



Interim report
Q3 2021



ZITON A/S
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Highlights of the report

Highlights of Q3 2021

- The Siemens Gamesa Renewable Energy ("SGRE") long-term time charter of J/U WIND ENTERPRISE for 3 years and 8 months was initiated on 1 March 2021. The vessel continues to operate successfully on the time charter with limited off-hire days.
- At the end of January 2021, SGRE and ZITON signed a turnkey contract for ZITON to repair and upgrade blades on 80 turbines at the Meerwind Süd/Ost Offshore Wind Farms ("Meerwind"). The Meerwind blade campaign was initiated mid-March 2021, and upgrades of blades on the 80 turbines was successfully completed in the beginning of November 2021. Upon request from the customer, J/U WIND SERVER continues to operate on additional blade exchanges on Meerwind and will thereafter carry out regular major component replacements on framework agreements and other tenders attained.
- The activity level for regular major component replacements has been strong during 2021 with 50%+ market growth. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly seem to drive the need for component replacement. Further, our analysis shows that the market growth for major component replacements is expected to continue.
- EBITDA amounted to EUR 7.2m in Q3 2021 compared to EUR 7.5m in Q3 2020. The decrease is due to higher project-related expenses on the Meerwind project compared to the WoDS blade campaign
- Extraordinary COVID related expenses amounted to EUR 0.9m for Q3 2021 compared to zero in the same period the year before. For the Meerwind blade campaign, ZITON decided to take extra precautions to prevent outbreaks of COVID-19 during the duration of the blade campaign. The precautions taken relates to the possibility for frequent COVID testing, access to alternative vessel crew, turbine technicians and blade technicians, location of blade repair and upgrade facility in low-risk country, as well as isolation of vessel crew and turbine technicians in smaller teams to limit eventual outbreaks to fewer people.
- In the beginning of August 2021, ZITON announced that its Board of Directors has engaged Evercore to act as financial advisor in reviewing strategic alternatives focused on maximizing shareholder value. These alternatives include, among other things, a corporate sale, a business combination or a partnership, while continuing to develop other growth opportunities. There can be no assurance that this strategic review will result in any transaction. The Company has not set a timetable for completion of the process, and it does not intend to comment further unless a specific transaction is approved by ZITON's Board of Directors and shareholders, or it is otherwise determined that further disclosure is appropriate or required by law.
- ZITON has taken precautions to prevent outbreaks of COVID-19 on the Meerwind blade campaign is estimated at a total cost of EUR 2.2 million YTD 2021. Compared to the guidance reported in the interim report for Q2 2021, we consequently reduce our KPI guidance for the 2021 to:
 - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 55%-60%, compared to our previous guidance in the range of 55%-65%.
 - **EBITDA.** We expect EBITDA to be in the range of EUR 18-21m, compared to our previous guidance of EUR 20-25m. Adjusting for extraordinary COVID related expenses the previous guidance could have been maintained.
 - **Cash flow from operating activities** We expect cash flows from operating activities of EUR 16-19m, compared to our previous guidance of EUR 18-23m. This reflects a strong reduction of working capital achieved towards the end of 2020, which is not assumed to be repeated at the end of 2021.

- **CAPEX.** We expect CAPEX of around EUR 5.0m, including CAPEX for 10-years classing of J/U WIND ENTERPRISE before entering into the SGRE long-term time charter. This compares to our previous forecast of CAPEX up to EUR 5.0m

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

The activity level for regular major component replacements has been strong during 2021 with 50%+ market growth. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly seem to drive the need for component replacement. Further, our analysis shows that the market growth for major component replacements is expected to continue.

The market for blade campaigns and other larger major component campaigns is more erratic, and initiation of such larger projects is subject to uncertainty and wider competition.

Contract developments

No new contracts were signed during Q3 2021. ZITON's current contracts within offshore wind O&M include:

- On 17 December 2020, Siemens Gamesa Renewable Energy ("SGRE") and ZITON signed a time charter of 3 years and 8 months from 1 March 2021 to 31 October 2024 for J/U WIND ENTERPRISE ("SGRE long-term charter").

The time charter was initiated on 1 March 2021. As customary for time charter contracts, SGRE will pay a fixed time charter rate and pay for variable OPEX-related costs during the tenor of the time charter. SGRE will take on the full weather risk while ZITON will be responsible for operational uptime of the vessel.

- At the end of January 2021, SGRE and ZITON signed a turnkey contract for ZITON to repair and upgrade blades on 80 turbines at the Meerwind Süd/Ost Offshore Wind Farms ("Meerwind"). According to the terms of the Meerwind contract, ZITON received a fixed price per intervention plus compensation for adverse weather days (up to a predetermined time-period), which significantly reduced weather risk for ZITON during upgrade of the first 80 turbines.

The Meerwind blade campaign was initiated mid-March 2021, and upgrades of blades on

the 80 turbines was successfully completed in the beginning of November 2021. Upon request from the customer, J/U WIND SERVER continues to operate on additional blade exchanges on Meerwind and will thereafter carry out regular major component replacements on framework agreements and other tenders attained.

