



Highlights of the report

Highlights of Q4 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 fully completed by mid-December 2021 incl. additional blade exchanges to the original scope.
- The activity level for regular major component replacements was strong during 2021 with approx. 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 in the coming years, albeit as lower growth rates than in 2021.
- EBITDA amounted to EUR 5.6m in Q4 2021 compared to EUR 1.4m in Q4 2020. EBITDA was a EUR 18.8m profit for 2021, in line with the most recent guidance EBITDA of EUR 18-21m. The increase is due to good vessel utilisation leading to increase in revenue that was partly offset by increase in project-related expenses.
- For the Meerwind blade campaign, ZITON decided to take extra precautions to prevent outbreaks of COVID-19 during the duration of the blade campaign. Extraordinary COVID related expenses amounted to EUR 0.8m for Q4 2021 and amounted to EUR 3.0m for the full year 2021.
- 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. The status of the process to explore strategic alternative is ongoing, however the process has not resulted in a transaction that make it possible for shareholder to realise the expected shareholder value. An inhibiting factor for completing a transaction has been the ZITON's current capital structure characterised by high leverage and negative equity. To improve the prospects for eventually completing a transaction it has been decided to prioritize to strengthen the capital structure and liquidity of the company.
- To strengthen the capital structure and liquidity of the company, ZITON and its majority shareholder have initiated discussions with holders representing a majority of the 1st lien bond (ISIN NO0010832488 and NO0010878598) and over 2/3 of the holders in the 2nd lien bond (ISIN NO0010832512) to reach a solution for a long-term and viable capital structure. A summon to a written resolution will be initiated by the company once an agreement is reached with the lenders representing the majority holders of the 1st and 2nd lien bonds.
- According to the bond terms, ZITON is obliged to prepare a monthly transfer to the retention account of the 1st lien bond (ISIN NO 0010832488). At the end of February 2022, the monthly transfer will not be completed as ZITON will preserve liquidity for daily operations. Such non-payment to the retention account constitutes an Event of Default and for this reason a standstill agreement temporarily preventing, *inter alia*, any enforcement of security is already in place to provide sufficient time to reach a long-term solution with all relevant stakeholders.
- The outlook for 2022, is based on the key assumptions that J/U WIND ENTERPRISE will

continue to operate successfully on the SGRE 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. The following sets out our KPI guidance for 2022:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 70%-80%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 26-30m.
- **Cash flow from operating activities.** We expect cash flows from operating activities of EUR 23-27m. This reflects a slight increase in working capital, resulting in a cash conversion rate of around 90%.
- **CAPEX.** We expect CAPEX of around EUR 5m, including CAPEX for classing of J/U WIND.

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 was strong during 2021 with approx. 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 low double digit growth rates in the coming years.

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

During Q4 2021, Ørsted exercised their option to extend the current framework agreement with ZITON until April 2023. The extension of the framework agreement is a testament to the longstanding and strong relationship between Ørsted and ZITON. 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 fully completed by mid-December 2021 incl. additional blade exchanges to the original scope.

- On 1 May 2019, Ørsted and ZITON signed a three-years' framework agreement covering nine of Ørsted's offshore wind farms. The contract has been extended and now expires on 31 March 2023.
- 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. As J/U WIND ENTERPRISE is on SGRE long-term charter, ZITON is constrained in our ability to service most of Vestas' 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. ZITON was selected second supplier, which involves that if the first supplier declines to carry out a specific component exchange. Under the new contract ZITON has continued to perform major component replacements for Vattenfall.

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 1.0m. 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 operated successfully on the Meerwind blade campaign until full completion by mid-December. Thereafter, it operated under framework agreements. For the Meerwind blade campaign ZITON provided 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 3.0m higher during the project.

