

The logo for ZITON, featuring the word "ZITON" in a bold, white, sans-serif font. The letter "O" is replaced by a stylized white icon of a camera lens or a similar optical element.

ZITON

Interim report
04 2023



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Highlights of the report

Highlights of Q4 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 2023 and departed the yard by mid February 2024 (as shown on the front page picture). At Fayard, the vessel was upgraded to European standards. J/U WIND ENERGY is expected to initiate the time charter with Siemens Gamesa at the end of February 2024.
- EBITDA amounted to EUR 6.2m in Q4 2023 compared to EUR 5.0m in Q4 2022. For the full year 2023, EBITDA amounted to EUR 35.9m compared to EUR 26.6m for 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 Board of Directors of ZITON has engaged Nomura Greentech to act as financial advisor in reviewing strategic alternatives focused on maximising shareholder value. These alternatives include, among other things, a corporate sale, a business combination or a partnership, while continuing to develop other growth opportunities. There can be no assurance that this strategic review will result in any transaction. ZITON has not set a timetable for completion of the process, and it does not intend to comment further unless a specific transaction is approved by ZITON's Board of Directors and its shareholders, or it is otherwise determined that further disclosure is appropriate or required by law.
- The following sets out our KPI guidance for 2024:
 - **Weighted average utilisation rate.** We expect a utilisation rate in the range of 85-95%
 - **EBITDA.** We expect EBITDA to be in the range of EUR 52-56m.
 - **Cash flow from operating activities.** We expect cash flows from operating activities to be in the range of EUR 47-51m. This takes reversal of trade payables related to the upgrade of J/U WIND ENERGY amounting to EUR 6.5m at the end of 2023 into account.
 - **CAPEX.** We expect CAPEX of around EUR 7m excluding CAPEX related to J/U WIND ENERGY. In addition, we expect CAPEX for J/U WIND ENERGY of approximately EUR 22m including CAPEX for leg extension and capitalised interest costs of approximately EUR 2m related to the vessel.
- Beyond 2024, the effect of having J/U WIND ENERGY on time charter with Siemens Gamesa for the full year will positively effect EBITDA. Further, when the time charter for J/U WIND ENTERPRISE was extended it was mutually agreed with Siemens Gamesa that the day rate for J/U WIND ENTERPRISE will increase materially from mid-2025. In summary, the contracted terms of the two long-term time charter contracts with Siemens Gamesa are, almost entirely, expected to enhance running twelve months EBITDA to around EUR 75m from mid-2025.

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 NO0012928185).

As required under the Bond Agreement, 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 Q3 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 for J/U WIND ENERGY is expected to be initiated at the end of February 2024 with a duration of six years, thus the contract expires in February 2030. 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 330m.

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 with a four year framework agreement. 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-linked 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-linked 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-linked 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 all 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 December 2023, the amount on the CAPEX-account was at EUR 17.5m.

Further, net proceeds of EUR 13.3m was be used for general corporate purposes including contingency for the delays in getting J/U WIND

ENERGY on time charter and/or eventual CAPEX overruns compared to budget. Compared to the original expectations, J/U WIND ENERGY went on time charter approximately with two months delay. Further, we experienced higher than expected CAPEX for J/U WIND ENERGY is due to an unexpected stay over in Singapore to remove the legs and ensure a safe voyage across the Indian Ocean and through the Suez Canal.

Purchase of 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 things, 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 short stay 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.

During the stay at Fayard Shipyard, J/U WIND ENERGY was 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 were upgraded to high European standards. At the end of December 2023, the legs were re-installed at the end of January 2024, the spudcans were mounted, and at the end of February 2024, J/U WIND ENERGY is expected to initiate the time charter with Siemens Gamesa. This corresponds to the expectations expressed

in the interim report for Q3 2023, and a delay of approximately two months compared to expectations expressed in the interim report for Q2 2024 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 high single digit growth from 2022 to 2023. Our analysis shows that the increase is driven by turbines reaching an age of 6-10 years and beyond, 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

