**PROSPECTUS**

**ZITON A/S**

(A private limited liability company organized under the laws of Denmark)

**Listing of Bonds issued by Ziton A/S**

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|---|---|
| **ISIN NO 0010832488** | **Ziton A/S FRN senior secured EUR 125,000,000 open callable bonds 2018/2021** |
| **ISIN NO 0010832512** | **Ziton A/S FRN second secured EUR 25,000,000 callable PIK bonds 2018/2022** |

This prospectus (the "**Prospectus**") relates to, and has been prepared in connection with, the listing (the "**Listing**") on Oslo Børs, a stock exchange operated by Oslo Børs ASA ("**Oslo Børs**"), of bonds which were issued by Ziton A/S ("the "**Company**" or the "**Issuer**") on 3 October 2018 in an (i) EUR 125 million senior secured open callable bond issue with maturity in October 2021 (the "**First Lien Bonds**"), and (ii) EUR 25 million second priority secured callable PIK bond issue with maturity in April 2022 (the "**Second Lien Bonds**", and collectively the "**Bonds**" or the "**Bond Issues**"). The First Lien Bonds have a floating interest rate of 3 month EURIBOR + 6.90% (subject to adjustments as described in section 5.2), and the Second Lien Bonds have a floating interest rate of 3 month EURIBOR + 11.85%.

The Bonds are expected to be listed and tradable on Oslo Børs on or about 29 November 2018.

The distribution of this Prospectus may in certain jurisdictions be restricted by law. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company and the Manager (as defined below) require persons in possession of this Prospectus to inform themselves about, and to observe, any such restrictions.

This Prospectus and the Bonds shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo City Court as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with the Bonds or this Prospectus.

**THIS PROSPECTUS IS A LISTING PROSPECTUS FOR BONDS ALREADY ISSUED BY ZITON A/S. NO SECURITIES ARE BEING OFFERED TO ANY PERSON IN ANY JURISDICTION ON THE BASIS OF THIS PROSPECTUS.**

**Investing in the Company and the Bonds involves material risks and uncertainties. See section 2 "Risk Factors" and section 4 "Cautionary Note to Investors" regarding forward-looking statements.**

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Global Coordinator and Sole Bookrunner

Pareto Securities AB (as "**Manager**")

The date of this Prospectus is 28 November 2018

## IMPORTANT INFORMATION

Please refer to section 11 "Definitions and Glossary of Terms" for definitions of terms used throughout this Prospectus, which also apply to the preceding pages.

This Prospectus has been prepared in order to provide information about the Group and its business in relation to the Listing of the Bonds, and to comply with the Norwegian Securities Trading Act of June 29, 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including EC Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) regarding information contained in prospectuses (the "**Prospectus Directive**"). This Prospectus has been prepared solely in the English language.

This Prospectus has been reviewed and approved by the Norwegian FSA in accordance with sections 7-7 and 7-8, cf. section 7-3 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information given in this Prospectus. The approval given by the Norwegian FSA only relates to the Company's descriptions pursuant to a pre-defined check list of requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or otherwise covered by this Prospectus. The Norwegian FSA approved this Prospectus at 28 November 2018.

The Company has furnished the information in this Prospectus. The Company has engaged Pareto Securities AB (the "**Manager**") as Manager in connection with the Bond Issue.

Unless otherwise indicated, the information contained herein is current as of the date hereof and the information is subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, every significant new factor, material mistake or inaccuracy that is capable of affecting the assessment of the Bonds arising after the time of approval of this Prospectus and before the date of listing of the Bonds on Oslo Børs will be published and announced promptly as a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances create any implication that there has been no change in the Group's affairs since the date hereof or that the information herein is correct as of any time since its date. The distribution of this Prospectus may in certain jurisdictions be restricted by law. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company and the Manager require persons in possession of this Prospectus to inform themselves about, and to observe, any such restrictions.

An investment in the Bonds involves inherent risks. Potential investors should carefully consider the risk factors set out in section 2 "Risk Factors" in addition to the other information contained herein before making an investment decision. An investment in the Company or its securities is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of their entire investment. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser and tax adviser as to legal, business and tax advice. In the ordinary course of their respective businesses, the Manager and certain of their respective affiliates have engaged, and will continue to engage, in investment and commercial banking transactions with the Group. The Bonds are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Without limiting the manner in which the Company may choose to make any public announcements, and subject to the Company's obligations under applicable law, announcements relating to the matters described in this Prospectus will be considered to have been made once they have been received by Oslo Børs and distributed through its information system.

**The distribution of this Prospectus and the offer and sale of the Bonds in certain jurisdictions may be restricted by law. The Company and the Manager require persons in possession of this Prospectus to inform themselves about, and to observe, any such restrictions. This Prospectus does not constitute an offer of, or an invitation to subscribe or purchase any securities in any jurisdiction. Furthermore, the restrictions and limitations listed and described herein are not exhaustive, and other restrictions and limitations in relation to the Prospectus that are not known or identified by the Company and the Manager at the date of this Prospectus may apply in various jurisdictions as they relate to the Prospectus. The Company has not registered the Bonds under the U.S. Securities Act or the securities laws of other jurisdictions other than the Kingdom of Norway and the company does not expect to do so in the future. The Bonds may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act), except for pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities law, or pursuant to an effective registration statement.**

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**APPENDICES**


**Appendix 1** First Lien Bond Terms

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**Appendix 3** Ziton A/S audited consolidated annual report 2017

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**Appendix 5** Jack-Up InvestCo 2 A/S audited annual accounts 2017

