



WIND ENERGY  
HORSENS  
NO. 861005

# ZITON

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Interim report  
03 2023

## Highlights of the report

### Highlights of Q3 2023

- On 28 April 2023, Siemens Gamesa and ZITON announced a strategic agreement whereby the current time charter agreement for J/U WIND ENTERPRISE was extended by four and a half years while the parties also entered into a new six-year time charter agreement for the jack-up vessel J/U WIND ENERGY.
- On 25 May 2023, ZITON completed the financing for the purchase of J/U WIND ENERGY.
- On 20 June 2023, ZITON completed the purchase of J/U WIND ENERGY. The vessel was in dock in China from the end of June through July 2023. On 9 August 2023, the jack-up departed from China on a semi-submersible vessel to be transported to Europe.
- The vessel arrived at Fayard Shipyard in the beginning of November (as shown on the front page picture). At Fayard, the vessel will complete a yard stay to be upgraded. It is expected that J/U WIND ENERGY will go on time charter with Siemens Gamesa during February 2024. This is a delay of approximately six weeks compared to previous expectations mainly due to the delayed voyage.
- EBITDA amounted to EUR 9.9m in Q3 2023 compared to EUR 8.2m in Q3 2022. The improvement was due to an increase in revenue reflecting improved utilisation of the three smaller vessels due to a stronger market for major component replacements.
- The KPI guidance for 2023 is unchanged:
  - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 80-90%.
  - **EBITDA.** We expect EBITDA to be in the range of EUR 32-36m.
  - **Cash flow from operating activities.** We expect cash flows from operating activities to be in the range of EUR 29-35m.
  - **CAPEX.** We expect CAPEX of around EUR 5m excluding CAPEX related to J/U WIND ENERGY. In addition, we expect CAPEX for J/U WIND ENERGY of

approximately EUR 82m including capitalized interest costs of approximately EUR 5m related to the vessel.

### Information in this report

The information provided in this interim report is submitted in accordance with the Bond Agreements on FRN ZITON A/S EUR 150,000,000 callable bonds 2023/2028 (ISIN N00012928185).

As required under the Bond Agreements, the consolidated financial statements of ZITON A/S are prepared in accordance with IFRS with Euro as the reporting currency.

This report has not been reviewed or audited by the company's auditors.

### Disclaimer

This report may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Although the Company believes that these assumptions were reasonable when made, the statements provided in this report are solely opinions and forecasts which are subject to uncertainty, risks, contingencies and other important factors which are difficult or impossible to predict and are beyond the Company's control. A multitude of factors may cause actual results to differ significantly from any anticipated development expressed or implied in this document. No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved, and you are cautioned not to place any undue reliance on any forward-looking statement.

## Management Review

### Contract developments

There are no changes to contracts since the publication of the interim report for Q2 2023. Below is an overview of the current contract status.

On 28 April 2023, Siemens Gamesa and ZITON announced a strategic agreement whereby the current time charter agreement for J/U WIND ENTERPRISE was extended by four and a half years while the parties also entered into a new six-year time charter agreement for the jack-up vessel J/U WIND ENERGY, which was purchased in June 2023.

#### *Time charter agreement for J/U WIND ENTERPRISE*

The current time charter agreement for J/U WIND ENTERPRISE expires on 20 June 2025 as Siemens Gamesa has utilised all of their extension options. The new agreement extends the time charter from 21 June 2025 to 31 December 2029 at more favourable terms, including a higher day rate, reflecting the changes in the market environment since the original time charter was entered into in December 2020. Therefore, the profitability of J/U WIND ENTERPRISE is expected to increase materially from mid-2025. Siemens Gamesa will retain an option for early termination of the contract after 1 January 2027 against a one-off compensation payment.

#### *Time charter agreement for J/U WIND ENERGY*

Siemens Gamesa and ZITON have entered into a time charter agreement for J/U WIND ENERGY on terms similar to the extension agreement for J/U WIND ENTERPRISE. The time charter is expected to be initiated when the vessel is operational which is expected during February 2024. The time charter has a duration of six years from when the time charter is initiated. For this time charter contract, Siemens Gamesa does not hold any options for early termination.

As customary for time charter contracts, Siemens Gamesa will pay a fixed time charter rate and pay for variable OPEX-related costs during the tenure of the time charter. The total value of the remaining part of the J/U WIND ENTERPRISE time charter and the six-year time charter agreement for J/U WIND ENERGY amount up to approximately EUR 360m.

In addition to the Siemens Gamesa contracts, ZITON's current contracts within offshore wind O&M includes:

- On 22 December 2022, RWE and ZITON entered into a strategic agreement which will provide RWE with priority services and quick response to avoid unscheduled downtime on their offshore wind turbines. The framework agreement has a duration of four years and allows RWE to utilise multiple vessels across ZITON's versatile fleet dedicated to O&M services. The agreement involves that RWE makes a minimum annual commitment for utilisation of ZITON's fleet of EUR 10m.
- On 1 May 2019, Ørsted and ZITON signed a three-year framework agreement covering nine of Ørsted's offshore wind farms. The contract has been extended and now expires on 31 March 2024. From spring 2023, Ørsted has time chartered a competitors' jack-up vessel for a multi-year period. However, as we expected, Ørsted's demand for major component replacements cannot be fully fulfilled by one jack-up vessel and therefore we have continued to derive revenue from Ørsted, even though it has been reduced. We expect this to continue in the coming years. Reduced revenue from Ørsted has been partly counterbalanced by the RWE framework agreement.
- On 18 December 2019, Vestas Offshore Wind ("Vestas") and ZITON signed a three-year framework agreement. Discussions are ongoing for an extension and enlargement of the framework agreement. Most of the turbines for which Vestas has jack-up requirements are for their 8+ MW turbines. As J/U WIND ENTERPRISE and J/U WIND ENERGY are time chartered by Siemens Gamesa, we are constrained in our ability to service most of Vestas' larger turbines. ZITON continue to support Vestas' requirements for major component replacement for their below 4 MW turbines.
- From the beginning of 2021, Vattenfall completed a tender to service both smaller

and larger 8+ MW turbines, where ZITON was selected second supplier. It means that if the first supplier declines to carry out a specific component exchange, ZITON can take on the task. Under this contract ZITON continues to perform major component replacements for Vattenfall.

