



Interim report Q3 2020

ZITON A/S
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Highlights of the report

Highlights of Q3 2020

- Market activity during Q3 2020 was stronger than Q2 2020, partly as a consequence of the outbreak of coronavirus causing postponement of major component replacements from Q2 2020 into Q3 2020.
- Siemens Gamesa Renewable Energy (SGRE) has selected ZITON as preferred supplier for a long-term charter. Final contract negotiations with SGRE are ongoing with expected closing within the next few weeks. Subject to final contract signing, J/U WIND ENTERPRISE will enter into a fixed time charter for a duration of 3 years and 8 months from 1 March 2021 to 31 October 2024.
- The WoDS blade campaign is expected to be completed during Q4 2020. ZITON has been selected as preferred supplier, and ZITON and SGRE are currently in final negotiations on a project to repair and upgrade blades on another windfarm, also using J/U WIND SERVER. The vessel is expected to be occupied for most of 2021 on this project.
- EBITDA amounted to a profit of EUR 7.5m in Q3 2020 compared to a profit of EUR 1.0m in Q3 2019. The reason for the increase in EBITDA is a result of higher revenue due to strong performance at the WoDS blade campaign, as well as good utilisation of the group's other vessels as orders postponed in Q2 due to coronavirus were carried into Q3.
- Available liquidity including available drawings on our working capital facility amounted to EUR 14.7m at the end of Q3 2020.
- In the beginning of Q4 2020 one of our vessels was temporarily quarantined due to a case of COVID-19. The financial impact is estimated at EUR 2m in Q4 2020. Compared to the guidance reported in the interim report for Q2 2020, we consequently reduce our KPI guidance for 2020 to:
 - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 50%-55%, compared to our previous guidance in the range of 50%-60%.
 - **EBITDA.** We expect EBITDA to be in the range of EUR 14-16m, compared to our previous guidance of EUR 15-18m.
 - **Cash flow from operating activities.** We expect cash flows from operating activities of EUR 5-7m, compared to our previous guidance of EUR 7-10m.
 - **CAPEX.** We expect CAPEX of around EUR 2.0m, compared to previous guidance of up to EUR 4.0m.

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 and coronavirus

The third quarter traditionally constitutes the high season for the offshore wind operations & maintenance industry. At this time of the year the weather conditions are favourable for safe operations at sea. Market activity during Q3 2020 was stronger than Q2 2020, partly as a consequence of the outbreak of coronavirus causing postponement of major component replacements from Q2 2020 to second half of the year and even a few into next year. Furthermore, the increase in the number of turbines installed, is resulting in a higher activity level for regular major component replacement. Thus, in Q3 2020 market activity was higher compared to the same quarter the year before. The market for blade campaigns is dominated by larger and longer lasting campaigns that are more erratic in timing. However, years of wear and tear by salt water and rain is expected to have its impact on offshore blades, and as a result blade upgrades are expected to be an important market in the coming years.

Impact of coronavirus

Towards the end of Q1 2020, governments across Europe responded to the coronavirus by creating restrictions on the free movement of people. This had an immediate effect on ZITON and its customers' ability to carry out operations and to procure components. ZITON and its customers took precautions to avoid spreading of the coronavirus, by implementing procedures for continuous testing of crew and technicians, limit physical contact, keep distance, wash/sanitise hands, cleaning etc. Furthermore, ZITON has implemented secure crew changes incl. crew changes in chartered airplanes and avoiding contact between different crews, limiting unnecessary access to vessels, no access in case of symptoms etc. The impact of coronavirus continued into the second half 2020 and was exacerbated in November when the UK imposed a ban on non-UK citizens travelling from Denmark amid concerns over a coronavirus strain that spread from mink to humans. Most of ZITON's vessel crew are from Denmark, thus making it unfeasible to perform crew changes in UK ports. In the short term, this can be handled by extending the time between crew changes and performing them in non-UK ports. The majority of

turbine technicians working on the WoDS project are not Danish citizens, which has softened the impact on the WoDS project.

In order to avoid COVID-19 on its vessels, ZITON performs continuous testing of crew, turbine technicians and suppliers visiting its vessels.

In spite of all the efforts to avoid COVID-19, ZITON has registered instances of COVID-19 on two of its vessels during Q4 2020. The first instance was swiftly contained and only one person was infected, and the impact of operations was limited. In the second instance, ZITON also reacted swiftly by quarantining people in their chambers as the first person was tested positive for COVID-19. But unfortunately, COVID-19 infected four people on the same deck, but was contained at that level. This resulted in quarantining of the vessel for two weeks and continuous testing of crew until all crew had three consecutive negative COVID-19 tests, after which the vessel was declared free of the disease. The second instance occurred on the vessel J/U WIND SERVER, operating at the WoDS project, thus causing a total delay of around four weeks that will impact EBITDA in Q4 2020 by approx. EUR 2 million.