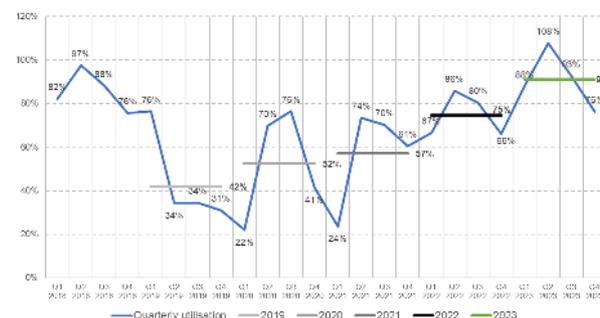
J/U WIND ENTERPRISE continues to operate on time charter with Siemens Gamesa with limited off-hire days. During Q4 2023, J/U WIND, J/U WIND PIONEER and J/U WIND SERVER mainly operated under framework agreements with RWE, Ørsted, Vattenfall and SSE Renewables.

Utilisation rates

The weighted average utilisation rate for Q4 2023 was 76%. This is a strong improvement compared to a utilisation of 66% in Q4 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 declined slightly to 93% mainly due to adverse weather during July and August 2023. In Q4 2023 utilisation was at 76% reflecting that the winter months normally are seasonally low periods.



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 and increasing to EUR 268k/day from Q2 2024). 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.

2023 performance review

We provided guidance for 2023 in the interim report Q4 2022, published on 28 February 2023. We increased our guidance a couple of times during the year as we saw good utilisation of our vessels and improved day rates due to strong demand for our services.

- *Weighted average utilisation rate.* We expected utilisation in the range of 75%-85% when publishing our interim report for Q4 2022. The guidance was increased to 80-90% when we published our interim report Q1 2023 in May 2023. For 2023, we realised a weighted average utilization of 91% for 2023, just above our latest guidance.
- *EBITDA.* We expected EBITDA to be in the range of EUR 28-32m when publishing our interim report for Q4 2022. In April 2023, we upgraded the expectations to EUR 30-34m. The guidance was further increased in August 2023, to EBITDA in the range of EUR 32-36m. We realised EBITDA of EUR 35.9m, which is in the upper end of our guidance.
- *Cash flow from operating activities.* We expected cash flows from operating activities of EUR 25-29m. In April 2023, we upgraded the expectations to EUR 27-31m. The guidance was further increased in August 2023, to cash flows from operating activities in the range of EUR 29-35m. We realised cash flows from operating activities of EUR 40.1m, which is significantly above our guidance. The main reason for the stronger operating cash flow was CAPEX for the upgrade of J/U WIND ENERGY which was incurred towards the end of 2023 and paid in the beginning of 2024, leading to an increase in trade payables of EUR 6.5m for 2023. The strong increase in trade payables is expected to be reversed during Q1 2024 when the upgrade of J/U WIND ENERGY is completed.
- *CAPEX.* We expected CAPEX of around EUR 5m excluding CAPEX for the upgrade of J/U WIND ENERGY. We realised net CAPEX of EUR 5.5m excluding J/U WIND ENERGY, which is in line with our guidance. In our interim report Q2 2023, we also provided guidance for CAPEX for J/U WIND ENERGY of approximately EUR 82m including capitalised interest costs of approximately EUR 5m related to the vessel. We realised net CAPEX including capitalised interest of EUR 86.5m for J/U WIND ENERGY. The higher than expected CAPEX for J/U WIND

ENERGY was due to an unexpected stay over in Singapore to remove the legs and ensure a safe voyage across the Indian Ocean and through the Suez Canal.

Outlook for 2024 and beyond

The outlook for 2024, is based on the following key assumptions:

- The long-term charter agreement with Siemens Gamesa for J/U WIND ENERGY. The vessel has been upgraded and is expected to initiate the time charter at the end of February 2024. The vessel is expected to operate successfully with limited off-hire days. However, when extension of the legs is carried out, towards the end of 2024, the day rate on the time charter will be reduced.
- The long-term charter agreement with Siemens Gamesa for J/U WIND ENTERPRISE. The vessel is expected to continue to operate successfully with limited off-hire days.
- The three smaller vessels, servicing the market below 4 MW, will carry out regular major component replacements on framework agreements and other tenders attained.