### Completion of refinancing

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

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

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

The proceeds from the refinancing were partly used to repay existing debt, including the EUR 98m first lien bond, EUR 51.1m second lien bond and EUR 6.3m working capital facility issued by ZITON A/S, and the outstanding EUR 19.5m bond issued by Wind Enterprise P/S, a subsidiary of ZITON A/S. In addition, EUR 92.7m was used to finance the acquisition of the jack-up vessel J/U WIND ENERGY. The purchase price of the vessel amounted to EUR 54.2m. In addition, EUR 38.5m was placed on a CAPEX-account reserved for upgrading the vessel to the required standards including a yard stay in China, transport back to Europe, a yard stay in Europe and leg extension. At the end of September 2023, the amount on the CAPEX-account was at EUR 29.4m.

Further, net proceeds of EUR 13.3m will be used for general corporate purposes including building additional cash buffer as contingency for

eventual delays in getting J/U WIND ENERGY on time charter and/or eventual CAPEX overruns compared to budget.

### Purchase of the new vessel J/U WIND ENERGY

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

From the end of June through July 2023, J/U WIND ENERGY was in dock in China and completed painting of the hull, certain steelwork and cleansing of the living area. On 9 August 2023, the jack-up departed from China on a semi-submersible vessel to be transported back to Europe. The vessel had a stay over in Singapore to remove the legs before the voyage across the Indian Ocean and through the Suez Canal. The vessel arrived at Fayard Shipyard, Odense, Denmark at in the beginning of November 2023.

It was also at Fayard Shipyard that J/U WIND ENTERPRISE completed dry-dock surveys and repairs in the beginning of 2021. Therefore, we are very familiar with the shipyard and we are confident that we will be able to effectively upgrade J/U WIND ENERGY.

During the stay at Fayard Shipyard, J/U WIND ENERGY will be upgraded to the same high standards as J/U WIND ENTERPRISE for essential functions such as the main crane, the jacking system and the engines. In addition, accommodation, laundry facilities, the galley and messroom areas and the gymnasium will be upgraded to high European standards. At the end of December 2023, the legs are expected to be re-installed and at the end of January 2024, the spudcans will be mounted. Therefore, we expect that J/U WIND ENERGY will go on time charter with Siemens Gamesa during February 2024. This is a

delay of approximately six weeks compared to previous expectations mainly due to the delayed voyage.

Currently, the vessel has 78m legs which are planned to be extended for the vessel to operate at some of the deepest locations of current and future offshore wind turbines installed by Siemens Gamesa. The leg extension is expected to be completed during 2024. The leg extension is not a prerequisite for the vessel entering into the Siemens Gamesa time charter.

**Market activity**

The activity level for regular major component replacements showed double digit growth rates during the first three quarters of 2023 compared to the same period the year before. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years, where wear and tear increasingly set in and drive an increase in the need for major component replacements. On average, turbines below 4 MW have an average age of around 11 years and turbines between 6-10 MW have an average age of around 4 years. Therefore, the majority of the current market for major component replacements is for turbines below 4 MW which can be serviced by our smaller vessels J/U WIND, J/U WIND PIONEER and J/U WIND SERVER. During the coming 2-6 years, we expect the market for 6-10 MW turbines to increase significantly. This market can be serviced by our vessels J/U WIND ENTERPRISE and J/U WIND ENERGY.

In addition, serial defects on major components will further increase the activity level for major component replacements.

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

**Vessel operations**

J/U WIND ENTERPRISE continues to operate on time charter with Siemens Gamesa with limited off-hire days. During Q3 2023, J/U WIND, J/U WIND PIONEER and J/U WIND SERVER mainly operated under framework agreements with RWE, Ørsted, Vattenfall and SSE Renewables.

**Utilisation rates**

The weighted average utilisation rate for Q3 2023 was 93%. This is a strong improvement compared to a utilisation of 80% in Q3 2022.

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

In Q2 2023, the financial utilisation was above 100% both due to improvements in prices and very good execution of fixed price projects. During Q3 2023, utilisation was slightly lower mainly due to adverse weather during July and August 2023.



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

**Competitive environment**

ZITON is the clear market leader within dedicated O&M services for major component replacements at offshore wind farms. Competitors includes Harren Group, who operates two O&M dedicated jack-up vessels, Gulf Marine Services who have won a O&M time charter tender for Ørsted with a single vessel, and Van Oord who is the first supplier on a four-year framework agreement with Vattenfall and operates two vessels regularly used for O&M. The primary business of most other jack-up vessels is within transport and installation (“T&I”) of new offshore wind farms. From time-to-time T&I vessels are also used for O&M services.