Vessel operations

J/U WIND SERVER is operating at the blade campaign at WoDS. ZITON provides a full turnkey solution including, among other things, jack-up, lifting equipment, lift planning, technicians and blade repair including repair facilities.

During the first two months of 2020, challenges remained for the WoDS blade campaign primarily as consequence of damage to a blade lifting system and unusual adverse weather, even for the season. Weather conditions improved during March 2020, and the WoDS blade campaign has performed according to expectations during Q2 and Q3 2020.

During the quarter, J/U WIND, J/U WIND PIONEER and J/U WIND ENTERPRISE operated under framework agreements with Ørsted, Vattenfall and MHI Vestas Offshore Wind as well as other tenders attained.

Contract developments

ZITON's current contracts within offshore wind O&M include:

- Siemens Gamesa Renewable Energy (SGRE) has during the last months carried out a structured tender process for a long-term charter to replace SGRE's current time charter of Pacific Orca that expires in February 2021. The tender resulted in SGRE selecting ZITON as preferred supplier for a new long-term charter. Final contract negotiations with SGRE are ongoing with expected closing within the next few weeks. Subject to final contract signing, J/U WIND ENTERPRISE will enter into a fixed time charter for a duration of 3 years and 8 months from 1 March 2021 to 31 October 2024. 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 time charter. SGRE will take on the full weather risk while ZITON will be responsible for operational uptime of the vessel. Upon contract signing the vessel will have a few weeks in dock to complete 10-years classing and repairs to maintain the vessel in good condition to avoid unexpected off-hire days going into the long-term charter with SGRE.
- On 16 May 2019, SGRE and ZITON signed a contract to upgrade blades on 108 turbines at WoDS. The blade campaign was initiated in July 2019, using J/U WIND SERVER. ZITON provides a full turnkey. The blade campaign is expected to be completed during Q4 2020. ZITON has been selected as preferred supplier, and ZITON and SGRE are currently in final negotiations on a project to repair and upgrade blades on another windfarm, also using J/U WIND SERVER. The vessel is expected to be occupied for most of 2021 on this project. The project is expected to be initiated after conclusion of the WoDS blade campaign, with a few weeks of mobilisation for the new blade campaign.
- On 1 May 2019, Ørsted and ZITON signed a framework agreement covering nine of Ørsted's offshore wind farms. The contract expires in March 2022.
- ZITON's framework agreement with Vattenfall Wind Power AB expires in November 2020. Vattenfall has issued a tender that is expected to

be completed before expiry of the current framework agreement.

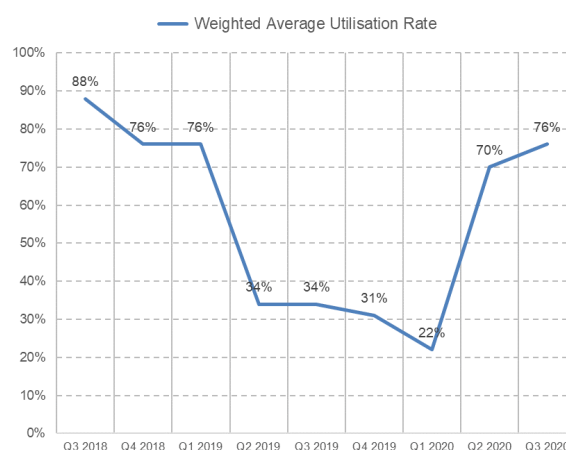
- On 18 December 2019, MHI Vestas Offshore Wind and ZITON signed a three-years framework agreement. The framework agreement is an extension and amendment of the two companies' former framework agreement.

Competitive environment

ZITON operates in a satisfactory competitive environment and competes mainly other jack-up companies that have installation of new wind farms as their primary business, but from time to time use their vessels for O&M services.

Utilisation rates

The weighted average utilisation rate for Q3 2020 was at 76%.



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.

Liquidity and capital structure

The operational challenges experienced during the first two months of 2020, resulted in financial performance below expectations and significant drain on liquidity. Consequently, a summons for written resolution was issued on 23 March 2020, resulting in bond holders' approval of the proposal on 6 April 2020.

In April 2020, following approval of the written resolution, the corporate loans were restructured, and a second working capital facility of EUR 6 million was provided, collectively improving the company's available liquidity by up to EUR 14.3 million. ZITON has not drawn on the second working capital facility that will expire on 31 December 2020.