The following sets out our KPI guidance for 2024:

- **Weighted average utilisation rate.** We expect a utilisation rate in the range of 85-95%.
- **EBITDA.** We expect EBITDA to be in the range of EUR 52-56m.
- **Cash flow from operating activities.** We expect cash flows from operating activities to be in the range of EUR 47-51m. This takes reversal of trade payables related to upgrade of J/U WIND ENERGY amounting to EUR 6.5m at the end of 2023 into account.
- **CAPEX.** We expect CAPEX of around EUR 7m excluding CAPEX related to J/U WIND ENERGY. In addition, we expect CAPEX for J/U WIND ENERGY of approximately EUR 22m including CAPEX for leg extension and capitalised interest costs of approximately EUR 2m related to the vessel.

Beyond 2024, the effect of having J/U WIND ENERGY on time charter with Siemens Gamesa for the full year will positively effect EBITDA. Further, when the time charter for J/U WIND ENTERPRISE was extended it was mutually agreed with Siemens Gamesa that the day rate will increase materially from mid-2025. In summary, the contracted terms of the two long-term time charter contracts with Siemens Gamesa are,

almost entirely, expected to enhance running twelve months EBITDA to around EUR 75m from mid-2025.

ZITON to explore strategic alternatives

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

Risks and uncertainties

ZITON A/S is exposed to various risks that may be of significance to the company's future operations, results and financial position. For a description of ZITON A/S' risks, please refer to the Risk Management section on pages 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	Q4 2023	Q4 2022	Change	YTD 2023	YTD 2022	Change
Revenue	14,783	13,405	1,379	70,113	57,746	12,367
Other operating income	205	400	-195	205	400	-196
OPEX and project-related expenses	-6,374	-6,667	293	-25,446	-23,316	-2,130
SG&A	-2,434	-2,170	-264	-8,996	-8,234	-761
EBITDA	6,180	4,968	1,212	35,875	26,596	9,280
Depreciation	-3,103	-3,102	-1	-11,821	-11,446	-375
EBIT	3,077	1,866	1,211	24,054	15,150	8,904
Financials, net	-7,424	-5,209	-2,215	-26,855	-23,781	-3,073
Income before tax	-4,346	-3,343	-1,004	-2,801	-8,632	5,831
Key ratios						
EBITDA margin	41.8%	37.1%	4.7%	51.2%	46.1%	5.1%

Review of the income statement for Q4 2023

The consolidated income statement for the ZITON Group shows revenue for Q4 2023 of EUR 14.8m, compared to revenue of EUR 13.4m in Q4 2022, an increase of 10%. The increase in revenue reflects improved utilisation of the three 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 declined by EUR 0.3m from Q4 2022 to Q4 2023. The main reason was lower project-related expenses.

SG&A increased to EUR 2.4m in Q4 2023 from EUR 2.2m in Q4 2022 mainly due to employment of additional personnel to manage operations of J/U WIND ENERGY.

EBITDA amounted to EUR 6.2m in Q4 2023 compared to EUR 5.0m in Q4 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 was unchanged at EUR 3.1m in Q4 2023 compared to Q4 2022.

Financials, net was an expense of EUR 7.4m in Q4 2023 compared to an expense of EUR 5.2m in Q4 2022. The increased financial costs mainly stems from the elevated reference rate (3m EURIBOR) for bonds issued by ZITON and higher margins following the refinancing in June 2023, intended to facilitate financing for the purchase of J/U WIND ENERGY.

Review of income statement full year 2023

The consolidated income statement for the ZITON Group shows revenue for 2023 of EUR 70.1m, compared to revenue of EUR 57.7m for 2022, an increase by 21%. The increase in revenue reflects continued success in offering customers comprehensive turnkey solutions and improved utilisation. Further, we had 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 25.4m for 2023 from EUR 23.3m for 2022 mainly due to increases in OPEX as a result of higher crew salaries and employment of more turbine technicians.

SG&A increased to EUR 9.0m for 2023 from EUR 8.2m for 2022 mainly due to employment of additional personnel to manage operations of J/U WIND ENERGY and higher costs related to an employee retention programme. These were partly offset by one-off costs in 2022 of approximately EUR 1.0m related to the abandonment of a sales process and the initiation of a debt restructuring process.

EBITDA amounted to EUR 35.9m for the full year 2023 compared to EUR 26.6m for 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 11.8m for 2023 from EUR 11.4m for 2022.