During fourth quarter 2021, J/U WIND and J/U WIND PIONEER operated under framework

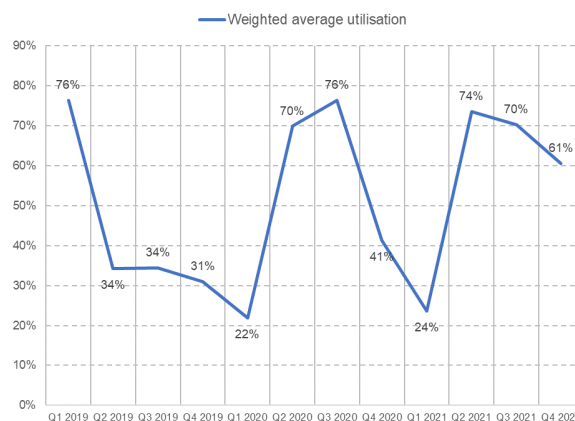
agreements with Ørsted and Vestas as well as other tenders attained.

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 was selected first supplier for the four-year framework agreement with Vattenfall.

Utilisation rates

The weighted average utilisation rate for Q4 2021 was at 61%. This is a significant improvement compared to utilisation of 41% in Q4 2020. The good utilisation reflects a good pipeline and execution in Q4 on all four vessels, mainly for smaller turbines below 4MW that have reached an age of 6-10 years, where wear and tear increasingly seem to drive the need for component replacement.



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.

Resignation of board member

Morten Melin has announced that he resigns from the Board of Directors as of 28th February 2022. The Board of Directors of ZITON A/S will, until further notice, continue with five members of the board.

2021 performance review

	Initial guidance 03-Dec-20	Revised guidance 27-Feb-21	Revised guidance 23-Nov-21	Actual 2021 24-Feb-22
Weighted average utilisation rate	No specific guidance	55-65%	55-60%	57%
EBITDA	EUR 25-30m	EUR 20-25m	EUR 18-21m	EUR 18.8m
Cash flows from operating activities	No specific guidance	EUR 18-23m	EUR 16-19m	EUR 15.4m
CAPEX	No specific guidance	Up to EUR 5m	Around EUR 5m	EUR 5.1m

We provided initial guidance for 2021 to the bondholders on 3 December 2020 in stock exchange announcement no. 7/2020 in connection with issuance of EUR 35m bond in Wind Enterprise P/S. Initial guidance was for EBITDA for 2021 of EUR 25-30m.

At the release of our Q4 2020 interim report published on 25 February 2021, we reduced guidance for EBITDA of EUR 20-25m. The reason being that 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 resulted in consequential delayed initiation of the Meerwind blade campaign until mid-March 2021, leading to low utilization during Q1 2021.

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. The precautions taken to prevent outbreaks of COVID-19 on the Meerwind blade campaign is estimated at a total cost of EUR 3.0 million for 2021. Consequently, we lowered our EBITDA guidance on 23 November 2021 to EUR 18-21m.

EBITDA for the full year 2021 ended the year at EUR 18.8m, in line with the most recent guidance EBITDA of EUR 18-21m.

Outlook for 2022

The outlook for 2022, is based on the key assumptions that J/U WIND ENTERPRISE will continue to operate successfully on the SGRE 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. The following sets out our KPI guidance for 2022:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 70%-80%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 26-30m.
- **Cash flow from operating activities** We expect cash flows from operating activities of EUR 23-27m. This reflects a slight increase in working capital, resulting in a cash conversion rate of around 90%.
- **CAPEX.** We expect CAPEX of around EUR 5m, including CAPEX for classing of J/U WIND.

Written Resolution approved in May 2021

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 Q2 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.

The status of the process to explore strategic alternative is ongoing, however the process has not resulted in a transaction that make it possible for shareholders to realise the expected shareholder value.

An inhibiting factor for completing a transaction has been the ZITON's current capital structure characterised by high leverage and negative equity. To improve the prospects for eventually completing a transaction it has been decided to prioritize to strengthen the capital structure and liquidity of the company, and the company is currently in discussions with certain lenders representing at least a majority of each bond tranche.

Written resolution – to be initiated

To strengthen the capital structure and liquidity of the company, ZITON and its majority shareholder have initiated discussions with holders representing a majority of the 1st lien bond (ISIN NO0010832488 and NO0010878598) and over 2/3 of the holders in the 2nd lien bond (ISIN NO0010832512) to reach a solution for a long-term and viable capital structure. A summon to a written resolution will be initiated by the company once an agreement is reached with the lenders

representing the majority holders of the 1st and 2nd lien bonds.