Bondholders of the 1st lien bond approved on 6 April 2020 a proposal to:

- Extend the maturity of the loan by 1 year to 3 October 2022;
- Waive covenants for the subordinated capital ratio until 31 December 2020;
- Postpone semi-annual amortization payments from 3 April 2020 and 3 October 2020 by one year to 3 April 2021 and 3 October 2021 respectively. Improving the liquidity of a total of EUR 5.0 million in 2020, and;
- Option for the company to postpone quarterly interest payments on 3 April 2020 and 3 July 2020 until the bonds mature, improving the liquidity by up to EUR 3.3 million. ZITON has, since then, utilised both options, for which bondholders were compensated by increasing the coupon by an additional 1 %-point on the postponed amount.

The bondholders of the 2nd lien bond approved on 6 April 2020 a proposal to:

- Extend the maturity of the loan by one year to 3 April 2023, and;
- Waive covenants for the subordinated capital ratio until 31 December 2020.

The subordinated loan provider approved a proposal to:

- Extend the maturity of the loan by one year to 3 October 2023, and;
- Waive covenants for the subordinated capital ratio until 31 December 2020.

The bondholders and subordinated capital providers are compensated by, among other things, an increase in the coupon of 1 percentage point, new covenants

and an improved call structure for early repayment. Detailed terms of the amendments to the bond terms are available in note 4.3 of the annual report 2019.

The new covenants include:

- Capital injection of EUR 10 million in subordinated capital to be in place before 31 December 2020.
- 12 months rolling EBITDA of EUR 11 million for the 2nd lien bond and EUR 9 million for the 1st lien bond at the end of Q3 2020. This covenant is fulfilled.
- 12 months rolling EBITDA of EUR 14 million for the 2nd lien bond and EUR 12 million for the 1st lien bond at the end of Q4 2020.
- In addition, the bareboat charter for J/U WIND ENTERPRISE should be extended or the call option exercised in due time before 20 December 2020.

ZITON has engaged Pareto Securities as financial adviser to explore options to strengthen the company's liquidity and capital structure, including raising new equity and/or subordinated capital as well as amending the terms of the corporate bond loans.

Outlook for 2020

As explained earlier in this report the impact of coronavirus is estimated at EUR 2 million in Q4 2020. Compared to the guidance reported in the interim report for Q2 2020, we consequently reduce our KPI guidance for 2020 to:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 50%-55%, compared to our previous guidance in the range of 50%-60%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 14-16m, compared to our previous guidance of EUR 15-18m.
- **Cash flow from operating activities** is defined as EBITDA less changes in working capital. We expect cash flows from operating activities of EUR 5-7m, compared to our previous guidance of EUR 7-10m.
- **CAPEX.** We expect CAPEX of around EUR 2.0m, compared to previous guidance of up to EUR 4.0m.

Outlook for 2021 and 2022

On 16 September 2020, ZITON published initial guidance for 2021. Compared to earlier expectations, we plan to have J/U WIND ENTERPRISE in dock to complete 10-years classing and repairs to maintain the vessel in good condition and mobilise the vessel before entering into the 3 years and 8 months charter with SGRE. Further, J/U WIND SERVER will mobilise for the next blade campaign with SGRE. These factors are predominantly one-off occurrences in 2021. Consequently, we reduce our KPI guidance for the 2021, but retain guidance for 2022:

- **Weighted average utilisation rate.** For 2021, we expect a utilisation rate in the range of 55%-65%, compared to our previous guidance in the range of 65%-75%. For 2022, we expect 65%-75%.
- **EBITDA.** For 2021, we expect EBITDA to be in the range of EUR 25-30m, compared to our previous guidance of EUR 29-35m. For 2022, we expect EUR 29-35m.

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 51-53 and note 4.1 "Risk management" on pages 96-99 of the 2019 annual report.

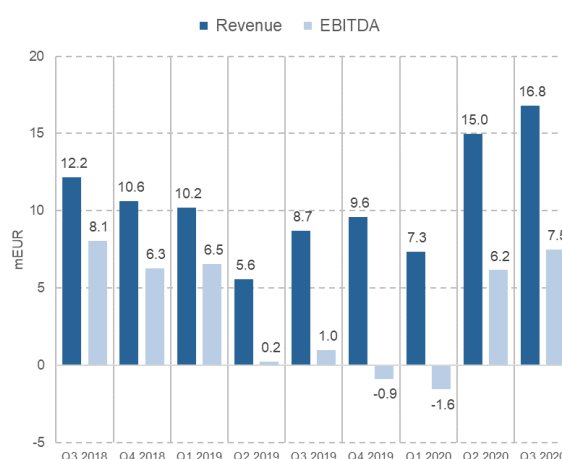
Financial Review

REVIEW OF THE INCOME STATEMENT

INCOME STATEMENT						
EUR '000	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Revenue	16,799	8,711	8,088	39,101	23,965	15,136
Other operating income	-	-	-	-	488	-488
OPEX and project-related expenses	-7,795	-6,690	-1,105	-22,664	-12,999	-9,666
SG&A	-1,520	-1,060	-460	-4,374	-3,720	-654
EBITDA	7,485	961	6,524	12,062	7,734	4,329
Depreciation	-2,724	-2,668	-55	-8,096	-7,170	-926
EBIT	4,761	-1,707	6,468	3,966	564	3,402
Financials, net	-5,201	-4,630	-571	-14,827	-12,219	-2,608
Income before tax	-440	-6,337	5,897	-10,861	-11,655	794
Key ratios						
EBITDA margin	44.6%	11.0%	33.5%	30.8%	32.3%	-1.4%