Financials, net was an expense of EUR 26.9m for 2023 compared to EUR 23.8m for 2022. The increased financial costs mainly stems from the elevated reference rate (3m EURIBOR) for bonds issued by ZITON and higher margins following the refinancing in June 2023, intended to facilitate financing for the purchase of J/U WIND ENERGY. This 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 Q4 2023

EUR '000	Q4 2023	Q4 2022	Change
Assets			
Vessel, including fixtures & equipment	255,463	175,429	80,034
Other non-current assets	231	265	-34
Non-current assets	255,694	175,694	80,000
Trade and other receivables	12,662	10,498	2,164
Cash and cash equivalents	37,121	4,607	32,515
Current assets	49,783	15,104	34,679
Total assets	305,477	190,798	114,679
Equity and Liabilities			
Equity	19,072	7,304	11,768
ESG loan	96,098	-	96,098
Bond loans, second lien	32,890	51,941	-19,051
Bond loans, first lien	144,502	118,881	25,622
Lease obligations	508	359	149
Working capital facility	-	6,339	-6,339
Other liabilities	12,406	5,974	6,433
Total liabilities	286,404	183,494	102,910
Total equity and liabilities	305,477	190,798	114,679

Review of the balance sheet

The total value of the vessels (including fixtures & equipment and leased offices) amounted to EUR 255.5m at the end of 2023. This compares to EUR 175.4m at the end of 2022. The increase of EUR 80.0m is mainly due to the purchase of J/U WIND ENERGY in June 2023 and subsequent costs for the upgrade and transport of the vessel to Europe.

Trade and other receivables amounted to EUR 12.7m at the end of 2023 compared to EUR 10.5m at the end of 2022. The increase was mainly related to a higher activity level.

Cash and cash equivalents amounted to EUR 37.1m at the end of 2023 compared to EUR 4.6m at the end of 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 17.5m 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 19.1m at the end of 2023, compared to EUR 7.3m at the end of 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.

Bond loans, second lien amounted to EUR 32.9m at the end of 2023 compared to EUR 51.9m at the end of 2022. The changes are a consequence of the refinancing in June 2023 whereby the second lien loan was repaid and a new second lien loan of EUR 31.3m was established.

Working capital facility was at zero at the end of 2023 compared to EUR 6.3m at the end of 2022. The reduction was due to the repayment of the second super senior working capital as part of the refinancing in June 2023. A first super senior working capital facility is available, but has not been drawn upon.

REVIEW OF STATEMENT OF CASH FLOWS

<i>EUR '000</i>	Q4 2023	Q4 2022	Change	YTD 2023	YTD 2022	Change
EBITDA	6,180	4,968	1,212	35,875	26,596	9,280
Working capital adjustments	3,547	-2,252	5,799	4,154	-3,492	7,646
Other adjustments	38	-376	413	30	-3,011	3,041
Income tax expense	-2	-13	11	-2	-604	602
Net cash flows from operating activities	9,762	2,327	7,435	40,057	19,489	20,568
Financial payments, net	-5,016	-4,458	-558	-23,262	-9,701	-13,561
Net cash before investing activities	4,746	-2,131	6,877	16,795	9,788	7,008
Investing activities	-16,858	-2,261	-14,598	-91,984	-4,570	-87,413
Net cash flows after investing activities	-12,112	-4,392	-7,721	-75,188	5,217	-80,406
Financing activities	-112	-1,589	1,477	107,703	-2,108	109,811
Net cash flows after financing activities	-12,224	-5,981	-6,243	32,515	3,109	29,405
Available liquidity	Q4 2023	Q4 2022				
Cash and cash equivalents	39,902	4,869				
Cash on retention account	2,781	262				
Cash and cash equivalents	37,121	4,607				
Available draw on working capital facility	6,720	385				
Available liquidity	43,842	4,992				
Amount on CAPEX accounts	-17,522					
Available liquidity (net of CAPEX accounts)	26,320					

Review of the cash flow statement

Cash flows from operating activities were an inflow of EUR 9.8m in Q4 2023 compared to EUR 2.3m in Q4 2022. For 2023 the inflow amounted to EUR 40.1m compared to EUR 19.5m for 2022. The cash flow is driven by EBITDA and working capital adjustments.