- On 1 May 2019, Ørsted and ZITON signed a framework agreement covering nine of Ørsted's offshore wind farms. The contract expires on 31 March 2022. A new tender process is ongoing.
- On 18 December 2019, Vestas Offshore Wind ("Vestas") and ZITON signed a three-year framework agreement. The framework agreement is an extension and amendment of the two companies' former framework agreement. Most of the turbines for which Vestas has jack-up requirements are for their 8+MW turbines. J/U WIND ENTERPRISE is currently the only one of ZITON's vessel that can service these turbines. As J/U WIND ENTERPRISE is on SGRE long-term charter, ZITON is constrained in our ability to service Vestas on their larger turbines.
- ZITON's framework agreement with Vattenfall Wind Power AB ("Vattenfall") expired in November 2020. Vattenfall has completed a tender to service both smaller and larger 8+MW turbines. As J/U WIND ENTERPRISE is on SGRE long-term charter and J/U WIND SERVER is occupied on the Meerwind project for most of 2021, ZITON is constrained in its ability to service Vattenfall on their larger turbines. ZITON was selected second supplier, which involves that if the first supplier declines to carry out a specific component exchange, ZITON will have the opportunity to assist Vattenfall. However, revenue from the Vattenfall agreement is expected to be marginal.

Vessel operations

On 18 December 2020, ZITON exercised its purchase option to purchase J/U WIND

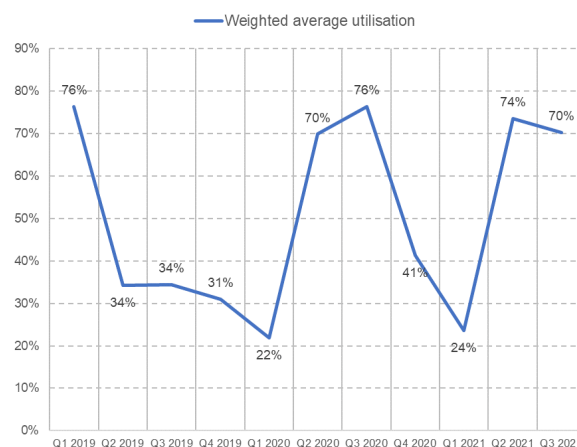
ENTERPRISE. Purchase of the vessel was closed in January 2021. During January and February 2021, J/U WIND ENTERPRISE completed 10-years dry-dock surveys and repairs to maintain the vessel in good condition to avoid unexpected off-hire days going into the SGRE long-term charter. During the stay in the dry dock various damages to the legs and the jetting system were discovered. In order to avoid conditions of class, these critical conditions were repaired. As it was not possible to detect these damages before the vessel was in dry dock, the cost of the docking stay exceeded the budgeted cost of EUR 1.6m by EUR 2.1m. According to the operational support agreement between ZITON A/S and Wind Enterprise P/S, ZITON A/S will be reimbursed when the cash generation can cover the additional CAPEX. The vessel entered into the SGRE long-term charter on 1 March 2021 and continues to operate successfully on the time charter with limited off-hire days.

During Q1 2021, J/U WIND SERVER operated on a project on the east coast of the UK for which completion was delayed by several weeks. This also resulted in delayed initiation of the Meerwind blade campaign until mid-March 2021, leading to low utilization during Q1 2021. The vessel has operated successfully on the Meerwind blade campaign during Q3 2021. For the Meerwind blade campaign ZITON provides a full turnkey solution including, among other things, jack-up, lifting equipment, lift planning, technicians and blade repair including repair facilities. During the West of Duddon Sands blade campaign, ZITON was exposed to an outbreak of COVID-19 on J/U WIND SERVER that caused the vessel in being out of operations for six weeks and delayed completion of other operations. For the Meerwind blade campaign, ZITON decided to take extra precautions to prevent outbreaks of COVID-19. As a result, project related expenses are estimated to be approx. EUR 2.2m higher during the first nine months of 2021.

During third quarter 2021, J/U WIND and J/U WIND PIONEER operated under framework agreements with Ørsted, and Vestas as well as other tenders attained.

Utilisation rates

The weighted average utilisation rate for Q3 2021 was at 70%. The good utilisation reflects strong pipeline and execution in Q3 on all four vessels, with the increased project related expenses negatively affecting the financial utilisation of J/U WIND SERVER. This is a robust improvement compared to utilisation of 24% in Q1 2021 when J/U WIND ENTERPRISE was in dry dock for the first two months of the quarter, and J/U WIND SERVER was delayed in completion of a UK project.



Note: Weighted average utilisation rate is calculated as vessel revenue and other operating income deducting project-related expenses during the quarter divided by full utilisation at standard rates of EUR 185k/day (EUR 135k/day until the end of June 2019). Each vessel has a different weighting depending on its specifications.

Outlook for 2021

As explained earlier in this report the impact of precautions to prevent outbreaks of COVID-19 on the Meerwind blade campaign is estimated at EUR 2.2 million in 2021. Compared to the guidance reported in the interim report for Q2 2021, we consequently reduce our KPI guidance for the 2021 to:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 55%-60%, compared to our previous guidance in the range of 55%-65%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 18-21m, compared to our previous guidance of EUR 20-25m. Adjusting for extraordinary COVID related expenses the previous guidance could have been maintained.
- **Cash flow from operating activities** We expect cash flows from operating activities of EUR 16-19m, compared to our previous

guidance of EUR 18-23m. This reflects a strong reduction of working capital achieved towards the end of 2020, which is not assumed to be repeated at the end of 2021.

