Total liabilities</b>		<b>137 204</b>	<b>135 768</b>	<b>133 888</b>
<b>Total equity and liabilities</b>		<b>176 456</b>	<b>170 273</b>	<b>167 731</b>

STATEMENT OF CASH FLOWS

EUR '000

	Q3 18	Q3 17	YTD 18	YTD 17
<b>Income before tax</b>	<b>2 837</b>	<b>-919</b>	<b>8 397</b>	<b>-833</b>
<b>Operating activities</b>				
<i>Adjustments for non-cash items</i>				
Reversal financial expenses, net	3 246	3 302	9 750	9 862
Depreciation and writedowns for the period	1 973	1 997	5 869	5 935
Other adjustments	799	-417	427	156
<i>Working capital adjustments</i>				
Change in trade receivables	2 107	1 867	-3 483	1 620
Change in inventories	-17	-	-20	-
Change in trade payables	136	-408	368	-1 050
<i>Financial payments</i>				
Financial receipts	-	-	-	-
Financial payments	-1 976	-2 088	-5 986	-6 402
<i>Income tax expense</i>				
Income tax expense	-	-	-	-
<b>Net cash flows from operating activities</b>	<b>9 105</b>	<b>3 334</b>	<b>15 322</b>	<b>9 288</b>
<b>Investing activities</b>				
Purchase of vessel, including fixtures & equipment (excl. interest)	-689	-248	-1 026	-1 271
Other cash flows from investing activities	-	-	-	-
<b>Net cash used in investing activities</b>	<b>-689</b>	<b>-248</b>	<b>-1 026</b>	<b>-1 271</b>
<b>Financing activities</b>				
Proceeds from issuance of ordinary shares	-	-	-	-
Proceeds from bank and bond loans	-	-	-	-
Change of subordinated loans	-	-	-	-
Repayment of debt to bank and bond holders	-	-	-3 001	-2 500
<b>Net cash used/received in financing activities</b>	<b>-</b>	<b>-</b>	<b>-3 001</b>	<b>-2 500</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>8 416</b>	<b>3 086</b>	<b>11 295</b>	<b>5 517</b>
Cash and cash equivalents at beginning of period	5 633	1 761	2 753	-670
Exchange gains/losses on cash and cash equivalents	-1	-	-	-
<b>Cash and cash equivalents at end of period*</b>	<b>14 048</b>	<b>4 847</b>	<b>14 048</b>	<b>4 847</b>

\* Cash and cash equivalents in the cash flow statement include drawings on working capital facility

## STATEMENT OF CHANGES IN EQUITY

YTD 18

EUR '000	Share capital	Attributable to owners of ZITON A/S					Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Total reserves	Retained earnings	Total		
Balance at 31 December 2017	11 093	143	46	189	3 517	14 799	19 044	33 843
Total comprehensive income, after tax	-	-	8	8	2 983	2 991	2 418	5 409
Balance at YTD	11 093	143	54	197	6 500	17 790	21 462	39 252

### Share capital

In 2018, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 67,663,782 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.

### Reserves

Reserves on equity 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 different from DKK and translation from the functional currency to the presentation currency.

YTD 17

EUR '000	Share capital	Attributable to owners of ZITON A/S					Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Total reserves	Retained earnings	Total		
Balance at 31 December 2016	11 093	143	45	188	9 838	21 119	15 705	36 824
Total comprehensive income, after tax	-	-	62	62	-4 551	-4 489	2 167	-2 322
Balance at YTD	11 093	143	107	250	5 287	16 630	17 872	34 502

### Share capital

In 2017, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 67,663,782 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

### Income statement by quarter

<b>EUR '000</b>	<b>Q3 18</b>	<b>Q2 18</b>	<b>Q1 18</b>	<b>Q4 17</b>	<b>Q3 17</b>
<b>Revenue</b>	<b>12 154</b>	<b>12 967</b>	<b>11 088</b>	<b>7 950</b>	<b>7 353</b>
Project-related expenses	-616	-577	-828	-353	-61
Operating expenses	-2 354	-2 394	-1 863	-2 368	-1 834
<b>Gross profit</b>	<b>9 184</b>	<b>9 996</b>	<b>8 397</b>	<b>5 229</b>	<b>5 458</b>
Administrative expenses	-362	-510	-312	-182	-389
Staff costs, office staff	-766	-791	-752	-761	-688
<b>EBITDA</b>	<b>8 056</b>	<b>8 695</b>	<b>7 333</b>	<b>4 286</b>	<b>4 381</b>
Depreciation	-1 973	-1 954	-1 942	-1 996	-1 997
<b>EBIT</b>	<b>6 083</b>	<b>6 741</b>	<b>5 391</b>	<b>2 290</b>	<b>2 384</b>
Financial income	1	-	-	-	-
Financial expenses	-3 247	-3 295	-3 276	-3 306	-3 302
<b>Income before tax</b>	<b>2 837</b>	<b>3 446</b>	<b>2 115</b>	<b>-1 016</b>	<b>-918</b>

## Note 2 - Segment reporting

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 revenue and expenses. As all three jack-up vessels including Contractors 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

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

<b>EUR '000</b>	<b>Q3 18</b>	<b>Q3 17</b>	<b>YTD 18</b>	<b>YTD 17</b>
Denmark	6 842	4 699	23 172	11 550
Sweden	2 834	-	3 421	-
UK	2 284	2 397	7 972	12 864
Germany	194	257	709	257
Holland	-	-	700	606
Belgium	-	-	235	-
<b>Total</b>	<b>12 154</b>	<b>7 353</b>	<b>36 209</b>	<b>25 277</b>

Sales to the four largest customers (above 10% of total revenue) make up 50%, 17%, 14% and 13%, respectively, of total revenue for YTD 2018 (YTD 2017: Top sale to the largest costumers above 10% were two costumers respectively 72% and 10%).