According to the bond terms, ZITON is obliged to prepare a monthly transfer to the retention account of the 1st lien bond (ISIN NO 0010832488). At the end of February 2022, the monthly transfer will not be completed as ZITON will preserve liquidity for daily operations. Such non-payment to the retention account constitutes an Event of Default and for this reason a standstill agreement temporarily preventing, *inter alia*, any enforcement of security is already in place to provide sufficient time to reach a long-term solution with all relevant stakeholders.

Pareto Securities AB has been retained as financial advisor by the Company

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	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
Revenue	14,433	10,536	3,897	58,051	49,637	8,414
OPEX and project-related expenses	-7,243	-7,351	108	-32,823	-30,016	-2,808
SG&A	-1,633	-1,831	198	-6,427	-6,205	-222
EBITDA	5,557	1,353	4,204	18,801	13,416	5,385
Depreciation	-2,851	-2,816	-35	-11,084	-10,912	-172
EBIT	2,706	-1,462	4,169	7,716	2,504	5,213
Financials, net	-5,916	-4,929	-986	-22,788	-19,757	-3,032
Income before tax	-3,209	-6,392	3,183	-15,072	-17,253	2,181
Key ratios						
EBITDA margin	38.5%	12.8%	25.7%	32.4%	27.0%	5.4%

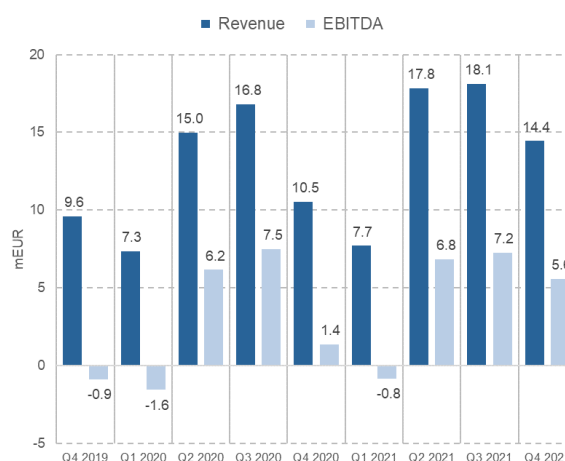
Review of the income statement for Q4 2021

The consolidated income statement for the ZITON Group shows revenue for Q4 2021 of EUR 14.4m, compared to revenue of EUR 10.5m in Q4 2020. The increase in revenue was broad based with improved utilisation of all four vessels. The two smaller vessels J/U WIND and J/U WIND PIONEER saw increased utilisation 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 Q4 2021 improved compared to Q4 2020 when revenue was negatively affected by an outbreak of COVID-19 on J/U WIND SERVER resulting in quarantine of the vessel. Revenue for J/U WIND ENTERPRISE was slightly higher compared to the same quarter the year before. In Q4 2021, the vessel operated on the SGRE long-term time charter and in Q4 2020 it operated mainly on framework agreements.

Vessel OPEX and project related costs were slightly lower at EUR 7.2m for Q4 2021 compared to EUR 7.4m in Q4 2020. Project related costs are higher as 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 amounted to EUR 1.6m in Q4 2021 slightly lower than EUR 1.8m in Q4 2020.

EBITDA amounted to EUR 5.6m in Q4 2021 compared to EUR 1.4m in Q4 2020. The increase is due to increased revenue.



Depreciation was largely unchanged at EUR 2.9m in Q4 2021 compared to the same period the year before.

Financials, net was an expense of EUR 5.9m in Q4 2021 compared to an expense of EUR 4.9m in Q4 2020. The increased financial costs are mainly a consequence of higher interest-bearing debt to purchase vessel J/U WIND ENTERPRISE in January 2021 through issue of a bond loan in the subsidiary Wind Enterprise P/S.

Review of income statement YTD 2021

The consolidated income statement for the ZITON Group shows revenue for 2021 of EUR 58.1m compared to a revenue of EUR 49.6m for 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 for 2021 was slightly higher than the year before. Revenue for J/U WIND ENTERPRISE declined slightly for 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 32.8m in for 2021 from EUR 30.0m for 2020. The main reason for the increase is that project related costs are higher for 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 expenses amounted to EUR 6.4m for 2021 compared to EUR 6.2m for 2020 mainly due to increased salaries because of more employees.