Review of the income statement for Q3 2020

The consolidated income statement for the ZITON Group shows revenue for Q3 2020 of EUR 16.8m compared to a revenue of EUR 8.7m in Q3 2019. Revenue from J/U WIND SERVER was strong following favourable weather and strong performance at the WoDS blade campaign. This is significantly better than the same quarter 2019, when revenue from J/U WIND SERVER was very low due to delayed initiation of the WoDS blade campaign. Revenue from the group's other vessels; J/U WIND, J/U WIND PIONEER and J/U WIND ENTERPRISE was also significantly better as orders postponed in Q2 due to coronavirus were carried into Q3.



Vessel OPEX and project related costs increased to EUR 7.8m for Q3 2020 from EUR 6.7m in Q3 2019. The main reason for the increase in costs was project-related expenses for providing a turnkey solution for the WoDS blade campaign.

SG&A expenses amounted to EUR 1.5m in Q3 2020 an increase from EUR 1.1m in Q3 2019. The increase is due to employments in our foreign subsidiaries.

EBITDA amounted to a profit of EUR 7.5m in Q3 2020 compared to a profit of EUR 1.0m in Q3 2019. The reason for the increase in EBITDA is a result of higher revenue due to strong performance at the WoDS blade campaign, as well as good utilisation of the group's other vessels.

Depreciation charges at EUR 2.7m in Q3 2020 were unchanged compared to EUR 2.7m in Q3 2019.

Financials, net was an expense of EUR 5.2m in Q3 2020 compared to an expense of EUR 4.6m in Q3 2019. The increased financial costs were mainly a consequence of the increase in interests on the corporate loans on which the terms were renegotiated in April 2020.

Review of income statement YTD Q3 2020

The consolidated income statement for the ZITON Group shows revenue for the first three quarters of 2020 of EUR 39.1m compared to a revenue of EUR 24.0m in YTD 2019. Revenue from J/U WIND SERVER was lower than anticipated for Q1 2020, due to challenges at the WoDS blade campaign mainly as consequence of damage to a blade lifting system and unusual adverse weather during Q1 2020, this was partly offset by good performance during Q2 and Q3 2020. Revenue from J/U WIND, J/U WIND PIONEER and J/U WIND ENTERPRISE in 1H 2020 was lower than anticipated mainly due to adverse weather in Q1 2020 and the negative affect from the coronavirus in Q2

2020. However, orders postponed into Q3 resulted in strong revenue.

Vessel OPEX and project related costs increased to EUR 22.7m in YTD 2020 from EUR 13.0m in 2019. The main reason for the increase in costs was project-related expenses for providing a turnkey solution for the WoDS blade campaign, and OPEX for J/U WIND ENTERPRISE that was bareboat chartered in May 2019.

SG&A expenses amounted to EUR 4.4m in YTD 2020 compared to EUR 3.7m in YTD 2019. The increase is mainly due to employments in our foreign subsidiaries.

EBITDA was a EUR 12.1m profit in YTD 2020 compared to a profit of EUR 7.7m in YTD 2019. The reason for the increase in EBITDA is mainly a result of higher revenue.

Depreciation charges of EUR 8.1m in YTD 2020 compared to EUR 7.2m in YTD 2019. The increase in depreciation is related to capitalisation and depreciation of the bareboat charter of J/U WIND ENTERPRISE.

Financials, net was an expense of EUR 14.8m in YTD 2020 compared to an expense of EUR 12.2m in 2019. The increased financial costs were mainly as consequence of capitalisation and interest expensing of the bareboat charter of J/U WIND ENTERPRISE and the increase in interests on corporate loans on which the terms were renegotiated in April 2020.