Working capital adjustments amounted to EUR 3.5m for Q4 2023 and EUR 4.3m for the full year 2023. Positive working capital adjustments were primarily related to increased trade payables for CAPEX for the upgrade of J/U WIND ENERGY. Change in trade payables amounted to EUR 2.5m for Q4 2023 and EUR 6.5m for the full year 2023. At the end of 2023, trade payables related to upgrade of J/U WIND ENERGY amounted to EUR 6.5m at the end of 2023. Thus, the entire increase in trade payables is related to upgrade of J/U WIND ENERGY. The strong increase in trade payables is largely expected to be reversed during Q1 2024 when the upgrade of J/U WIND ENERGY is completed.

Financial payments, net amounted to EUR 5.0m in Q4 2023 compared to EUR 4.5m in Q4 2022, the increase mainly stems from the elevated reference rate (3m EURIBOR) for bonds issued by ZITON and higher margins following the refinancing in June 2023. Financial payments, net amounted to EUR 23.3m for 2023 compared to EUR 9.7m for 2022, as interest payments include 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 16.9m in Q4 2023 compared to an outflow of EUR 2.3m in Q4 2022. Investing activities, net amounted to EUR 92.0m for 2023 compared to EUR 4.6m for 2022, the increase was mainly due to the purchase, upgrade and transport of J/U WIND ENERGY.

Financing activities amounted to a cash outflow of EUR 0.1m in Q4 2023 compared to an outflow of EUR 1.6m in Q4 2022. In Q4 2022 ZITON amortised on bonds whereas in Q4 2023 amortisation is deferred until J/U WIND ENERGY is on time charter with Siemens Gamesa. Financing activities amounted to an inflow of EUR 107.7m for 2023 compared to an outflow of EUR 2.1m for 2022, the inflow for 2023 consists of the proceeds from the refinancing carried out in June 2023, which are used for the purchase and upgrade of J/U WIND ENERGY and for general corporate purposes including as cash buffer as contingency for eventual delays in getting J/U WIND ENERGY on time charter and/or CAPEX overruns compared to budget.

Available liquidity including available drawings on our working capital facility amounted to EUR 26.3m at the end of 2023, compared to EUR 5.0m available at the end of 2022. In addition, EUR 17.5m was 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 2023, available liquidity amounted to EUR 26.3m, thereby substantially exceeding the covenant of EUR 15m.

Consolidated financial statements for ZITON A/S

INCOME STATEMENT

<i>EUR '000</i>	Note	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Revenue	1	14,783	13,405	70,113	57,746
Other operating income		205	400	205	400
Project-related expenses		-728	-1,514	-3,255	-4,898
Operational expenses		-5,646	-5,152	-22,192	-18,418
Gross profit		8,614	7,138	44,871	34,830
Administrative expenses		-529	-480	-2,204	-2,632
Staff costs, office staff		-1,906	-1,690	-6,792	-5,602
EBITDA		6,180	4,968	35,875	26,596
Depreciation & amortisation		-3,103	-3,102	-11,821	-11,446
EBIT		3,077	1,866	24,054	15,150
Financial income		428	66	875	44
Impairment losses on financial assets		-86	-	-86	-
Financial expenses		-7,766	-5,275	-27,643	-23,825
Income before tax		-4,346	-3,343	-2,801	-8,632
Tax on profit (loss)		-16	769	-18	174
Income for the year		-4,363	-2,573	-2,819	-8,457
<i>Attributable to:</i>					
Owners of ZITON A/S		-4,298	-2,480	-2,738	-8,344
Non-controlling interest - Profit/loss		-65	-93	-80	-113
Income for the year		-4,363	-2,573	-2,819	-8,457

STATEMENT OF COMPREHENSIVE INCOME

<i>EUR '000</i>	Note	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Income for the year		-4,363	-2,573	-2,819	-8,457
<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	6	-52	-28	-28	1
Total comprehensive income for the year, after tax		-4,357	-2,626	-2,847	-8,457
<i>Attributable to:</i>					
Owners of ZITON A/S		-4,292	-2,533	-2,766	-8,343
Non-controlling interest - Profit/loss		-65	-93	-80	-113
Total comprehensive income for the year, after tax		-4,357	-2,626	-2,847	-8,457