EBITDA was a EUR 18.8m profit for 2021 compared to a profit of EUR 13.4m for 2020. The increase is due to good vessel utilisation leading to increase in revenue that was partly offset by increase in project-related expenses.

Depreciation charges of EUR 11.1m for 2021 compared to EUR 10.9m for 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 22.8m for 2021 compared to an expense of EUR 19.8m for 2020. The increased financial costs are mainly a consequence of higher interest-bearing debt to purchase vessel J/U WIND ENTERPRISE in January 2021 through issue of a bond loan in the subsidiary Wind Enterprise P/S.

LTM EBITDA covenant

LTM EBITDA at the end of Q4 2021 amounted to EUR 18.8m fulfilling the covenant of EUR 17.0m at the end of Q4 2021.

REVIEW OF THE BALANCE SHEET AT THE END OF Q4 2021

EUR '000	Q4 2021	Q4 2020	Change
Assets			
Vessel, including fixtures & equipment	182,147	187,671	-5,524
Other non-current assets	256	268	-11
Non-current assets	182,404	187,939	-5,535
Trade and other receivables	5,669	2,585	3,084
Cash and cash equivalents	1,498	284	1,214
Current assets	7,167	2,869	4,298
Total assets	189,572	190,807	-1,235
Equity and Liabilities			
Equity	-22,245	-16,915	-5,330
Subordinated loan	34,511	29,574	4,938
Bond loans, second lien	37,048	32,322	4,726
Bond loans, first lien	124,699	97,787	26,913
Lease obligations	639	43,135	-42,496
Working capital facility	9,152	495	8,658
Other liabilities	5,765	4,411	1,354
Total liabilities	211,815	207,722	4,093
Total equity and liabilities	189,570	190,807	-1,237
Key ratios			
Subordinated capital ratio	27.0%	31.1%	-4.1%

Review of the balance sheet, end of Q4 2021

The total value of the vessels (incl. fixtures & equipment and leased offices) amounted to EUR 182.1m at the end of Q4 2021. This compares to EUR 187.7m at the end of Q4 2020. The decrease is mainly due to depreciation partly offset by vessel CAPEX.

Trade and other receivables amounted to EUR 5.7m at the end of Q4 2021 compared to EUR 2.6m at the end of Q4 2020. The increase is mainly due to higher activity levels towards the end of 2021 compared to the year before.

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 22.2m at the end of Q4 2021, compared to a negative amount of 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 Q4 2021 was at 27.0%, hence fulfilling the covenant of 27.0%. At the end of Q4 2020 the SCR was at 31.1%. The historical figures are not fully compatible, as the definition of SCR was altered for 2021 as the vessel J/U WIND ENTERPRISE was acquired through the subsidiary Wind Enterprise P/S of which equity and assets are not included in ZITON A/S's calculation of SCR. This is further explained in Alternative Performance Measures in pages 54-55 of the 2020 annual report.

REVIEW OF STATEMENT OF CASH FLOWS FOR Q4 2021

EUR '000	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
EBITDA	5,557	1,353	4,204	18,801	13,416	5,385
Working capital adjustments	-222	-886	664	-2,024	-5,808	3,784
Other adjustments	-409	-333	-75	-1,410	-507	-903
Net cash flows from operating activities	4,926	134	4,792	15,366	7,100	8,266
Financial payments, net	-2,559	-1,792	-766	-10,420	-6,086	-4,334
Net cash before investing activities	2,368	-1,658	4,026	4,946	1,014	3,932
Investing activities	-142	-772	630	-5,129	-2,556	-2,573
Net cash flows after investing activities	2,226	-2,430	4,656	-183	-1,542	1,359
Financing activities	-2,057	-904	-1,153	1,397	-183	1,580
Net cash flows after financing activities	170	-3,333	3,503	1,214	-1,725	2,939

Available liquidity	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Liquidity	1,498	1,328	3,002	242	284
Available draw on working capital facility	224	390	267	-	12,193
Available liquidity	1,722	1,718	3,269	242	12,477

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 4.9m in Q4 2021 driven by positive EBITDA. This compares to an inflow of EUR 0.1m in Q4 2020. The full year 2021 were an inflow of EUR 15.4m compared to EUR 7.1m for 2020. The increase is a consequence of improved EBITDA and working capital adjustments.