- **CAPEX.** We expect CAPEX of around EUR 5.0m, including CAPEX for 10-years classing of J/U WIND ENTERPRISE before entering into the SGRE long-term time charter. This compares to our previous forecast of CAPEX up to EUR 5.0m.

Competitive environment

ZITON is the clear market leader within dedicated O&M services for major component replacements at offshore wind farms. The primary business of most other jack-up vessels is within Transport & Installation ("T&I") of new offshore wind farms. From time-to-time T&I vessel are also used for O&M services. The main exception is Van Oord, that recently was selected first supplier for the four-year framework agreement with Vattenfall.

Approval of Written Resolution

Bondholders of the first and second lien bond, as well as provider of subordinated capital approved on 18 May 2021 a proposal to:

- Waive covenants for the subordinated capital ratio ("SCR") for Q1 and Q3 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%;
- Increase the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extend the facility until 31 December 2021;
- Postpone the approval and announcement of the final 2020 Annual Financial Statements, due at the end of April 2021, to 31 May 2021, and;
- Postpone the payment into the Retention Account of the first lien bond, scheduled for 30 April 2021, to 31 May 2021.

The bondholders and subordinated capital providers are compensated by a new 12-month rolling EBITDA covenant of minimum EUR 14.0m

for Q2 2021, EUR 15.5m for Q3 2021 and EUR 17.0m for Q4 2021. Further, the first lien bondholders are compensated by 0.15% of the amount outstanding to be repaid when ZITON refinances or at maturity.

ZITON to explore strategic alternatives

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

Risks and uncertainties

ZITON A/S is exposed to various risks that may be of significance to the company's future operations, results and financial position. For a description of ZITON A/S' risks, please refer to the Risk Management section on pages 50-53 and note 4.1 "Risk management" on pages 94-97 of the 2020 annual report.

Financial Review

REVIEW OF THE INCOME STATEMENT

EUR '000	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
Revenue	18,088	16,799	1,289	43,618	39,101	4,517
OPEX and project-related expenses	-9,325	-7,795	-1,530	-25,581	-22,664	-2,916
SG&A	-1,522	-1,520	-2	-4,794	-4,374	-420
EBITDA	7,242	7,485	-243	13,243	12,062	1,181
Depreciation	-2,719	-2,724	5	-8,233	-8,096	-137
EBIT	4,523	4,761	-238	5,010	3,966	1,044
Financials, net	-5,779	-5,201	-578	-16,873	-14,827	-2,046
Income before tax	-1,257	-440	-816	-11,863	-10,861	-1,002
Key ratios						
EBITDA margin	40.0%	44.6%	-4.5%	30.4%	30.8%	-0.5%

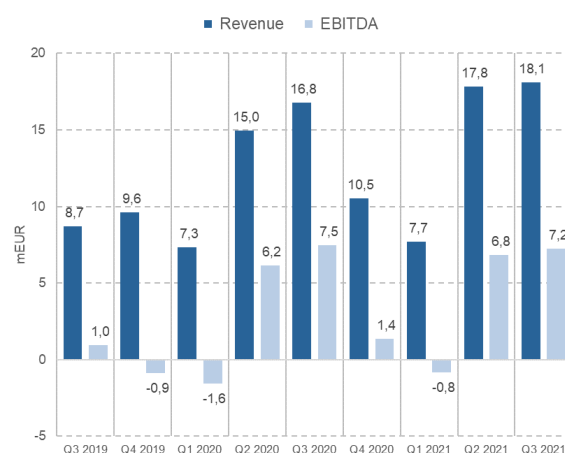
Review of the income statement for Q3 2021

The consolidated income statement for the ZITON Group shows revenue for Q3 2021 of EUR 18.1m, compared to revenue of EUR 16.8m in Q3 2020. The increase in revenue was driven by good utilisation of the two smaller vessels J/U WIND and J/U WIND PIONEER as wear and tear for turbines below 4 MW increasingly seem to drive the need for component replacement. Revenue for J/U WIND SERVER in Q3 2021 was largely unchanged compared to the same quarter the year before. During Q3 2021, the vessel operated on the Meerwind blade campaign. Revenue for J/U WIND ENTERPRISE was higher compared to the same quarter the year before. In Q3 2021, the vessel operated on the SGRE long-term time charter and in Q3 2020 it operated mainly on framework agreements.

Vessel OPEX and project related costs increased to EUR 9.3m for Q3 2021 from EUR 7.8m in Q3 2020. The main reason for the increase is higher project-related expenses on the Meerwind blade campaign, as well as higher project related expenses for the two smaller vessels due to the higher level of activity. OPEX for J/U WIND ENTERPRISE was lower as the vessel is on time charter, thus variable costs are paid by SGRE.

SG&A was unchanged at EUR 1.5m compared to Q3 2020.

EBITDA amounted to EUR 7.2m in Q3 2021 compared to EUR 7.5m in Q3 2020. The decrease is due to higher project-related expenses on the Meerwind project compared to the WoDS blade campaign.