### Outlook for 2023

The outlook for 2023, is based on the key assumptions that J/U WIND ENTERPRISE will continue to operate successfully on the Siemens Gamesa time charter with limited off-hire days, and that the three other vessels will carry out regular major component replacements on framework agreements and other tenders attained. It is further an assumption that J/U WIND ENERGY will go on time charter with Siemens Gamesa during February 2024 and that most costs will be capitalised until the time charter is initiated, therefore there is a limited effect on our guidance for 2023.

The KPI guidance for 2023 is unchanged:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 80-90%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 32-36m.
- **Cash flow from operating activities.** We expect cash flows from operating activities to be in the range of EUR 29-35m.
- **CAPEX.** We expect CAPEX of around EUR 5m excluding CAPEX related to J/U WIND ENERGY. In addition, we expect CAPEX for J/U WIND ENERGY of approximately EUR 82m including capitalized interest costs of approximately EUR 5m related to the vessel.

### Risks and uncertainties

ZITON A/S is exposed to various risks that may be of significance to the company's future operations, results and financial position. For a description of ZITON A/S' risks, please refer to the Risk Management section on pages 48-50 and note 4.1 "Risk management" on page 101 of the 2022 annual report.

## Financial Review

### REVIEW OF THE INCOME STATEMENT

EUR 000	Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	Change
<b>Revenue</b>	<b>18,885</b>	<b>15,979</b>	<b>2,907</b>	<b>55,330</b>	<b>44,342</b>	<b>10,988</b>
OPEX and project-related expenses	-6,916	-6,014	-902	-19,073	-16,649	-2,423
SG&A	-2,096	-1,789	-307	-6,562	-6,064	-497
<b>EBITDA</b>	<b>9,874</b>	<b>8,176</b>	<b>1,698</b>	<b>29,695</b>	<b>21,628</b>	<b>8,067</b>
Depreciation	-2,936	-2,805	-131	-8,719	-8,345	-374
<b>EBIT</b>	<b>6,938</b>	<b>5,371</b>	<b>1,567</b>	<b>20,977</b>	<b>13,283</b>	<b>7,693</b>
Financials, net	-7,389	-6,607	-782	-19,431	-18,572	-858
<b>Income before tax</b>	<b>-451</b>	<b>-1,237</b>	<b>786</b>	<b>1,546</b>	<b>-5,289</b>	<b>6,835</b>
<b>Key ratios</b>						
EBITDA margin	52.3%	51.2%	1.1%	53.7%	48.8%	4.9%

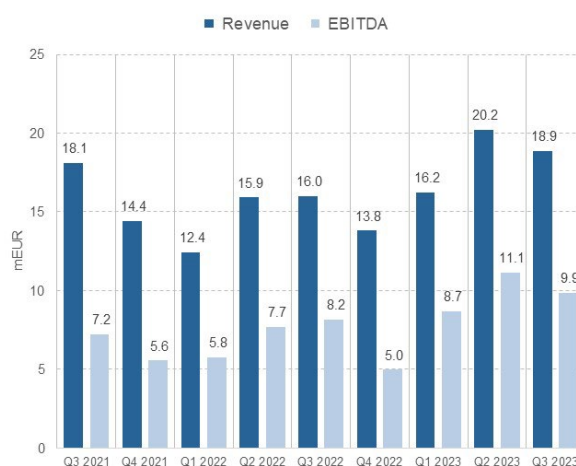
### Review of the income statement for Q3 2023

The consolidated income statement for the ZITON Group shows revenue for Q3 2023 of EUR 18.9m, compared to revenue of EUR 16.0m in Q3 2022, an increase of 18%. The increase in revenue reflects improved utilisation of all three of the smaller vessels as the market for major component replacements was strong, while revenue from the largest vessel J/U WIND ENTERPRISE was unchanged compared to last year.

Vessel OPEX and project-related costs increased by EUR 0.9m from Q3 2022 to Q3 2023. The main reason was increases in OPEX due to higher crew salaries, employment of more turbine technicians and provisions for an employee retention programme.

SG&A increased to EUR 2.1m in Q3 2023 from EUR 1.8m in Q3 2022 mainly due to provisions for an employee retention programme.

EBITDA amounted to EUR 9.9m in Q3 2023 compared to EUR 8.2m in Q3 2022. The improvement was due to an increase in revenue reflecting improved utilisation of the three smaller vessels due to a stronger market for major component replacement.



Depreciation and impairment increased slightly to EUR 2.9m in Q3 2023 from EUR 2.8m in Q3 2022.

Financials, net was an expense of EUR 7.4m in Q3 2023 compared to an expense of EUR 6.6m in Q3 2022. The increased financial costs were due to higher EURIBOR for floating rate bonds which was partly offset by conversion of EUR 38.7m in subordinated debt into equity in September 2022, which meant that interests would no longer be charged on subordinated debt.

**Review of income statement YTD (first 3 quarters) 2023**

The consolidated income statement for the ZITON Group shows revenue for YTD 2023 of EUR 55.3m, compared to revenue of EUR 44.3m in YTD 2022, an increase by 25%. The increase in revenue reflects improved utilisation of all three of the smaller vessels, as well as one-off revenue of EUR 0.8m related to the extension of the current time charter contract for J/U WIND ENTERPRISE.

Vessel OPEX and project-related expenses increased to EUR 19.1m in YTD 2023 from EUR 16.6m in YTD 2022. The main reason was increases in OPEX due to increases in crew salaries and provisions for an employee retention programme.