Working capital adjustments in Q4 2021 was negative EUR 0.2m compared to negative EUR 0.9m in Q4 2020. For 2021 working capital adjustments amount to negative EUR 2.0m mainly related to increased receivables from initiation of the SGRE long-term charter. For 2020 working capital adjustments were negatively affected by the reversal of an advance payment for the WoDS blade campaign from SGRE received towards the end of 2019 of approx. EUR 6.5m.

Financial payments, net amounted to negative EUR 2.6m in Q4 2021 compared to negative EUR 1.8m in Q4 2020. For the full year 2021 financial payments amounted to negative EUR 10.4m for 2021 compared to EUR 6.1m for 2020. The increased financial costs are mainly a consequence of financial payments to bond loan issued in the subsidiary Wind Enterprise P/S debt to purchase vessel J/U WIND ENTERPRISE in January 2021.

Investing activities amounted to an outflow of EUR 0.1m in Q4 2021 and EUR 5.1m for 2021 compared to an outflow of EUR 0.8m in Q4 2020

and EUR 2.6m for 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 2.1m in Q4 2021 compared to an outflow of EUR 0.9m in Q4 2020.

Available liquidity including available drawings on our working capital facility amounted to EUR 1.7m at the end of Q4 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 was increased from EUR 6.0m to EUR 9.0m during Q2 2021 and was fully utilised at the end of 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. Subsequently the FSS WCF and SSS WCF have, under certain conditions, been extended until 31 March 2022.

Consolidated financial statements for ZITON A/S

<i>EUR '000</i>	Note	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Revenue	1	14,433	10,536	58,051	49,637
Project-related expenses		-3,072	-2,669	-14,491	-10,767
Operational expenses		-4,171	-4,682	-18,332	-19,249
Gross profit		7,190	3,185	25,228	19,621
Administrative expenses		-379	-414	-1,558	-1,563
Staff costs, office staff		-1,254	-1,418	-4,870	-4,643
EBITDA		5,557	1,353	18,801	13,416
Depreciation & amortisation		-2,851	-2,816	-11,084	-10,912
EBIT		2,706	-1,462	7,716	2,504
Financial income		46	733	196	1,198
Financial expenses		-5,962	-5,662	-22,984	-20,955
Income before tax		-3,209	-6,392	-15,072	-17,253
Tax on profit (loss)		-77	747	-284	4,896
Income for the year		-3,286	-5,645	-15,355	-12,357
<i>Attributable to:</i>					
Owners of ZITON A/S		-3,266	-5,643	-15,327	-12,349
Non-controlling interest - Profit/loss		-20	-2	-29	-8
Income for the year		-3,286	-5,645	-15,355	-12,357
STATEMENT OF COMPREHENSIVE INCOME					
<i>EUR '000</i>	Note	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Income for the year		-3,286	-5,645	-15,355	-12,357
<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		32	-227	21	-227
Cash flow hedges, realised gains/(losses) incurred during period		-	-	-	63
Cash flow hedges, deferred gains/(losses) incurred during period		-	-	-	638
Total comprehensive income for the year, after tax		-3,254	-5,871	-15,334	-11,883
<i>Attributable to:</i>					
Owners of ZITON A/S		-3,234	-5,870	-15,306	-11,875
Non-controlling interest - Profit/loss		-20	-2	-29	-8
Total comprehensive income for the year, after tax		-3,254	-5,871	-15,334	-11,883