Depreciation was unchanged at EUR 2.7m compared to Q3 2020.

Financials, net was an expense of EUR 5.8m in Q3 2021 compared to an expense of EUR 5.2m in Q3 2020. The increased financial costs were mainly a consequence of higher interest-bearing debt from refinancing bond loans and establishing of a new bond loan in January 2021 to purchase the vessel J/U WIND ENTERPRISE.

Review of income statement YTD Q3 2021

The consolidated income statement for the ZITON Group shows revenue for YTD 2021 of EUR 43.6m compared to a revenue of EUR 39.1m in YTD 2020. The increase in revenue was driven by good utilisation of the two smaller vessels J/U WIND and J/U WIND PIONEER as wear and tear for turbines below 4 MW increasingly seem to drive the need for component replacement. Revenue for J/U WIND SERVER YTD 2021 was below the same period the year before when revenue was positively affected by favourable weather. Revenue for J/U WIND ENTERPRISE declined YTD 2021 compared to the same period the year before as the vessel did not earn revenue when it completed 10-years dry-dock surveys and repairs during January and February 2021.

Vessel OPEX and project related costs increased to EUR 25.6m in YTD 2021 from EUR 22.7m in YTD 2020. The main reason for the increase is primarily higher project-related expenses on the Meerwind blade campaign, as well as higher project related expenses for the two smaller vessels due to the higher level of activity.

SG&A expenses amounted to EUR 4.8m in YTD 2021 compared to EUR 4.4m YTD 2020 mainly due to increased salaries because of more employees.

EBITDA was a EUR 13.2m profit in YTD 2021 compared to a profit of EUR 12.1m in YTD 2020. The increase is due to good vessel utilisation leading to increase in revenue that was partly offset by increase in project-related expenses. In addition, J/U WIND ENTERPRISE was in dry dock for the first two months of Q1 2021 to prepare for the SGRE long-term charter.

Depreciation charges of EUR 8.2m in YTD 2021 compared to EUR 8.1m in YTD 2020. The increase in depreciation is primarily driven by the capitalisation of the 10-year class on J/U WIND ENTERPRISE.

Financials, net was an expense of EUR 16.9m in YTD 2021 compared to an expense of EUR 14.8m in YTD 2020. The increased financial costs were

mainly a consequence of the increase in interests on the bond loans on which the terms were renegotiated in April 2020 together with the new bond loan established as part of purchasing the vessel J/U WIND ENTERPRISE.

LTM EBITDA covenant

For the Meerwind blade campaign, ZITON decided to take extra precautions to prevent outbreaks of COVID-19 during the duration of the blade campaign. The precaution was taken as ZITON during Q4 2020, experienced an outbreak at the WoDS blade campaign that caused J/U WIND SERVER to be out of operations for six weeks and delayed completion of other operations. The cost of this outbreak is assessed to amount to EUR 2,5m in extraordinary COVID-related expenses. The precautions taken relates to the possibility for frequent COVID testing, access to alternative vessel crew, turbine technicians and blade technicians, location of blade repair and upgrade facility in low-risk country, as well as isolation of vessel crew and turbine technicians in smaller teams to limit eventual outbreaks to fewer people.

In the 1st lien and 2nd lien bond agreements for ZITON A/S the definition of EBITDA allows for up to 10% adjustment for extraordinary items. As illustrated in the table below, reported EBITDA for the Last Twelve Months (LTM) amount to EUR 14,597k. The allowed 10% adjustment for extraordinary items equals EUR 1,460k. Thus, the adjusted LTM EBITDA is calculated at EUR 16,057k fulfilling the covenant of EUR 15.5m at the end of Q3 2021.

<i>All figures in kEUR</i>	EBITDA (IFRS)	Extraordinary items
EBITDA Q4 2020	1,353	2,502
EBITDA Q1 2021	-841	370
EBITDA Q2 2021	6,843	910
EBITDA Q3 2021	7,242	920
LTM EBITDA Q3 2021 (IFRS)	14,597	4,702
10% adjustment for Extraordinary items	1,460	
LTM EBITDA Q3 2021	16,057	
Covenant LTM EBITDA Q3 2021	15,500	

REVIEW OF THE BALANCE SHEET AT THE END OF Q3 2021

BALANCE SHEET						
EUR '000	Q3 2021	Q3 2020	Change	Q3 2021	Q4 2020	Change
Assets						
Vessel, including fixtures & equipment	184,779	188,997	-4,218	184,779	187,671	-2,892
Other non-current assets	269	626	-357	269	268	1
Non-current assets	185,048	189,623	-4,575	185,048	187,939	-2,891
Trade and other receivables	8,681	5,182	3,499	8,681	2,586	6,096
Cash and cash equivalents	1,328	3,589	-2,260	1,328	284	1,045
Current assets	10,009	8,771	1,239	10,009	2,869	7,140
Total assets	195,058	198,393	-3,335	195,058	190,808	4,250
Equity and Liabilities						
Equity						
Subordinated loan	33,214	28,537	4,677	33,214	29,574	3,640
Bond loans, second lien	35,800	31,358	4,443	35,800	32,322	3,479
Bond loans, first lien	126,475	97,344	29,131	126,475	97,787	28,688
Lease obligations	590	42,088	-41,498	590	43,135	-42,545
Working capital facility	8,994	1,493	7,500	8,994	490	8,504
Other liabilities	8,975	8,486	489	8,975	4,411	4,564
Total liabilities	214,048	209,306	4,742	214,048	207,718	6,331
Total equity and liabilities	195,058	198,393	-3,336	195,058	190,808	4,250
Key ratios						
Subordinated capital ratio	27.4%	32.7%	-5.3%	27.4%	31.1%	-3.7%