REVIEW OF THE BALANCE SHEET AT THE END OF Q3 2020

BALANCE SHEET						
EUR '000	Q3 2020	Q3 2019	Change	Q3 2020	Q4 2019	Change
Assets						
Vessel, including fixtures & equipment	188,997	196,918	-7,921	188,997	194,939	-5,942
Other non-current assets	626	92	534	626	647	-21
Non-current assets	189,623	197,010	-7,387	189,623	195,586	-5,963
Trade and other receivables	5,182	5,276	-94	5,182	2,932	2,250
Cash and cash equivalents	3,589	2,282	1,307	3,589	2,008	1,581
Current assets	8,771	7,558	1,213	8,771	4,940	3,830
Total assets	198,393	204,568	-6,174	198,393	200,526	-2,133
Equity and Liabilities						
Equity	-10,913	-781	-10,132	-10,913	-5,266	-5,647
Subordinated loan	28,537	24,573	3,964	28,537	25,472	3,065
Bond loans, second lien	31,358	27,709	3,648	31,358	28,602	2,756
Bond loans, first lien	97,344	93,484	3,860	97,344	92,431	4,913
Lease obligations	42,088	43,974	-1,886	42,088	43,378	-1,291
Other liabilities	9,980	15,609	-5,629	9,980	15,909	-5,929
Total liabilities	209,306	205,349	3,957	209,306	205,792	3,514
Total equity and liabilities	198,393	204,568	-6,175	198,393	200,526	-2,133
Key ratios						
Subordinated capital ratio	36.7%	33.7%	3.0%	36.7%	32.7%	4.0%

Review of the balance sheet, end of Q3 2020

The total value of Non-current assets, that mainly consists of vessels, amounted to EUR 189.0m at the end of Q3 2020. This compares to EUR 196.9m at the end of Q3 2019. The decrease is mainly due to depreciations.

Trade and other receivables amounted to EUR 5.2m at the end of Q3 2020 compared to EUR 5.3m at the end of Q3 2019.

Total equity was negative at EUR 10.9m at the end of Q3 2020, a change from a negative amount of EUR 0.8m at the end of Q3 2019. The decline compared to Q3 2019 was mainly a consequence of losses incurred in the period, which is partly offset by a capital injection of EUR 2.0m by BWB Partners end 2019.

The subordinated capital ratio (as defined in "Alternative Performance Measures", please refer to pages 54-55 of the 2019 annual report) at the end of Q3 2020 was 36.7% compared to 33.7% at the end of Q3 2019. The increase in subordinated capital ratio was primarily affected by utilizing the Maltese tax scheme of the Notional Interest Deduction (NID) Rules. This is a consequence of transferring J/U WIND SERVER from the subsidiary Jack-Up InvestCo 3 Plc. On Malta to ZITON A/S creating an adjustment of the deferred tax liability in the Maltese company of EUR 4.5m. The purpose of transferring the vessel to ZITON A/S is for the group to enter into the Danish tonnage tax scheme for 2021. In the Q3 2020 accounts, this improved group equity by EUR 4.5m.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q3 2020

CASH FLOWS EUR '000	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
EBITDA	7,485	961	6,524	12,062	7,734	4,329
Working capital adjustments	-5,851	-2,724	-3,127	-4,447	-2,017	-2,430
Other adjustments	1,754	515	1,239	-849	-1,679	830
Net cash flows from operating activities	3,388	-1,247	4,635	6,766	4,037	2,729
Financial payments, net	-2,475	-3,590	1,115	-4,095	-5,557	1,462
Net cash before investing activities	913	-4,837	5,750	2,672	-1,520	4,191
Investing activities	-1,416	-1,557	142	-1,784	-2,886	1,102
Net cash flows after investing activities	-503	-6,395	5,892	887	-4,405	5,293
Financing activities	655	1,435	-780	694	-4,159	4,853
Net cash flows after financing activities	152	-4,959	5,112	1,582	-8,565	10,146

Available liquidity	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Cash and cash equivalents	3,805	3,437	4,244	2,009	2,282
Cash on retention account	216	-0	3,188	-	2
Liquidity	3,589	3,437	1,056	2,009	2,280
Available draw on working capital facility	11,193	13,166	1,179	6,525	2,099
Available liquidity	14,782	16,603	2,235	8,534	4,378

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 3.0m in Q3 2020 compared to an outflow of EUR 1.2m in Q3 2019. The improvement in EBITDA was partly offset by a reduction of SGRE's prepayment on the WoDS project amounting to approx. EUR 2.0m in Q3. YTD 2020 cash flow from operating activities were an inflow of EUR 6.8m compared to an inflow of EUR 4.0m in YTD 2019.

Financial payments, net amounted to negative EUR 2.5m in Q3 2020 compared to negative EUR 3.6m in Q3 2019. YTD 2020 financial payments were EUR 4.1m compared to EUR 5.6m. The reduced financial payments are the consequence of postponed quarterly interest payments on the first lien bond loan on 3 April 2020 and 3 July 2020, that is offset by interest expensing of the bareboat charter of J/U WIND ENTERPRISE.

Investing activities amounted to EUR 1.4m in Q3 2020 compared to EUR 1.6m in Q3 2019. YTD 2020 investing activities amounted to EUR 1.8m compared to EUR 2.8m in 2019.