BALANCE SHEET

EUR '000	Q4 2021	Q4 2020	Q4 2020
Assets			
Non-current assets			
Vessel, including fixtures & equipment	2	182,147	187,671
Intangible assets		148	160
Deferred tax asset		108	108
Non-current assets	182,404	187,939	187,939
Current assets			
Inventories		193	233
Trade and other receivables		5,476	2,352
Cash and cash equivalents		1,498	284
Current assets	7,167	2,869	2,869
Total assets	189,571	190,807	190,807
Equity and Liabilities			
Equity			
Share capital		14,473	13,098
Reserves		-2	-95
Retained earnings		-36,974	-30,205
Total equity attributable to owners of ZITON A/S	-22,503	-17,202	-17,202
Non-controlling interest		258	287
Total equity	-22,245	-16,915	-16,915
Liabilities			
Non-current liabilities			
Subordinated loan		34,511	29,574
Bond loans, second lien		37,048	32,322
Bond loans, first lien		-	94,513
Lease obligations		279	878
Deferred income tax liabilities		1,127	496
Provision for other liabilities		-	318
Total non-current liabilities	72,965	158,100	158,100
Current liabilities			
Bond loans, first lien		124,699	3,274
Lease obligations		360	42,257
Current tax payable		-	336
Working capital facility		9,152	495
Trade and other payables		3,656	2,599
Provision for other liabilities		982	661
Total current liabilities	138,850	49,622	49,622
Total liabilities	211,815	207,722	207,722
Total equity and liabilities	189,571	190,807	190,807

STATEMENT OF CASH FLOWS					
<i>EUR '000</i>	Note	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Income before tax		-3,209	-6,392	-15,072	-17,253
Operating activities					
<i>Adjustments for non-cash items</i>					
Reversal financial expenses, net		5,916	4,929	22,789	19,757
Depreciation and writedowns of the period		2,851	2,816	11,084	10,912
Other adjustments		-409	-333	-1,410	-507
<i>Working capital adjustments</i>					
Change in inventories		-14	-87	40	61
Change in trade receivables		3,026	2,302	-3,124	286
Change in trade payables		-3,234	-3,100	1,060	-6,154
<i>Income tax expense</i>					
Income tax expense		-	-	-	-
Net cash flows from operating activities		4,926	134	15,367	7,101
<i>Financial payments</i>					
Financial receipts		-	-	-	-
Financial payments		-2,559	-1,792	-10,420	-6,086
Net cash flows before investing activities		2,368	-1,658	4,946	1,015
Investing activities					
Purchase of vessel, fixtures & equipment		-142	-772	-5,129	-2,556
Other cash flows from investing activities		-	-	-	-
Net cash used in investing activities		-142	-772	-5,129	-2,556
Financing activities					
Bond loans		-2,145	216	25,599	1,244
Draw on working capital facility		159	-998	8,663	339
Lease payments		-71	-94	-32,865	-1,766
Net cash used/received in financing activities		-2,057	-876	1,397	-183
Net (decrease)/increase in cash and cash equivalents		170	-3,305	1,214	-1,724
Cash and cash equivalents at beginning of period		1,328	3,589	284	2,008
Exchange gains/losses on cash and cash equivalents		-	-	-	-
Net cash and cash equivalents at end of period		1,498	284	1,498	284

STATEMENT OF CHANGES IN EQUITY

YTD 2021 <i>EUR '000</i>	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
Balance at 31 December 2020	13,098	143	-166	-	-23	-30,272	-17,197	287	-16,911
Total comprehensive income, after tax	-	-	21	-	21	-15,327	-15,306	-29	-15,334
Capital increase	1,375	-	-	-	-	8,625	10,000	-	10,000
Balance at YTD	14,473	143	-145	-	-2	-36,974	-22,503	258	-22,245

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 Q4 2021, 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.

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 <i>EUR '000</i>	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
Balance at 31 December 2019	13,098	143	-11	-701	-569	-17,856	-5,327	61	-5,267
Total comprehensive income, after tax	-	-	-227	701	474	-12,349	-11,875	-8	-11,883
Capital increase	-	-	-	-	-	-	-	234	234
Balance at YTD	13,098	143	-238	-	-95	-30,205	-17,202	287	-16,916

Share capital

At the end of Q4 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.