Review of the balance sheet, end of Q3 2021

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 184.8m at the end of Q3 2021. This compares to EUR 189.0m at the end of Q3 2020. The decrease is mainly due to depreciation partly offset by vessel CAPEX.

Trade and other receivables amounted to EUR 8.7m at the end of Q3 2021 compared to EUR 5.2m at the end of Q3 2020 and EUR 2.6m at the end of Q4 2020. The increase is due to outstanding invoices on the long-term charter and the Meerwind blade campaign with SGRE.

In December 2020, ZITON exercised its option to purchase J/U WIND ENTERPRISE. The purchase of the vessel was closed in January 2021 for EUR 42.5m, of which EUR 32.5m was cash from a new bond loan and cash capital increase in ZITON A/S of EUR 10.0m. Total equity was negative at EUR 19.0m at the end of Q3 2021, compared to a negative amount of EUR 10.9m at the end of Q3 2020 and EUR 16.9m at the end of Q4 2020. The decline in equity was mainly a consequence of losses incurred during the period, partly offset by

the capital increase of EUR 10.0m carried out in January 2021.

The subordinated capital ratio (SCR) at end of Q3 2021 was at 27.4%, hence above the covenant of 27.0%. At the end of Q3 2020 the SCR was at 32.7% and 31.1% at the end of Q4 2020. The historical figures are not fully compatible, as the definition of SCR was altered when the Written Resolution was approved on 17 December 2020. This is further explained in Alternative Performance Measures in pages 54-55 of the 2020 annual report.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q3 2021

CASH FLOWS EUR '000	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change
EBITDA	7,242	7,485	-243	13,243	12,062	1,181
Working capital adjustments	-1,048	-5,851	4,803	-1,761	-4,447	2,687
Other adjustments	-719	1,754	-2,473	-1,043	-849	-194
Net cash flows from operating activities	5,475	3,388	2,086	10,440	6,766	3,674
Financial payments, net	-2,587	-2,475	-112	-7,862	-4,095	-3,767
Net cash before investing activities	2,888	913	1,975	2,578	2,672	-94
Investing activities	-1,016	-1,416	400	-4,987	-1,784	-3,203
Net cash flows after investing activities	1,872	-503	2,375	-2,409	887	-3,297
Financing activities	-3,545	655	-4,200	3,454	694	2,760
Net cash flows after financing activities	-1,673	152	-1,825	1,044	1,581	-537

Available liquidity	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Liquidity	1,328	3,002	242	284	3,372
Available draw on working capital facility	390	267	-	12,193	11,193
Available liquidity	1,718	3,269	242	12,477	14,565

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 5.5m in Q3 2021 driven by positive EBITDA. This compares to an inflow of EUR 3.4m in Q3 2020. For YTD 2021 were an inflow of EUR 10.4m compared to EUR 6.8m in YTD 2020. The increase is a consequence of improved EBITDA and working capital adjustments.

Working capital adjustments in Q3 2021 was negative EUR 1.0m compared to negative EUR 5.9m in Q3 2020 that was negatively affected by partial reversal of an advance payment from SGRE.

Financial payments, net amounted to negative EUR 2.6m in Q3 2021 compared to negative EUR 2.5m in Q3 2020. Financial payments mainly includes interest on bonds loans.

Investing activities amounted to an outflow of EUR 1.0m in Q3 2021 and EUR 4.9m in YTD 2021 compared to an outflow of EUR 1.4m in Q3 2020 and EUR 1.8m in YTD 2020. Investing activities in YTD 2021, are mainly related to J/U WIND ENTERPRISE and 10-years classing of the vessel.

Financing activities amounted to a cash outflow of EUR 3.5m in Q3 2021 compared to an outflow of EUR 0.6m in Q3 2020.

Available liquidity including available drawings on our working capital facility amounted to EUR 1.7m at the end of Q3 2021 compared to EUR 12.5m available at the end of Q4 2020. The reduction of available liquidity is the consequence of the full utilisation of the SSS WCF to finance cash outflow during Q1 2021 and reduction of the Working Capital Facility under the First Super Senior Working Capital Facility (FSS WCF) from EUR 6.7 million to EUR 0.4 million. The WCF, under the FSS WCF, was reduced as ZITON, during February 2021, provided the performance guarantee to SGRE under the SGRE long-term charter. The SSS WCF of EUR 6.0m was fully utilised at the end of Q1 2021. The SSS WCF was increased from EUR 6.0m to EUR 9.0m during Q2 2021 and was fully utilised at the end of Q2 2021..