Financing activities amounted to a cash Inflow of EUR 1.1m in Q3 2020 compared to an inflow of EUR 1.4m in Q3 2019. YTD 2020 financing activities amounted to a cash inflow of EUR 0.7m compared to an outflow in YTD 2019 of EUR 4.1m. Financing activities primarily instalments payed on the first lien bond our bond loans in 2019.

Available liquidity including available drawings on our working capital facility amounted to EUR 14.8m at the end of Q3 2020. This is EUR 1.8m lower than at the end of Q2 2020.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

EUR '000	Note	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenue	2	16,799	8,711	39,101	23,965
Other operating income		-	-	-	488
Project-related expenses		-2,893	-1,965	-8,098	-2,432
Operational expenses		-4,901	-4,725	-14,567	-10,567
Gross profit		9,004	2,021	16,436	11,454
Administrative expenses		-373	-365	-1,149	-1,292
Staff costs, office staff		-1,147	-694	-3,225	-2,428
EBITDA		7,485	961	12,062	7,734
Depreciation & amortisation		-2,724	-2,668	-8,096	-7,170
EBIT		4,761	-1,707	3,966	564
Financial income		86	8	465	8
Financial expenses		-5,287	-4,638	-15,292	-12,227
Income before tax		-440	-6,337	-10,861	-11,655
Tax on profit (loss)		3,450	779	4,711	1,584
Income for the year		3,010	-5,558	-6,150	-10,071
<i>Attributable to:</i>					
Owners of ZITON A/S		3,010	-5,558	-6,144	-10,066
Non-controlling interest - Profit/loss		0	-0	-6	-5
Income for the year		3,010	-5,558	-6,150	-10,071

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Income for the year		3,010	-5,558	-6,150	-10,071
<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		-107	-	-198	-
Cash flow hedges, realised gains/(losses) incurred during period		156	62	63	62
Cash flow hedges, deferred gains/(losses) incurred during period		545	193	638	193
Total comprehensive income for the year, after tax		3,604	-5,303	-5,647	-9,816
<i>Attributable to:</i>					
Owners of ZITON A/S		3,604	-5,303	-5,641	-9,811
Non-controlling interest - Profit/loss		0	-0	-6	-5
Total comprehensive income for the year, after tax		3,604	-5,303	-5,647	-9,816

BALANCE SHEET**EUR '000**

		Q3 2020	Q3 2019	Q4 2019
Assets				
Non-current assets				
Vessel, including fixtures & equipment	3	188,997	196,918	194,939
Intangible assets		108	92	128
Deferred tax asset		518	-	519
Non-current assets		189,623	197,010	195,586
Current assets				
Inventories		146	303	293
Trade and other receivables		5,036	4,973	2,638
Cash and cash equivalents		3,589	2,282	2,008
Current assets		8,771	7,558	4,939
Total assets		198,393	204,568	200,526
Equity and Liabilities				
Equity				
Share capital		13,098	11,093	13,098
Reserves		-66	444	-569
Retained earnings		-24,000	-12,380	-17,855
Total equity attributable to owners of ZITON A/S		-10,968	-843	-5,327
Non-controlling interest		55	62	61
Total equity		-10,913	-781	-5,266
Liabilities				
Non-current liabilities				
Subordinated loan		28,537	24,573	25,472
Bond loans, second lien		31,358	27,709	28,602
Bond loans, first lien		95,338	89,171	88,117
Lease obligations		39,853	41,738	40,832
Deferred income tax liabilities		1,426	8,352	6,109
Provision for other liabilities		230	-	230
Total non-current liabilities		196,742	191,543	189,362
Current liabilities				
Bond loans, first lien		2,006	4,313	4,314
Lease obligations		2,234	2,236	2,546
Working capital facility		1,493	4,572	156
Trade and other payables		6,344	1,682	8,540
Provision for other liabilities		486	1,004	874
Total current liabilities		12,564	13,807	16,430
Total liabilities		209,306	205,350	205,792
Total equity and liabilities		198,393	204,568	200,526

STATEMENT OF CASH FLOWS					
EUR '000	Note	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Income before tax		-440	-6,337	-10,861	-11,655
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		5,201	4,630	14,827	12,219
Depreciation and writedowns of the period		2,724	2,668	8,096	7,170
Other adjustments		1,754	515	-849	-1,679
<i>Working capital adjustments</i>					
Change in inventories		-0	-79	148	-268
Change in trade receivables		-1,406	-452	-1,998	-1,942
Change in trade payables		-4,444	-2,193	-2,597	194
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		3,388	-1,247	6,766	4,039
<i>Financial payments</i>					
Financial receipts		-	-	-	-
Financial payments		-2,475	-3,590	-4,095	-5,557
Net cash flows before investing activities		913	-4,837	2,672	-1,518
Investing activities					
Purchase of vessel, fixtures & equipment		-1,416	-1,557	-1,784	-2,819
Other cash flows from investing activities		-	-	-	-67
Net cash used in investing activities		-1,416	-1,557	-1,784	-2,886
Financing activities					
Repayment of debt to bank and bond holders		-216	-2,501	1,029	-5,002
Draw on working capital facility		1,300	4,572	1,337	4,572
Lease payments		-429	-635	-1,672	-3,729
Net cash used/received in financing activities		655	1,435	694	-4,159
Net (decrease)/increase in cash and cash equivalents		152	-4,959	1,582	-8,563
Cash and cash equivalents at beginning of period		3,437	7,240	2,008	10,845
Exchange gains/losses on cash and cash equivalents		-	-	-	-
Net cash and cash equivalents at end of period		3,589	2,281	3,589	2,282