SG&A increased to EUR 6.6m in YTD 2023 from EUR 6.1m in YTD 2022 due to increases in costs related to an employee retention programme which was partly offset by one-off costs in YTD 2022 of approximately EUR 1.0m related to the abandonment of the sales process and the initiation of the debt restructuring process.

EBITDA amounted to EUR 29.7m YTD 2023 compared to EUR 21.6m YTD 2022. The improvement was due to an increase in revenue reflecting improved utilisation of all three of the smaller vessels due to a stronger market for major component replacements, as well as a one-off income of EUR 0.8m related to the extension of the current time charter contract for J/U WIND ENTERPRISE.

Depreciation and impairment increased slightly to EUR 8.7m in YTD 2023 from EUR 8.3m in YTD 2022.

Financials, net was an expense of EUR 19.4m in YTD 2023 compared to EUR 18.6m YTD 2022. The higher financial costs were due to higher EURIBOR for floating rate bonds which was partly offset by the conversion of EUR 38.7m in subordinated debt into equity in September 2022, which meant that interests would no longer be charged on subordinated debt.



REVIEW OF THE BALANCE SHEET AT THE END OF Q3 2023

EUR '000	Q3 2023	Q3 2022	Change	Q3 2023	Q4 2022	Change
<b>Assets</b>						
Vessel, including fixtures & equipment	241,538	176,473	65,065	241,538	175,429	66,110
Other non-current assets	351	226	124	351	265	85
<b>Non-current assets</b>	<b>241,889</b>	<b>176,699</b>	<b>65,190</b>	<b>241,889</b>	<b>175,694</b>	<b>66,195</b>
Trade and other receivables	13,737	9,685	4,052	13,737	10,498	3,239
Cash and cash equivalents	49,346	10,588	38,758	49,346	4,607	44,739
<b>Current assets</b>	<b>63,082</b>	<b>20,273</b>	<b>42,810</b>	<b>63,082</b>	<b>15,104</b>	<b>47,978</b>
<b>Total assets</b>	<b>304,971</b>	<b>196,973</b>	<b>107,998</b>	<b>304,971</b>	<b>190,798</b>	<b>114,173</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>	<b>23,476</b>	<b>10,539</b>	<b>12,937</b>	<b>23,476</b>	<b>7,304</b>	<b>16,173</b>
Subordinated loan	-	-	-	-	-	-
ESG loan	95,818	-	95,818	95,818	-	95,818
Bond loans, second lien	31,383	50,606	-19,222	31,383	51,941	-20,558
Bond loans, first lien	143,856	121,116	22,740	143,856	118,881	24,975
Lease obligations	509	301	208	509	359	149
Working capital facility	-	6,241	-6,241	-	6,339	-6,339
Other liabilities	9,929	8,170	1,758	9,929	5,974	3,955
<b>Total liabilities</b>	<b>281,495</b>	<b>186,434</b>	<b>95,061</b>	<b>281,495</b>	<b>183,494</b>	<b>98,001</b>
<b>Total equity and liabilities</b>	<b>304,971</b>	<b>196,973</b>	<b>107,998</b>	<b>304,971</b>	<b>190,798</b>	<b>114,173</b>

Review of the balance sheet, end of Q3 2023

The total value of the vessels (including fixtures & equipment and leased offices) amounted to EUR 241.5m at the end of Q3 2023. This compares to EUR 176.5m at the end of Q3 2022. The increase of EUR 65.1m is mainly due to the purchase of J/U WIND ENERGY in June 2023 and subsequent costs for upgrade and transport of the vessel to Europe.

Trade and other receivables amounted to EUR 13.7m at the end of Q3 2023 compared to EUR 9.7m at the end of Q3 2022, and EUR 10.5m at the end of Q4 2022. The increase was mainly related to a higher activity level.

Cash and cash equivalents amounted to EUR 49.3m at the end of Q3 2023 compared to EUR 10.6m at the end of Q3 2022, and EUR 4.6m at the end of Q4 2022. The improvement was mainly due to a net liquidity improvement of EUR 13.3m following the completion of the refinancing in June 2023. In addition, cash and cash equivalents include EUR 29.4m deposited on a CAPEX-account reserved for the upgrade of J/U WIND ENERGY including a yard stay in Europe and leg extension.

Equity was positive at EUR 23.5m at the end of Q3 2023, compared to EUR 10.5m at the end of Q3 2022, and EUR 7.3m at the end of Q4 2022. The increase in equity was a consequence of the increase of equity by EUR 15m in June 2023 as part of the refinancing of the company's debt and financing of the purchase of J/U WIND ENERGY.

Subordinated loan was reduced to zero following the conversion into equity in September 2022.

Bond loans, second lien amounted to EUR 31.4m at the end of Q3 2023 compared to EUR 50.6m at the end of Q3 2022 and EUR 51.9m at the end of Q4 2022. The changes are a consequence of the refinancing in June 2023, when EUR 15m of the loan was converted into equity and EUR 10m was repaid.