Following bondholders' approval of the Written Resolution on 18 May 2021, the SSS WCF was increased from EUR 6.0m to EUR 9.0m and facility extended until 31 December 2021. Further, management has prepared scenarios for cash flow and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations during 2021.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

<i>EUR '000</i>	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Revenue	1	18,088	16,799	43,618	39,101
Project-related expenses		-4,866	-2,893	-11,417	-8,098
Operational expenses		-4,459	-4,901	-14,163	-14,567
Gross profit		8,763	9,004	18,038	16,436
Administrative expenses		-256	-373	-1,179	-1,149
Staff costs, office staff		-1,265	-1,147	-3,616	-3,225
EBITDA		7,242	7,485	13,243	12,062
Depreciation & amortisation		-2,719	-2,724	-8,233	-8,096
EBIT		4,523	4,761	5,010	3,966
Financial income		46	86	174	465
Financial expenses		-5,825	-5,287	-17,046	-15,292
Income before tax		-1,257	-440	-11,863	-10,861
Tax on profit (loss)		-52	3,450	-206	4,711
Income for the year		-1,309	3,010	-12,069	-6,151
<i>Attributable to:</i>					
Owners of ZITON A/S		-1,307	3,010	-12,061	-6,145
Non-controlling interest - Profit/loss		-2	0	-8	-6
Income for the year		-1,309	3,010	-12,069	-6,151

STATEMENT OF COMPREHENSIVE INCOME

<i>EUR '000</i>	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Income for the year		-1,309	3,010	-12,069	-6,151
<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		-1	-107	-11	-198
Cash flow hedges, realised gains/(losses) incurred during period		-	156	-	63
Cash flow hedges, deferred gains/(losses) incurred during period		-	545	-	638
Total comprehensive income for the year, after tax		-1,310	3,604	-12,080	-5,648
<i>Attributable to:</i>					
Owners of ZITON A/S		-1,308	3,604	-12,072	-5,641
Non-controlling interest - Profit/loss		-2	0	-8	-6
Total comprehensive income for the year, after tax		-1,310	3,604	-12,080	-5,647

BALANCE SHEET

EUR '000

		Q3 2021	Q3 2020	Q4 2020
Assets				
Non-current assets				
Vessel, including fixtures & equipment	2	184,779	188,997	187,671
Intangible assets		161	108	160
Deferred tax asset		108	518	108
Non-current assets		185,048	189,623	187,939
Current assets				
Inventories		179	146	233
Trade and other receivables		8,502	5,036	2,352
Cash and cash equivalents		1,328	3,589	284
Current assets		10,009	8,771	2,869
Total assets		195,058	198,393	190,808
Equity and Liabilities				
Equity				
Share capital		14,473	13,098	13,098
Reserves		-34	-66	-23
Retained earnings		-33,708	-24,000	-30,272
Total equity attributable to owners of ZITON A/S		-19,269	-10,968	-17,196
Non-controlling interest		278	55	287
Total equity		-18,991	-10,913	-16,910
Liabilities				
Non-current liabilities				
Subordinated loan		33,214	28,537	29,574
Bond loans, second lien		35,800	31,358	32,322
Bond loans, first lien		122,126	95,338	94,305
Lease obligations		330	39,853	878
Deferred income tax liabilities		728	1,426	497
Provision for other liabilities		318	230	318
Total non-current liabilities		192,516	196,742	157,893
Current liabilities				
Bond loans, first lien		4,349	2,006	3,482
Lease obligations		260	2,234	42,257
Current tax payable		336	-	336
Working capital facility		8,994	1,493	490
Trade and other payables		6,910	6,344	2,599
Provision for other liabilities		684	486	660
Total current liabilities		21,532	12,564	49,825
Total liabilities		214,048	209,306	207,718
Total equity and liabilities		195,058	198,393	190,808

STATEMENT OF CASH FLOWS

<i>EUR '000</i>	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Income before tax		-1,257	-440	-11,863	-10,861
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		5,779	5,201	16,873	14,827
Depreciation and writedowns of the period		2,719	2,724	8,233	8,096
Other adjustments		-719	1,754	-1,043	-849
<i>Working capital adjustments</i>					
Change in inventories		0	-0	54	148
Change in trade receivables		-428	-1,406	-6,150	-1,998
Change in trade payables		-620	-4,444	4,335	-2,597
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		5,474	3,388	10,440	6,766
<i>Financial payments</i>					
Financial receipts		-	-	-	-
Financial payments		-2,587	-2,475	-7,862	-4,095
Net cash flows before investing activities		2,888	913	2,578	2,672
Investing activities					
Purchase of vessel, fixtures & equipment		-1,016	-1,416	-4,987	-1,784
Other cash flows from investing activities		-	-	-	-
Net cash used in investing activities		-1,016	-1,416	-4,987	-1,784
Financing activities					
Bond loans		-3,288	-216	27,744	1,029
Draw on working capital facility		-124	1,300	8,504	1,337
Lease payments		-133	-429	-32,795	-1,672
Net cash used/received in financing activities		-3,545	655	3,454	694
Net (decrease)/increase in cash and cash equivalents		-1,674	152	1,044	1,581
Cash and cash equivalents at beginning of period		3,002	3,437	284	2,008
Exchange gains/losses on cash and cash equivalents		-	-	-	-
Net cash and cash equivalents at end of period		1,328	3,589	1,328	3,589