STATEMENT OF CHANGES IN EQUITY

YTD 2020

EUR '000	Share capital	Attributable to owners of ZITON A/S					Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings		
Balance at 31 December 2019	13,098	143	-11	-701	-569	-17,856	61	-5,267
Total comprehensive income, after tax	-	-	-198	701	503	-6,144	-6	-5,646
Balance at YTD	13,098	143	-209	-	-66	-24,000	55	-10,913

Share capital

At the end of Q3 2020, the share capital consisted of 97,782,192 shares of DKK 1 each (EUR 13,098K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 82,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

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 2019

EUR '000	Share capital	Attributable to owners of ZITON A/S					Non-controlling interest	Total equity
		Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings		
Balance at 31 December 2018	11,093	143	46	-	189	-2,380	-	8,902
Total comprehensive income, after tax	-	-	-	254	254	-10,066	-4	-9,816
Capital increase in subsidiaries	-	-	-	-	-	66	67	132
Balance at YTD	11,093	143	46	254	444	-12,380	63	-781

Share capital

At the end of Q3 2019, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,089k). 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

EUR '000	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	16,799	14,955	7,346	9,120	8,711
Other operating income	-	-	-	488	-
Project-related expenses	-2,893	-2,417	-2,788	-2,957	-1,965
Operational expenses	-4,901	-4,925	-4,740	-5,904	-4,725
Gross profit	9,004	7,614	-182	746	2,021
Administrative expenses	-373	-374	-402	-526	-365
Staff costs, office staff	-1,147	-1,089	-989	-1,110	-694
EBITDA	7,485	6,151	-1,573	-889	961
Depreciation	-2,724	-2,687	-2,686	-2,700	-2,668
EBIT	4,761	3,464	-4,259	-3,589	-1,707
Financial income	86	207	172	35	8
Financial expenses	-5,287	-5,331	-4,674	-4,815	-4,638
Income before tax	-440	-1,660	-8,761	-8,370	-6,337

Note 2 – Revenue from customers

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

The Group operates in northern Europe. The geographical distribution of revenue is based on the country in which the wind farm is located. For time charter contracts, the geographical distribution is based on the position of the vessel, during the contract.

Geographical distribution of revenue

EUR '000	Q3 2020	Q3 2019	YTD 2020	YTD 2019
United Kingdom	14,111	6,107	29,717	14,867
Denmark	1,344	884	5,826	5,072
Belgium	1,176	530	1,838	744
Germany	168	988	1,486	1,992
Sweden	-	202	235	1,052
Netherlands	-	-	-	238
Total	16,799	8,711	39,101	23,965

Sales to the three largest customers, accounting for more than 10% of revenue, made up 55%, 18% and 15% of total revenue in YTD 2020 (YTD largest customers in 2019: 42%, 18% 16% and 16% respectively).

Note 3 - Vessels and equipment

NOTE 3 - VESSELS AND EQUIPMENT

Jack-Up InvestCo 3 Plc (Rollup)

Q3 2020 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2020	1,181	2,517	239,521	242,038
Exchange rate adjustments	-	10	238	248
Additions	-	190	1,161	1,351
Disposals	-	-	-	-
Additions to leased assets (Right-of-use assets)	-	65	424	489
Disposals of leased assets (Right-of-use assets)	-	-55	-	-55
Cost YTD	1,181	2,726	241,344	245,251
Depreciation at 1 January 2020	-242	-726	-47,312	-48,279
Exchange rate adjustments	-	2	119	121
Depreciation	-178	-250	-6,162	-6,591
Disposals	-	-	-	-
Depreciation on leased assets (Right-of-use assets)	-	-100	-1,450	-1,550
Disposals of leased assets (Right-of-use assets)	-	45	-	45
Depreciation YTD	-420	-1,029	-54,805	-56,254
Impairment losses at 1 January 2020	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	761	1,697	186,539	188,997