Working capital facility amounted to EUR 0m at the end of Q3 2023 compared to EUR 6.2m at the end of Q3 2022, and EUR 6.3m at the end of Q4 2022. The reduction was due to the repayment of the second super senior working capital as part of the refinancing in June 2023. A new first super senior working capital facility was available, but it had not been drawn upon.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q3 2023

<i>EUR '000</i>	Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	Change
<b>EBITDA</b>	<b>9,874</b>	<b>8,176</b>	<b>1,698</b>	<b>29,695</b>	<b>21,628</b>	<b>8,067</b>
Working capital adjustments	4,835	2,332	2,503	715	-2,024	2,739
Other adjustments	-474	-1,281	807	-112	-1,852	1,741
Income tax expense	-	-591	591	-	-591	591
<b>Net cash flows from operating activities</b>	<b>14,235</b>	<b>8,636</b>	<b>5,599</b>	<b>30,299</b>	<b>17,161</b>	<b>13,138</b>
Financial payments, net	-4,385	-2,519	-1,866	-18,246	-5,243	-13,003
<b>Net cash before investing activities</b>	<b>9,850</b>	<b>6,117</b>	<b>3,733</b>	<b>12,053</b>	<b>11,918</b>	<b>135</b>
Investing activities	-18,317	-1,735	-16,581	-75,125	-2,309	-72,816
<b>Net cash flows after investing activities</b>	<b>-8,467</b>	<b>4,381</b>	<b>-12,848</b>	<b>-63,072</b>	<b>9,609</b>	<b>-72,681</b>
Financing activities	-224	3,849	-4,073	107,811	-519	108,330
<b>Net cash flows after financing activities</b>	<b>-8,691</b>	<b>8,230</b>	<b>-16,921</b>	<b>44,739</b>	<b>9,090</b>	<b>35,649</b>
<b>Available liquidity</b>	<b>Q3 2023</b>	<b>Q3 2022</b>				
<b>Cash and cash equivalents</b>	<b>52,087</b>	<b>12,858</b>				
Cash on retention account	2,741	2,270				
<b>Cash and cash equivalents</b>	<b>49,346</b>	<b>10,588</b>				
Available draw on working capital facility	6,720	384				
<b>Available liquidity</b>	<b>56,066</b>	<b>10,972</b>				
Amount on CAPEX accounts	-29,350					
<b>Available liquidity (net of CAPEX accounts)</b>	<b>26,717</b>					

**Review of the cash flow statement**

Cash flows from operating activities were an inflow of EUR 14.2m in Q3 2023 compared to EUR 8.6m in Q3 2022. For YTD 2023 the inflow amounted to EUR 30.3m compared to EUR 17.2m YTD 2022. The cash flow is driven by EBITDA and working capital adjustments. Positive working capital adjustments were partly related to increased trade payables for CAPEX for the upgrade of J/U WIND ENERGY.

Financial payments, net amounted to EUR 4.4m in Q3 2023 compared to EUR 2.5m in Q3 2022, as a result of higher debt and higher EURIBOR for floating rate bonds. Financial payments, net amounted to EUR 18.3m for YTD 2023 compared to EUR 5.2m for YTD 2022, as interest payments included cash payments on first lien bond loans in ZITON A/S, Wind Enterprise P/S and working capital facilities, as well as payment of accrued interest on the second lien bond, which was repaid as part of the refinancing in June 2023.

Investing activities, net amounted to an outflow of EUR 18.3m in Q3 2023 compared to an outflow of EUR 1.7m in Q3 2022. The increase is mainly related to the upgrade and transport of J/U WIND ENERGY to Europe. Investing activities, net amounted to EUR 75.1m for YTD 2023 compared to EUR 2.3m for YTD 2022, the increase was mainly due to the purchase, upgrade and transport of J/U WIND ENERGY to Europe.

Financing activities amounted to a cash outflow of EUR 0.2m in Q3 2023 compared to an inflow of EUR 3.8m in Q3 2022. The inflow in Q3 2022 was a result of the debt refinancing carried out in September 2022. Financing activities amounted to an inflow of EUR 107.8m for YTD 2023 compared to an outflow of EUR 0.5m for YTD 2022, the inflow YTD 2023 consists of the proceeds from the refinancing carried out in June 2023, which has been and will be used for the purchase and upgrade of J/U WIND ENERGY and for general corporate purposes including building an additional cash buffer as contingency for eventual delays in getting J/U WIND ENERGY on time charter and/or eventual CAPEX overruns compared to budget.

Available liquidity including available drawings on our working capital facility amounted to EUR 26.7m at the end of Q3 2023, compared to EUR 11.0m available at the end of Q3 2022. In addition, EUR 29.4m is available on a CAPEX-account reserved for the upgrade of J/U WIND ENERGY.

**Liquidity covenant**

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

At the end of Q3 2023, available liquidity amounted to EUR 26.7m, thereby substantially exceeding the covenant of EUR 15m.

## Consolidated financial statements for ZITON A/S

### INCOME STATEMENT

<b>EUR '000</b>	<b>Note</b>	<b>Q3 2023</b>	<b>Q3 2022</b>	<b>YTD 2023</b>	<b>YTD 2022</b>
<b>Revenue</b>	1	<b>18,885</b>	<b>15,979</b>	<b>55,330</b>	<b>44,342</b>
Other operating income		-	-	-	-
Project-related expenses		-1,225	-1,339	-2,526	-3,384
Operational expenses		-5,691	-4,675	-16,546	-13,265
<b>Gross profit</b>		<b>11,970</b>	<b>9,965</b>	<b>36,257</b>	<b>27,692</b>
Administrative expenses		-506	-373	-1,675	-2,152
Staff costs, office staff		-1,590	-1,416	-4,887	-3,912
<b>EBITDA</b>		<b>9,874</b>	<b>8,176</b>	<b>29,695</b>	<b>21,628</b>
Depreciation & amortisation		-2,936	-2,805	-8,719	-8,345
<b>EBIT</b>		<b>6,938</b>	<b>5,371</b>	<b>20,977</b>	<b>13,283</b>
Financial income		448	9	517	20
Financial expenses		-7,837	-6,617	-19,948	-18,592
<b>Income before tax</b>		<b>-451</b>	<b>-1,237</b>	<b>1,546</b>	<b>-5,289</b>
Tax on profit (loss)		-1	-593	-2	-595
<b>Income for the year</b>		<b>-452</b>	<b>-1,830</b>	<b>1,544</b>	<b>-5,884</b>
<i>Attributable to:</i>					
Owners of ZITON A/S		-449	-1,823	1,559	-5,864
Non-controlling interest - Profit/loss		-3	-6	-15	-20
<b>Income for the year</b>		<b>-452</b>	<b>-1,830</b>	<b>1,544</b>	<b>-5,884</b>