<i>EUR '000</i>	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Germany	5,120	-	24,759	1,489
United Kingdom	1,073	6,427	10,898	36,235
Denmark	4,026	1,580	5,228	7,446
Belgium	-	-	1,888	1,489
Sweden	-	738	505	993
Netherlands	-	1,791	333	1,985
Ireland	-	-	296	-
Total non time charter	10,219	10,536	43,611	49,637
Long- term time charter	4,214	-	14,118	-
Total	14,433	10,536	57,729	49,637

Sales to the largest customers, accounting for more than 10% of revenue, made up 57% and 16% of total revenue in 2021 (2020: 52%, 18% and 14%, 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

Q4 2021 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	1,126	2,870	242,756	246,752
Exchange rate adjustments				
Additions	-	483	4,968	5,451
Disposals	-	-254	-	-254
Additions to leased assets (Right-of-use assets)	-	208	-	208
Disposals of leased assets (Right-of-use assets)	-	-176	-	-176
Cost YTD	1,126	3,130	247,724	251,980
Depreciation at 1 January 2021	-488	-1,102	-57,394	-58,983
Exchange rate adjustments				
Depreciation	-	-366	-10,282	-10,648
Disposals	-	69	-	69
Depreciation on leased assets (Right-of-use assets)	-258	-147	-	-405
Disposals of leased assets (Right-of-use assets)	-	135	-	135
Depreciation YTD	-746	-1,411	-67,676	-69,833
Impairment losses at 1 January 2021	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	380	1,719	180,049	182,147
<hr/>				
Q4 2020 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2020	1,181	2,517	239,521	243,219
Exchange rate adjustments	-1	5	39	43
Additions	-	374	1,929	2,303
Disposals	-	-130	-	-130
Additions to leased assets (Right-of-use assets)	-	127	1,254	1,381
Disposals of leased assets (Right-of-use assets)	-	-123	-	-123
Cost YTD	1,180	2,770	242,743	246,694
Depreciation at 1 January 2020	-242	-726	-47,313	-48,280
Exchange rate adjustments	2	-2	-7	-7
Depreciation	-	-372	-8,350	-8,747
Disposals	-	-	-	-
Depreciation on leased assets (Right-of-use assets)	-267	-142	-1,781	-2,165
Disposals of leased assets (Right-of-use assets)	-	177	-	177
Depreciation YTD	-507	-1,065	-57,451	-59,022
Impairment losses at 1 January 2020	-	-	-	-
Impairment losses YTD	-	-	-	-
Carrying amount YTD	673	1,706	185,293	187,671

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 2021, ZITON realised a loss for the year, and the weighted average utilisation of the vessels fell slightly short of expectations. 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 9.2% 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 182,150k.

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 guarantee is an on-demand guarantee 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 contract.

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 was cancelled by SGRE on 9 February 2022, on the basis that Contract Deliverables and Services have been fulfilled.

The performance guarantee on the WoDS contract with SGRE amounted to GBP 2,962k, in respect of the supplier's performance of the contract. The guarantee was cancelled by SGRE on 8 February 2022, on the basis that Contract Deliverables and Services have been fulfilled.

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 2021. 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. All covenants are fulfilled during and at the end of 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. Subsequently the FSS WCF and SSS WCF have, under certain conditions, been extended until 31 March 2022.

To strengthen the capital structure and liquidity of the company, ZITON and its majority shareholder have initiated discussions with holders representing a majority of the 1st lien bond and over 2/3 of the holders in the 2nd lien bond to reach a solution for a long-term and viable capital structure. A summon to a written resolution will be initiated by the company once an agreement is reached with the lenders representing the majority holders of the 1st and 2nd lien bonds. Management has prepared scenarios for cash flow and SCR, assuming that a written resolution is approved, in which case management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations and the SCR during 2022.

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 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 31 December 2021, and of the results of the ZITON's operations and cash flow for 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, 28 February 2022

Executive Management

Thorsten Jalk
CEO

Board of Directors

Lars Thorsgaard Jensen
Chairman

Ove Eriksen

Jacob Bergenholtz

Morten Melin

Henrik Kleis

Herman Marks

Financial calendar 2022

Annual report 2021 – 29 April 2022
Interim report Q1 2022 – 31 May 2022
Interim report Q2 2022 – 31 August 2022
Interim report Q3 2022 – 30 November 2022

For further information, please contact

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