BALANCE SHEET			
<i>EUR '000</i>	<i>Note</i>	<i>Q4 2023</i>	<i>Q4 2022</i>
Assets			
Non-current assets			
Vessel, including fixtures & equipment	2	255,463	175,429
Intangible assets		192	131
Financial assets		-	-
Deferred tax asset		39	134
Non-current assets		255,694	175,694
Current assets			
Inventories		310	421
Contract assets		1,717	-
Trade and other receivables		10,635	10,077
Cash and cash equivalents		37,121	4,607
Current assets		49,783	15,104
Total assets		305,477	190,798
Equity and Liabilities			
Equity			
Share capital		54	54
Reserves		-152	-124
Retained earnings		19,101	7,225
Total equity attributable to owners of ZITON A/S		19,002	7,154
Non-controlling interest		70	150
Total equity		19,072	7,304
Liabilities			
Non-current liabilities			
Subordinated loan		-	-
ESG loan		96,098	-
Bond loans, second lien		32,890	51,941
Bond loans, first lien		136,815	112,634
Lease obligations		276	45
Deferred income tax liabilities		-	-
Provision for other liabilities		-	-
Total non-current liabilities		266,079	164,620
Current liabilities			
Bond loans, first lien		7,687	6,246
Lease obligations		232	314
Working capital facility		-	6,339
Tax payable		6	-
Trade and other payables		9,284	4,108
Provision for other liabilities		3,116	1,866
Total current liabilities		20,325	18,874
Total liabilities		286,404	183,494
Total equity and liabilities		305,477	190,798

STATEMENT OF CASH FLOWS
EUR '000

Note	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Income before tax	-4,346	-3,343	-2,801	-8,632
Operating activities				
<i>Adjustments for non-cash items</i>				
Reversal financial expenses, net	7,424	5,209	26,855	23,781
Depreciation and writedowns of the period	3,103	3,102	11,821	11,446
Other adjustments	38	-376	-78	-3,011
<i>Working capital adjustments</i>				
Change in inventories	-72	-105	110	-227
Change in trade receivables	1,147	-708	-2,275	-4,601
Change in trade payables	2,471	-1,440	6,426	1,336
<i>Income tax expense</i>				
Income tax expense	-2	-13	-2	-604
Net cash flows from operating activities	9,762	2,327	40,057	19,489
<i>Financial payments</i>				
Financial receipts	350	24	867	44
Financial payments	-5,366	-4,482	-24,129	-9,745
Net cash flows before investing activities	4,746	-2,131	16,795	9,788
Investing activities				
Purchase of Tangible Fixed Assets	-16,947	-2,414	-92,293	-4,774
Disposal of Tangible Fixed Assets	94	202	457	253
Purchase of Intangible Fixed Assets	-5	-49	-148	-49
Net cash used in investing activities	-16,858	-2,261	-91,984	-4,570
Financing activities				
Repayments of loans	-	-880	-172,365	-8,250
Loan costs	-	-	-9,377	-
Proceeds from borrowings	-	-	281,339	10,000
Draw on working capital facility	-	98	-6,248	-2,813
Capital injection from parent	-	-	15,000	-
Cost of capital increase	-51	-624	-385	-624
Lease payments	-61	-183	-260	-421
Net cash used/received in financing activities	-112	-1,589	107,703	-2,108
Net (decrease)/increase in cash and cash equivalents	-12,224	-5,981	32,515	3,109
Cash and cash equivalents at beginning of period	49,346	10,588	4,607	1,498
Exchange gains/losses on cash and cash equivalents	-	-	-	-
Net cash and cash equivalents at end of period	37,121	4,607	37,121	4,607

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		
Balance at 31 December 2022	54	-	-124	-	-124	7,225	7,154	150	7,304
Total comprehensive income, after tax	-	-	-28	-	-28	-2,738	-2,766	-80	-2,847
Capital injection from parent	-	-	-	-	-	15,000	15,000	-	15,000
Cost of capital increase	-	-	-	-	-	-385	-385	-	-385
Balance at YTD	54	-	-152	-	-152	19,101	19,002	70	19,072

Share capital

At the end of 2023, the share capital consisted of 400,000 shares of DKK 1 each (EUR 54k). 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 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		
Balance at 31 December 2021	14,473	143	-145	-	-2	-36,974	-22,503	258	-22,245
Total comprehensive income, after tax	-	-	1	-	1	-8,344	-8,343	-113	-8,457
Share capital reduction	-14,473	-	-	-	-	14,473	-	-	-
Cancellation of warrants	-	-143	-	-	-143	143	-	-	-
Share capital increase	54	-	-	-	-	38,707	38,761	-	38,761
Cost of capital increase	-	-	-	-	-	-780	-780	-	-780
Other adjustment	-	-	20	-	20	-	20	6	26
Balance at YTD	54	-	-124	-	-124	7,225	7,154	150	7,304

Share capital

At the end of 2022, the share capital consisted of 400,000 shares of DKK 1 each (EUR 54k).