### STATEMENT OF COMPREHENSIVE INCOME

<b>EUR '000</b>	<b>Note</b>	<b>Q3 2023</b>	<b>Q3 2022</b>	<b>YTD 2023</b>	<b>YTD 2022</b>
<b>Income for the year</b>		<b>-452</b>	<b>-1,830</b>	<b>1,544</b>	<b>-5,884</b>
<i>Items that will be reclassified subsequently to the income statement when specific conditions are met:</i>					
Exchange adjustments of foreign entities, net of tax		-22	53	-34	53
<b>Total comprehensive income for the year, after tax</b>		<b>-474</b>	<b>-1,776</b>	<b>1,510</b>	<b>-5,831</b>
<i>Attributable to:</i>					
Owners of ZITON A/S		-472	-1,770	1,525	-5,810
Non-controlling interest - Profit/loss		-3	-6	-15	-20
<b>Total comprehensive income for the year, after tax</b>		<b>-474</b>	<b>-1,776</b>	<b>1,510</b>	<b>-5,831</b>

<b>BALANCE SHEET</b>				
<i>EUR '000</i>	Note	Q3 2023	Q3 2022	Q4 2022
<b>Assets</b>				
<b>Non-current assets</b>				
Vessel, including fixtures & equipment	2	241,538	176,473	175,429
Intangible assets		215	118	131
Financial assets		-	-	-
Deferred tax asset		136	108	134
<b>Non-current assets</b>		<b>241,889</b>	<b>176,699</b>	<b>175,694</b>
<b>Current assets</b>				
Inventories		237	316	421
Trade and other receivables		13,499	9,369	10,077
Cash and cash equivalents		49,346	10,588	4,607
<b>Current assets</b>		<b>63,082</b>	<b>20,273</b>	<b>15,104</b>
<b>Total assets</b>		<b>304,971</b>	<b>196,973</b>	<b>190,798</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital		54	54	54
Reserves		-158	74	-124
Retained earnings		23,446	10,173	7,225
<b>Total equity attributable to owners of ZITON A/S</b>		<b>23,342</b>	<b>10,301</b>	<b>7,154</b>
Non-controlling interest		135	238	150
<b>Total equity</b>		<b>23,476</b>	<b>10,539</b>	<b>7,304</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Subordinated loan		-	-	-
ESG loan		95,818	-	-
Bond loans, second lien		31,383	50,606	51,941
Bond loans, first lien		140,138	114,147	112,634
Lease obligations		335	99	45
Deferred income tax liabilities		-	757	-
Provision for other liabilities		-	-	-
<b>Total non-current liabilities</b>		<b>267,675</b>	<b>165,609</b>	<b>164,621</b>
<b>Current liabilities</b>				
Bond loans, first lien		3,717	6,969	6,246
Lease obligations		174	202	314
Working capital facility		-	6,241	6,339
Trade and other payables		7,486	6,040	4,108
Provision for other liabilities		2,443	1,374	1,866
<b>Total current liabilities</b>		<b>13,820</b>	<b>20,826</b>	<b>18,874</b>
<b>Total liabilities</b>		<b>281,495</b>	<b>186,434</b>	<b>183,494</b>
<b>Total equity and liabilities</b>		<b>304,971</b>	<b>196,973</b>	<b>190,798</b>

STATEMENT OF CASH FLOWS EUR '000	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Income before tax		-451	-1,237	1,546	-5,289
<b>Operating activities</b>					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		7,389	6,607	19,431	18,572
Depreciation and writedowns of the period		2,936	2,805	8,719	8,345
Other adjustments		-474	-1,281	-112	-1,852
<i>Working capital adjustments</i>					
Change in inventories		75	-22	182	-123
Change in trade receivables		2,626	1,181	-3,422	-3,893
Change in trade payables		2,134	1,173	3,955	1,991
<i>Income tax expense</i>					
Income tax expense		-	-591	-	-591
<b>Net cash flows from operating activities</b>		<b>14,235</b>	<b>8,636</b>	<b>30,299</b>	<b>17,161</b>
<i>Financial payments</i>					
Financial receipts		454	-	517	-
Financial payments		-4,839	-2,519	-18,763	-5,243
<b>Net cash flows before investing activities</b>		<b>9,850</b>	<b>6,117</b>	<b>12,053</b>	<b>11,918</b>
<b>Investing activities</b>					
Purchase of Tangible Fixed Assets		-18,676	-1,767	-75,346	-2,360
Disposal of Tangible Fixed Assets		374	32	364	50
Purchase of Intangible Fixed Assets		-15	-	-143	-
<b>Net cash used in investing activities</b>		<b>-18,317</b>	<b>-1,735</b>	<b>-75,125</b>	<b>-2,309</b>
<b>Financing activities</b>					
Repayments of loans		-	-3,000	-172,365	-7,370
Loan costs		-162	-	-9,377	-
Proceeds from borrowings		-	10,000	281,339	10,000
Draw on working capital facility		-1	-3,076	-6,248	-2,911
Capital increase in parent		-	-	14,996	-
Cost of capital increase		0	-	-334	-
Lease payments		-61	-75	-200	-238
<b>Net cash used/received in financing activities</b>		<b>-224</b>	<b>3,849</b>	<b>107,811</b>	<b>-519</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>-8,691</b>	<b>8,230</b>	<b>44,739</b>	<b>9,090</b>
Cash and cash equivalents at beginning of period		58,036	2,358	4,607	1,498
Exchange gains/losses on cash and cash equivalents		-	-	-	-
<b>Net cash and cash equivalents at end of period</b>		<b>49,346</b>	<b>10,588</b>	<b>49,346</b>	<b>10,588</b>