## Note 3 - Vessels and equipment

YTD 18			
<i>EUR '000</i>	Fixtures & equipment	Vessels	Total
Cost at 1 January	775	184 296	185 071
Exchange rate adjustments	-1	-155	-156
Additions	490	379	869
Disposals	-	-101	-101
<b>Cost YTD</b>	<b>1 264</b>	<b>184 419</b>	<b>185 683</b>
Depreciation at 1 January	-195	-30 356	-30 551
Exchange rate adjustments	-	31	31
Depreciation	-111	-5 746	-5 857
Disposals	-	-	-
<b>Depreciation YTD</b>	<b>-306</b>	<b>-36 071</b>	<b>-36 377</b>
Impairment losses at 1 January	-	-	-
Impairment losses YTD	-	-	-
<b>Carrying amount YTD</b>	<b>958</b>	<b>148 348</b>	<b>149 306</b>
- of which capitalised interests		17 384	17 384
YTD 17			
<i>EUR '000</i>	Fixtures & equipment	Vessels	Total
Cost at 1 January	693	183 395	184 088
Exchange rate adjustments	-	80	80
Additions	270	726	996
Disposals	-94	-	-94
<b>Cost YTD</b>	<b>869</b>	<b>184 201</b>	<b>185 070</b>
Depreciation at 1 January	-318	-22 458	-22 776
Exchange rate adjustments	-	-13	-13
Depreciation	-131	-5 771	-5 902
Disposals	50	-	50
<b>Depreciation YTD</b>	<b>-399</b>	<b>-28 242</b>	<b>-28 641</b>
Impairment losses at 1 January	-	-	-
Impairment losses YTD	-	-	-
<b>Carrying amount YTD</b>	<b>470</b>	<b>155 959</b>	<b>156 429</b>
- of which capitalised interests		18 501	18 501

### 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 at the amount by which the 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 the total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters and by using estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on projected future installation of offshore turbines, the average rate

which a turbine needs assistance from a jack-up vessel in the turbine's lifetime and ZITON's expected market share.

- Average day rates are based on either already signed framework agreement or historical prices.

Hence, the exact value used to measure impairment charges is subject to certain uncertainty and is based on what the company believes is the best estimate of the fair value. The budget used for impairment test is based on a five-year period, including a terminal period.

Management's assessment of indication of impairment on vessels is based on the cash-generating unit (CGU) in which all jack-up vessels including Contractors 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 and a determined WACC of 8.1% and a growth rate in the terminal period of 0%.

The value in use was estimated to be materially higher than the carrying amount of EUR 148,348k

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.

## Note 4 - Commitments and contingencies

Since the end of 2017, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2017. The performance guarantee of EUR 1,732k for a decommissioning project in United Kingdom has been cancelled as the project was successfully completed. The performance guarantee to Siemens, amounts to EUR 1,184k end of the Q3 18 (end 2017: EUR 2,961k).

## 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 is disclosed in the annual report for 2017.

## Note 6 - 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 7 – 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 followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The adoption did not affect recognition and measurement as disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim report of the Group.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. As presented in our annual report of 31 December 2017, the we applied the five-step model framework on our current revenue streams and did not identify any significant effect on recognition and measurement. The Group adopted IFRS 15 using the modified retrospective method of adoption, for contracts that were not completed at 31 December 2017. At 31 December 2017 only two contracts were not completed, it was the ongoing charter with J/U WIND SERVER and a project comprising of two interventions, were only one intervention was completed before 31 December 2017. As mentioned above there are no changes in recognising the revenue between the old revenue standards and the new IFRS 15, hence there are no monetary effect in adopting IFRS 15.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9, does not have an effect on the recognition, measurement and disclosure on the interim report.

For a complete description of accounting policies, please refer to the pages 61-63 in the annual report 2017.

#### *Risks*

We have identified no specific risks affecting the outlook for the remainder of the financial year 2018. For a description of ZITON A/S risks, please refer to the Risk Management section on pages 38-39 and note 4.1 "Risk management" in the consolidated annual report 2017 pages 74-75.



### Management statement

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for the third of 2018. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the third quarter of 2018 has been prepared in accordance with IAS 34, and 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 September 2018, and of the results of the ZITON's operations and cash flow for the first three quarters of 2018.

We further consider that the Management review gives a true and fair view of the development in the ZITON's activities and business, the results for the period and the ZITON's financial position as a whole, and a description of the most significant risks and uncertainties to which the ZITON is subject.

Horsens, 15 November 2018

Executive Management

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Thorsten Jalk  
CEO

Board of Directors

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Vagn Lehd Møller  
Chairman

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Ove Carsten Eriksen

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Esben Bay Jørgensen

-----  
Lars Thorsgaard Jensen

-----  
Niels Ørskov Christensen

-----  
Morten Melin

### Financial calendar 2019

Interim report Q4 2018 – 28 February 2019  
Annual report 2018 – 24 April 2019  
Interim report Q1 2019 – 16 May 2019  
Interim report Q2 2019 – 27 August 2019  
Interim report Q3 2019 – 19 November 2019

### For further information, please contact

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

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