Q3 2019 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2020	-	1,353	190,342	191,696
Exchange rate adjustments	-	1	31	32
Additions	1,177	95	801	896
Additions to leased assets (Right-of-use assets)	-	1,052	47,650	48,702
Disposals of leased assets (Right-of-use assets)	-	-74	-	-74
Cost YTD	1,177	2,427	238,825	242,429
Depreciation at 1 January 2020	-	-368	-38,012	-38,381
Exchange rate adjustments	-	-	-6	-6
Depreciation	-130	-12	-6,008	-6,150
Depreciation on leased assets (Right-of-use assets)	-	-308	-700	-1,008
Disposals of leased assets (Right-of-use assets)	-	35	-	35
Depreciation YTD	-130	-654	-44,726	-45,509
Impairment losses at 1 January 2019	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	1,047	1,774	194,099	196,919

Obligations related to right of use assets

On 28 May 2019, ZITON entered into a bareboat charter of J/U WIND ENTERPRISE running until 31 March 2021. As part of the agreement ZITON was given an option to acquire the vessel. If the call option is not exercised by 20th December 2020, ZITON is liable to pay a breakaway fee.

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. Towards the end of Q1 2020, governments across Europe responded to the coronavirus by creating restrictions on the free movement of people. This had an immediate effect on ZITON and its customers' ability to carry out operations and to procure components. ZITON and its customers took precautions to avoid spreading of the coronavirus, by implementing procedures for continuous testing of crew and technicians, limit physical contact, keep distance, wash/sanitise hands, cleaning etc. Furthermore, ZITON has implemented secure crew

changes incl. crew changes in chartered airplanes and avoiding contact between different crews, limiting unnecessary access to vessels, no access in case of symptoms etc. The impact of coronavirus continued into the second half 2020 and was exacerbated in November when the UK imposed a ban on non-UK citizens travelling from Denmark amid concerns over a coronavirus strain that spread from mink to humans. Most of ZITON's vessel crew are from Denmark, thus making it unfeasible to perform crew changes in UK ports. In the short term, this can be handled by extending the time between crew changes and performing them in non-UK ports. The majority of turbine technicians working on the WoDS project are not Danish citizens, thus softening the impact on the WoDS project from the restrictions

Coronavirus is an indicator of impairment, and as a result, ZITON performed an impairment test. An impairment loss is recognised at 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 the fair value. The budget used for impairment testing 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 ZITON Contractors A/S and Hangout A/S are included (jack-up vessel operating segment).

An impairment test is carried out based on value in use. The impairment test is performed by estimating the recoverable amount at value in use calculated as the present value of the total expected cash flows during the rest of the vessels' economic lives, a determined WACC of 8.3% 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 188,997k.

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

Note 4 - Commitments and contingencies

Since the end of 2019, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2019.

Note 5 - Related party transactions

No significant changes have occurred to related parties or types and scale of transactions with these parties other than what was disclosed in the 2019 annual report.

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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. 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

In 2019 the ZITON Group expanded to UK, Germany and China, leased a new vessel and undertook a major project in UK which was adversely affected by poor planning, execution and weather conditions. Further, with increasing competition in the market and under the current capital structure both liquidity and the operating activity were negatively affected, resulting in negative equity at year end.

Management has prepared revised cash flow forecast scenarios and is currently evaluating strategic options to ensure the consolidated group retains sufficient liquidity to meet its debt obligations and the Subordinated Capital Ratio during 2020. As part of this process, ZITON has engaged Pareto Securities as financial adviser to explore options to strengthen the company's liquidity and capital structure, including raising new equity and/or subordinated capital as well as amending the terms of the corporate bond loans.

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.

As a result of the current events and conditions, management has made a plan to deal with these events and conditions. It is management's assessment that the contemplated process to ensure sufficient liquidity will be successfully completed, consequently the Financial statements have been prepared on a going concern basis.

Management assess the entity's ability to continue as a going concern for met and the consolidated financial statement are therefore prepared on the basis of going concern 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 51-53 and note 4.1 "Risk management" on pages 96-99 of the 2019 annual report.

Note 8 – Alternative Performance Measures

Alternative Performance Measures ("APMs") are non-IFRS financial measures used as supplements to financial statements. The APMs used in this quarterly report are unchanged compared to the annual report 2019. Please refer to pages 54-55 of the 2019 annual report.

Management statement

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for the third quarter of 2020. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for the third quarter of 2020 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 September 2020, and of the results of the ZITON's operations and cash flow for the first three quarters of 2020.

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, 19 November 2020

Executive Management

Thorsten Jalk
CEO

Board of Directors

Vagn Lehd Møller
Chairman

Ove Carsten Eriksen

Jacob Ø. Bergenholtz

Lars Thorsgaard Jensen

Henrik Kleis

Morten Melin

Financial calendar 2021

Interim report Q4 2020 – 25 February 2021

Annual report 2020 – 29 April 2021

Interim report Q1 2021 – 27 May 2021

Interim report Q2 2021 – 26 August 2021

Interim report Q3 2021 – 25 November 2021

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