STATEMENT OF CHANGES IN EQUITY

YTD 2023

EUR '000	Attributable to owners of ZITON A/S							Non-controlling interests	Total equity
	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings	Total		
<b>Balance at 31 December 2022</b>	<b>54</b>	-	-124	-	<b>-124</b>	<b>7,225</b>	<b>7,154</b>	<b>150</b>	<b>7,304</b>
Total comprehensive income, after tax	-	-	-34	-	<b>-34</b>	1,559	1,525	-15	1,510
Capital increase in parent	-	-	-	-	-	14,996	14,996	-	14,996
Share capital reduction	-	-	-	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-	-	-
Cost of capital increase	-	-	-	-	-	-334	-334	-	-334
Other adjustments	-	-	-	-	-	-	-	-	-
<b>Balance at YTD</b>	<b>54</b>	-	<b>-158</b>	-	<b>-158</b>	<b>23,446</b>	<b>23,342</b>	<b>135</b>	<b>23,476</b>

Share capital

On 30 September 2022, ZITON A/S held an extraordinary general meeting. The company's share capital was reduced from 108,013,705 shares of DKK 1 each (EUR 14,474k) to zero and all of the company's share classes and warrants were cancelled. Subsequently, the company's share capital was increased by EUR 54k by conversion of existing debt. The increase in share capital of EUR 54k resulted in a share premium of EUR 38,707k. The company has only one class of shares owned by Zappy Topco ApS. Permira Credit Solutions III Sub Master Euro S.à.r.l. is the new controlling shareholder of ZITON A/S holding 55% of the voting shares in Zappy Topco ApS. In June 2023, Zappy Topco ApS provided a capital contribution to ZITON A/S of EUR 15m.

Reserves

Equity reserves consist of the following:

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

YTD 2022

EUR '000	Attributable to owners of ZITON A/S							Non-controlling interest	Total equity
	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings	Total		
<b>Balance at 31 December 2021</b>	<b>14,473</b>	<b>143</b>	-145	-	<b>-2</b>	<b>-36,974</b>	<b>-22,503</b>	<b>258</b>	<b>-22,245</b>
Total comprehensive income, after tax	-	-	53	-	<b>53</b>	-5,864	-5,810	-20	-5,831
Share capital reduction	-14,473	-	-	-	-	14,473	-	-	-
Cancellation of warrants	-	-143	-	-	-143	-	-143	-	-143
Share capital increase	54	-	-	-	-	38,707	38,761	-	38,761
Cost of capital increase	-	-	-	-	-	-156	-156	-	-156
Other adjustment	-	-	166	-	166	-13	153	-	153
<b>Balance at YTD</b>	<b>54</b>	-	<b>74</b>	-	<b>74</b>	<b>10,173</b>	<b>10,301</b>	<b>238</b>	<b>10,539</b>

Share capital

At the end of Q3 2022, the share capital consisted of 108,013,705 shares of DKK 1 each (EUR 14,473K). The shares are divided into two classes: 16,986,984 A shares of DKK 1 each and 91,026,721 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

## Note 1 – Revenue

The internal reporting framework used for reporting on revenue and expenses to the Executive Management Team and the Board of Directors has been set up to reflect and report on jack-up vessel, ZITON Contractors A/S and Hangout A/S revenue and expenses. As all jack-up vessels including ZITON Contractors A/S and Hangout A/S operate on similar assignments, management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

### Revenue from customers

The Group operates in northern Europe. The geographical distribution of revenue is based on the country in which the wind farm is located.

<i>EUR '000</i>	Q3 2023	Q3 2022	YTD 2023	YTD 2022
United Kingdom	8,127	8,650	24,212	21,397
Denmark	6,355	2,528	14,944	6,482
Germany	-	-	1,277	502
Sweden	-	445	1,103	1,774
Belgium	-	-	-	920
Netherlands	-	-	1	317
Ireland	-	-	-	-
<b>Total non time charter</b>	<b>14,482</b>	<b>11,623</b>	<b>41,537</b>	<b>31,392</b>
Long- term time charter	4,404	4,355	13,792	12,950
<b>Total</b>	<b>18,885</b>	<b>15,979</b>	<b>55,330</b>	<b>44,342</b>

Sales to the largest customers, accounting for more than 10% of revenue, made up 34%, 28%, 18% and 17% of total revenue in Q3 2023 (Q3 2022: 32%, 27%, 14% and 13%).