STATEMENT OF CHANGES IN EQUITY

YTD 2021

EUR '000	Share capital	Attributable to owners of ZITON A/S					Total	Non-controlling interests	Total equity
		Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings			
Balance at 31 December 2020	13,098	143	-166	-	-23	-30,272	-17,197	287	-16,911
Total comprehensive income, after tax	-	-	-11	-	-11	-12,061	-12,072	-8	-12,080
Capital increase in parent	1,375	-	-	-	-	8,625	10,000	-	10,000
Balance at YTD	14,473	143	-177	-	-34	-33,708	-19,269	278	-18,991

Share capital

In January 2021, the share capital was increased by EUR 1,375k as part of the purchase price of the vessel J/U WIND ENTERPRISE. The increase in share capital of EUR 1,375k resulted in a share premium of EUR 8,625k (in total EUR 10,000k). At the end of Q3 2021, the share capital consisted of 108,013,705 shares of DKK 1 each (EUR 14,474K). The shares are divided into two classes: 16,986,984 A shares of DKK 1 each and 91,026,721 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

Reserves

Equity reserves consist of the following:

Reserve for warrants consists of warrants to management, selected employees and the subordinated loan provider.

The translation reserve comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK and translation from the functional currency to the presentation currency.

YTD 2020

EUR '000	Share capital	Attributable to owners of ZITON A/S					Total	Non-controlling interest	Total equity
		Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings			
Balance at 31 December 2019	13,098	143	-11	-701	-569	-17,856	-5,328	61	-5,267
Total comprehensive income, after tax	-	-	-198	701	503	-6,144	-5,640	-6	-5,646
Balance at YTD	13,098	143	-209	-0	-66	-24,000	-10,968	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.

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.

Geographical distribution of revenue EUR '000	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Germany	8,993	168	19,001	1,486
United Kingdom	2,873	14,111	8,590	29,717
Denmark	763	1,344	4,032	5,826
Ireland	389		388	
Sweden	-		-	235
Belgium	860	1,176	1,450	1,838
Netherlands	-	-	256	
Total non time charter	13,878	16,799	33,717	39,101
Long- term time charter	4,211	-	9,905	-
Total	18,088	16,799	43,621	39,101

Sales to the largest customers, accounting for more than 10% of revenue, made up 69% and 10% of total revenue in 2021 (2020: 55%, 18% and 15%, respectively).

Time Charter

Where contracts are identified as a lease (time charter), revenue recognition is based on a straight-line basis over the term of the lease period.

The amount of revenue stated in the above table for both the current financial year and the comparable financial year include the agreed time charter rates earned during leases. The lease and service components are recognised as revenue under the same pattern of transfer to customers. A separate disclosure of the lease components and the service income components has not been provided as it is impracticable to establish such a disclosure.

Note 2 - Vessels and equipment

Q3 2021 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	1,180	2,770	242,743	246,694
Exchange rate adjustments	-	32	70	102
Additions	-	274	5,003	5,277
Disposals	-	-	-	-
Additions to leased assets (Right-of-use assets)	-	-	-	-
Disposals of leased assets (Right-of-use assets)	-	-	-	-
Cost YTD	1,180	3,076	247,816	252,071
Depreciation at 1 January 2021	-507	-1,065	-57,451	-59,022
Exchange rate adjustments	-	-13	-23	-36
Depreciation	-195	-306	-7,733	-8,234
Disposals	-	-	-	-
Depreciation on leased assets (Right-of-use assets)	-	-	-	-
Disposals of leased assets (Right-of-use assets)	-	-	-	-
Depreciation YTD	-702	-1,383	-65,207	-67,293
Impairment losses at 1 January 2021	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	478	1,692	182,609	184,779
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

Assessment of Impairment of vessels

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the third quarter of 2021, ZITON realised a loss for the year, and the weighted average utilisation of the vessels fell slightly short of expectations with an average rate during third quarter of 70%. Such lower utilisation rates are indicators of impairment, and as a result, ZITON performed an impairment test. An impairment loss is recognised in the amount by which an asset's carrying amount exceeds its recoverable amount – measured using the higher of the fair value less cost to sell and value in use. An impairment loss is recognised if the higher of the fair value less cost to sell and value in use is less than the carrying amount of the assets.

The value in use is calculated as the present value of total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters as well as estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on the projected future installation of offshore turbines, the average rate at which a turbine needs assistance from a jack-up vessel in the turbine's lifetime, ZITON's expected market share, and jack-up vessel requirements for blade campaigns.
- Average day rates are based on estimated future market prices and/or contracts. Hence, the exact value used to measure impairment charges is subject to some degree of uncertainty and is based on what the company believes is the best estimate of fair value. The budget used for impairment testing is based on a five-year period, including a terminal period.

Management's assessment of indications of impairment of vessels is based on the cash-generating unit (CGU) in which all vessels, ZITON Contractors A/S and Hangout A/S are included (jack-up vessel operating segment).

An impairment test is carried out based on value in use. The impairment test is performed by estimating the recoverable amount at value in use calculated as the present value of the total expected cash flows during the rest of the vessels' economic lives, a determined WACC of 8.1% before tax, and a growth rate in the terminal period of 0%.