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 2023	Q4 2022	YTD 2023	YTD 2022
United Kingdom	5,823	5,915	27,384	25,859
Denmark	4,531	2,722	21,378	10,345
Germany	-	-	1,116	397
Belgium	-	-	934	1,390
Sweden	-	509	633	2,242
Netherlands	-	-	444	304
Ireland	-	-	-	-
Total non time charter	10,354	9,146	51,888	40,538
Long- term time charter	4,429	4,258	18,225	17,208
Total	14,783	13,405	70,113	57,746

Sales to the largest customers, accounting for more than 10% of revenue, made up 46%, 30% and 24% of total revenue in Q4 2023 (Q4 2022: 50% and 32%).

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 2023 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2023	1,121	4,044	251,186	256,350
Exchange rate adjustments	-18	-9	-503	-530
Additions	-	1,657	90,477	92,134
Disposals	-	-65	-479	-545
Additions to leased assets (Right-of-use assets)	24	141	-	165
Disposals of leased assets (Right-of-use assets)	-242	-277	-	-519
Cost YTD	885	5,490	340,681	347,056
Depreciation at 1 January 2023	-1,017	-1,603	-78,090	-80,709
Exchange rate adjustments	13	5	223	241
Depreciation	-	-365	-10,996	-11,361
Disposals	-	48	5	53
Depreciation on leased assets (Right-of-use assets)	-177	-100	-	-277
Disposals of leased assets (Right-of-use assets)	584	184	-	769
Depreciation YTD	-597	-1,830	-88,858	-91,284
Impairment losses at 1 January 2023	-	-214	-	-214
Impairment losses YTD	-	-95	-	-95
Carrying amount YTD	289	3,351	251,823	255,463

Q4 2022 EUR '000	Property	Fixtures & equipment	Vessels	Total
Cost at 1 January 2021	1,126	3,130	247,724	251,980
Exchange rate adjustments	-5	-2	2	-5
Additions	-	1,019	3,756	4,774
Disposals	-	-44	-295	-339
Additions to leased assets (Right-of-use assets)	-	190	-	190
Disposals of leased assets (Right-of-use assets)	-	-248	-	-248
Cost YTD	1,121	4,044	251,186	256,351
Depreciation at 1 January 2021	-746	-1,411	-67,675	-69,833
Exchange rate adjustments	3	2	-	5
Depreciation	-0	-306	-10,488	-10,794
Disposals	-	18	74	91
Depreciation on leased assets (Right-of-use assets)	-274	-101	-	-374
Disposals of leased assets (Right-of-use assets)	-	196	-	196
Depreciation YTD	-1,017	-1,602	-78,090	-80,709
Impairment losses at 1 January 2022	-	-	-	-
Impairment losses YTD	-	-214	-	-214
Carrying amount YTD	104	2,228	173,097	175,429

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 time charter agreements as well as estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on the projected installed base of offshore wind 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 10.8% 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 255,463. 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 of transactions with these parties other than what was disclosed in the annual report for 2022. The scale of transactions in the current financial year was higher than the previous year mainly due to the refinancing carried out in June 2023 involving repayment of loans, issue of a new loan as well as a capital injection from Zappy Topco ApS.

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.

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 Q4 2023. The interim report has not been audited or reviewed by the company’s independent auditors.

The interim report for Q4 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 31 December 2023, and of the results of the ZITON’s operations and cash flow from 1 January 2023 to 31 December 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, 27 February 2024

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

- Annual report 2023 - 17 April 2024
- Interim report Q1 2024 - 31 May 2024
- Interim report Q2 2024 - 28 August 2024
- Interim report Q3 2024 - 20 November 2024

For further information, please contact

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