### 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 2023 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2023	1,121	4,044	251,186	256,351
Exchange rate adjustments	-15	-12	-535	-562
Additions	-	1,203	74,073	75,276
Disposals	-	-13	-378	-391
Additions to leased assets (Right-of-use assets)	24	-	-	24
Disposals of leased assets (Right-of-use assets)	-246	-82	-	-328
<b>Cost YTD</b>	<b>885</b>	<b>5,141</b>	<b>324,346</b>	<b>330,371</b>
Depreciation at 1 January 2023	-1,017	-1,191	-78,090	-80,298
Exchange rate adjustments	11	5	57	73
Depreciation	-	-245	-8,200	-8,445
Disposals	-	-403	5	-398
Depreciation on leased assets (Right-of-use assets)	-133	-73	-	-205
Disposals of leased assets (Right-of-use assets)	587	68	-	655
<b>Depreciation YTD</b>	<b>-552</b>	<b>-1,838</b>	<b>-86,228</b>	<b>-88,619</b>
Impairment losses at 1 January 2023	-	-214	-	-214
Impairment losses YTD	-	-	-	-
<b>Carrying amount YTD</b>	<b>333</b>	<b>3,088</b>	<b>238,117</b>	<b>241,538</b>

Q3 2022 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	1,131	3,129	247,766	252,025
Exchange rate adjustments	6	5	81	93
Additions	-	159	2,514	2,673
Disposals	-	-44	-	-44
Additions to leased assets (Right-of-use assets)	-	7	-	7
Disposals of leased assets (Right-of-use assets)	-	-51	-	-51
<b>Cost YTD</b>	<b>1,137</b>	<b>3,205</b>	<b>250,361</b>	<b>254,703</b>
Depreciation at 1 January 2021	-749	-1,410	-67,684	-69,843
Exchange rate adjustments	-3	-3	-78	-84
Depreciation	-212	-313	-7,832	-8,357
Disposals	-	18	-	18
Depreciation on leased assets (Right-of-use assets)	-	-	-	-
Disposals of leased assets (Right-of-use assets)	-	37	-	37
<b>Depreciation YTD</b>	<b>-964</b>	<b>-1,671</b>	<b>-75,594</b>	<b>-78,229</b>
Impairment losses at 1 January 2022	-	-	-	-
Impairment losses YTD	-	-	-	-
<b>Carrying amount YTD</b>	<b>173</b>	<b>1,533</b>	<b>174,767</b>	<b>176,473</b>

### Assessment of Impairment of vessels

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which an asset's carrying amount exceeds its recoverable amount – measured using the higher of the fair value less cost to sell and value in use. An impairment loss is recognised if the higher of the fair value less cost to sell and value in use is less than the carrying amount of the assets.

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

- The estimated utilisation is based on the projected future installation of offshore turbines, the average rate at which a turbine needs assistance from a jack-up vessel in the turbine's lifetime, ZITON's expected market share, and jack-up vessel requirements for blade campaigns.
- Average day rates are based on estimated future market prices and/or contracts.

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



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

An impairment test is carried out based on value in use. The impairment test is performed by estimating the recoverable amount at value in use calculated as the present value of the total expected cash flows during the rest of the vessels' economic lives, a determined WACC of 11.1% before tax, and a growth rate in the terminal period of 0%.

The value in use was estimated to be higher than the carrying amount of EUR 241,538. Management assesses that the long-term value at the close of the financial period exceeds the carrying amounts, and accordingly, there is no indication of impairment loss.

### **Note 3 - Commitments and contingencies**

Since the end of 2022, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2022.

### **Note 4 - Related party transactions**

Since the end of 2022 no significant changes have occurred to related parties or types and scale of transactions with these parties other than what was disclosed in the annual report for 2022.

### **Note 5 - Subsequent events**

Other than the developments disclosed in the review, no significant events have occurred between the end of the quarter and publication of this interim report which materially affect the results for the period or the financial position.

### **Note 6 – Basis of reporting**

#### **Accounting policies**

##### *Basis of consolidation*

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

The accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not applied early adoption of any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Significant estimates and assumptions**

##### *Going Concern*

During 2019 to 2021, ZITON's balance sheet deteriorated as operational earnings declined as a consequence of blade campaigns that were less profitable than anticipated, and because the vessel fleet was expanded with the purchase of J/U WIND ENTERPRISE, thereby leading to sizeable interest-bearing debt compared to equity and cash flow to service the debt.

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

The debt restructuring includes various elements to provide the company with a long-term sustainable capital structure and significant strengthening of liquidity:

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

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

#### *Risks*

For a description of the risks ZITON A/S is exposed to, please refer to the Risk Management section on pages 48-50 and note 4.1 "Risk management" on page 101 of the 2022 annual report.

**Management statement**

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for Q3 2023. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report for Q3 2023 has been prepared in accordance with International Financial Reporting Standards and IAS 34 as adopted by the EU, and further disclosure requirements for issuers of bonds listed on the Oslo Stock Exchange.

In our opinion, the interim report gives a true and fair view of the ZITON's assets, liabilities, and financial position at 30 September 2023, and of the results of the ZITON's operations and cash flow from 1 January 2023 to 30 September 2023.

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

Horsens, 21 November 2023

Executive Management

-----  
Thorsten Jalk  
CEO

Board of Directors

-----  
Samuel Martin Gross  
Chairman

-----  
Jon Oliver Bryce

-----  
Lars Rabe Tønnesen

-----  
Thorsten Jalk

-----  
Jens Michael Haurum

**Financial calendar 2024**

Interim report Q4 2023 - 28 February 2024

Annual report 2023 - 17 April 2024

Interim report Q1 2024 - 15 May 2024

Interim report Q2 2024 - 28 August 2024

Interim report Q3 2024 - 20 November 2024

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