The value in use was estimated to be higher than the carrying amount of EUR 184,779k

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 2020, the following changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2020.

As part of the First Super Senior Working Capital Facility, the Group's bank has provided performance guarantees in connection with the long-term of J/U WIND ENTERPRISE and the Meerwind blade campaign contract with Siemens Gamesa Renewable Energy A/S (SGRE). The performance guarantees were provided in February 2021.

The performance guarantee on the SGRE long-term charter amounts to EUR 6,300k, in respect of the supplier's performance of the contract. The guarantee shall be reduced to EUR 3,150k on the 1st November 2023. The guarantee expires 31st January 2025.

The performance guarantee on the Meerwind contract with SGRE amounts to EUR 1,100k, in respect of the supplier's performance of the contract. The guarantee expires 24 months after completion of the Contract Deliverables and Services (as defined in the contract) or 1st of March 2024.

Both guarantees are on-demand guarantees and serves to guarantee the full and punctual performance of ZITON A/S's obligations and payment of any sums that ZITON A/S is liable to pay under or in connection with the contracts.

Note 4 - Related party transactions

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

Note 5 – Basis of reporting

Accounting policies

Basis of consolidation

The interim report has been prepared in accordance with the international financial reporting standard IAS 34 on interim reports. No interim report has been prepared for the parent company (ZITON A/S).

The accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not applied early adoption of any other standard, interpretation or amendment that has been issued but is not yet effective.

Significant estimates and assumptions

Going Concern

ZITON Group incurred substantial losses from 2019 to 2021, resulting in negative equity at year-end. Further, the current capital structure shows sizeable interest-bearing debt compared to equity and cash flow to service the debt.

Bondholders of the first and second lien bond, as well as provider of subordinated capital approved on 18 May 2021 a proposal to, amongst others, waive covenants for the Subordinated Capital Ratio (SCR) for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%, and increase of the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extension of the facility until 31 December 2021.

Management has prepared scenarios for cash flow and SCR, and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations and the SCR during 2021. The first super senior and second super senior working capital facilities expire on 31 December 2021. Assuming that these working capital facilities are retained, the liquidity forecast for 2022, shows that the consolidated group retains sufficient liquidity to meet its debt obligations until 30 September 2022. ZITON A/S' bond loan (ISIN NO 0010832488) has maturity on 3 October 2022 with a principal of EUR 90m. Further, ZITON is contemplating to issue new equity to enhance the capital structure and increase available liquidity.

Based on the above, events or conditions may arise that could cause material uncertainty as to the entity's ability to continue as a going concern. The entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Management assesses the entity's ability to continue as a going concern to be met and the consolidated financial statement has therefore been prepared on a going concern basis and no changes to recognition or measurement have been made.

Risks

For a description of the risks ZITON A/S is exposed to, please refer to the Risk Management section on pages 50-53 and note 4.1 "Risk management" on pages 94-97 of the 2020 annual report.

Note 6 – Alternative Performance Measures

Alternative Performance Measures (“APMs”) are non-IFRS financial measures used as supplements to financial statements. The main changes compared to the APMs presented in to pages 54-55 of the annual report 2020 are a) Extraordinary COVID expenses and b) EBITDA adjusted for extraordinary COVID expenses

APMs	Definition	Reconciliation	Explanation of use	Comparison	Coherence
Extraordinary COVID expenses	Extraordinary COVID expenses are defined as costs related to outbreak of COVID and consequential loss of ability to operate the vessel and costs related to pre precautions to prevent outbreaks of COVID	Extraordinary COVID expenses may be accounted for as part of Project related expenses, OPEX or SG&A	Extraordinary COVID expenses are shown separately in the accounts to highlight costs that are not expected to be recurring	Prior-year comparative figures are presented in the quarterly report	The criteria used to define extraordinary COVID expenses are unchanged from last year
EBITDA adjusted for extraordinary COVID expenses	EBITDA is short for Earnings Before Interest, Tax, Depreciation and Amortisation. Extraordinary COVID expenses are defined above.	Income before tax + Financial payments, net + Depreciation and amortisation + extraordinary COVID expenses	EBITDA adjusted for extraordinary COVID expenses are used to show the underlying trend in EBITDA development adjusted for extraordinary COVID expenses that are not expected to be recurring	Prior-year comparative figures are presented in the quarterly report	The criteria used to define EBITDA adjusted for extraordinary COVID expenses are unchanged from last year

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

The interim report for the third quarter of 2021 has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and further disclosure requirements for issuers of bonds listed on the Oslo Stock Exchange.

In our opinion, the interim report gives a true and fair view of the ZITON's assets, liabilities, and financial position at 30 September 2021, and of the results of the ZITON's operations and cash flow for the first three quarters of 2021.

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

Horsens, 23 November 2021

Executive Management

Thorsten Jalk
CEO

Board of Directors

Lars Thorsgaard Jensen
Chairman

Ove Eriksen

Jacob Bergenholtz

Morten Melin

Henrik Kleis

Herman Marks

Financial calendar 2021

Interim report Q4 2021 – 24 February 2022

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