**Appendix 6** Jack-Up InvestCo 2 A/S audited annual accounts 2016

**Appendix 7** Jack-Up InvestCo 3 Plc audited annual accounts 2017

**Appendix 8** Jack-Up InvestCo 3 Plc audited annual accounts 2016

**Appendix 9** Ziton A/S unaudited Q3 report 2018

**Appendix 10** Jack-Up InvestCo 2 A/S unaudited Q3 report 2018

**Appendix 11** Jack-Up InvestCo 3 Plc unaudited Q3 report 2018

**Appendix 12** The Guarantee

## 1. SUMMARY

*Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.*

***Section A – Introductions and warnings***

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| **A.1** | Introduction and warning | This summary should be read as introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities. |
| **A.2.** | Use of the prospectus in resales by financial intermediaries | Not applicable. The Prospectus will not be used in subsequent resales by financial intermediaries. |

***Section B – Issuer and guarantors***

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| **B.1** | Legal and commercial name | Issuer:<br>· Ziton A/S<br>Guarantors:<br>· Jack-Up InvestCo 2 A/S<br>· Jack-Up InvestCo 3 Plc. |
| **B.2** | Domicile, legal form, legislation and country of incorporation | Both the Issuer (reg.no 24620417) and Jack-Up InvestCo 2 A/S (reg.no 34589801) are registered under the laws of Denmark as private limited liability companies.<br>Jack-Up InvestCo 3 Plc. (reg.no C 57037) is registered under the laws of Malta as a public limited liability company. |

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| **B.4b** | Known trends | Europe is home to the absolute majority of the world's offshore wind power, with the North, Baltic and Irish Seas and the English Channel all being favoured wind farm locations. The majority of the world's remaining capacity is located largely in China followed by Japan, South Korea and the United States<br><br>The growth in offshore wind capacity in Europe has been driven primarily by EU-level targets to reduce greenhouse gas emissions. The EU Renewable Energy Directive stipulates that renewable energy should account for 20 per cent. of the EU's total energy consumption by 2020 and 27 per cent. by 2030; this compares to 9 per cent. in 2005. Wind energy plays a crucial role in meeting these targets and is expected to account for approximately 14 per cent. of total EU electricity consumption by 2020, up from 2 per cent. in 2005, 5 per cent. in 2010, and 10 per cent. in 2015.<br><br>All of the nations most active within offshore wind have set out ambitious targets to increase their share of renewable energy, with offshore wind playing a key role. Germany is one of the major drivers behind the emergence of offshore wind, largely motivated by its Energiewende (En: *Energy Transition*), which sets ambitious renewable energy and greenhouse gas reduction targets.<br><br>The above information is further detailed and sourced in section 7 of this Prospectus. |
| **B.5** | Group | The Issuer is the parent company of the Group with three subsidiaries: Ziton Contractors A/S and each of the Guarantors. The Group's largest shareholder is BWB Partners with approximately 59.5 per cent. ownership share in the Issuer through the company Jack-up Holding A/S. Please refer to section 6.4 for a corporate group chart. |
| **B.9** | Profit forecast or estimate | Not applicable. The Company and the Guarantors have not made any profit forecasts or estimates. |
| **B.10** | Qualifications in the audit report | Not applicable. There are no qualifications in the audit reports. |
| **B.12** | Selected historical key financial information, material adverse changes in prospects and significant changes in the financial or trading position. | Financial information is only incorporated in this Prospectus through its appendices. No key financial information is otherwise provided in the Prospectus itself. References to various key financial information is set out in section 8.1 by referencing to the page numbering of the relevant appendices.<br><br>There have been no material adverse changes in the Group's financial or trading position, including the financial or trading position of the Issuer and the Guarantors, since the date of their last published audited financial statements, being 31 December 2017. There have been no material adverse changes in the prospects of the Company or the Guarantors since the date of their last published audited financial statements, being 31 December 2017. |
| **B.13** | Recent events | As part of the Bond Issues, the 50 per cent. ownership share in the Guarantor Jack-Up InvestCo 3 Plc. held by Blue Water Capital was purchased by Ziton A/S and Jack-Up InvestCo 2 A/S. Consequently, there are no longer any third-parties holding shares in the Guarantors outside of the Group.<br><br>Please refer to sections 5.2 and 5.3 detailing the terms of the Bond Issues. |

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| **B.14** | Group and dependence on other entities | For information on the Group, please refer to Element B.5 and section 6 of this Prospectus.<br>The Group is inter-related with regard to both financial and operational matters and the Group companies are as such dependent on each other. The Issuer is the administrative body of the Group, and the Guarantors are *special purpose vehicles* (SPVs) owning one vessel each (WIND SERVER and WIND PIONEER). The third vessel, WIND, is owned by the Issuer. |
| **B.15** | Principal activities | ZITON is a Danish based full-service provider within offshore wind operations and maintenance (O&M), serving leading offshore wind farm owners (WFOs) and wind turbine manufacturers (OEMs) across Europe. The Group's service offering includes maritime project planning and execution, lift planning and execution, and the provision of specialised jack-up vessels with experienced crews as well as technicians, tools and equipment. The Group owns and operates three dedicated jack-up vessels and employs approximately 100 staff, of which some 75 offshore. |
| **B.16** | Ownership and control | ZITON was partially acquired by BWB Partners in 2012, who is the largest shareholder in the Company with approximately 59.5 per cent. ownership share through the company Jack-up Holding A/S. The other shareholders in the Company are Ove Eriksen (through Dansk Bjergning & Bugsering Holding ApS) with approximately 25.1 per cent. ownership share, Niels Ørskov Christensen (through OY Finans ApS) with approximately 14.8 per cent. ownership share, and with the remaining 0.6 per cent. of the shares held by the Chairman of the Company and the Company's management |
| **B.17** | Credit ratings | Not applicable. Neither the Company nor the Guarantors have ordered any credit ratings. |
| **B.18** | The nature and scope of the guarantee | The Guarantees are joint and several unconditional and irrevocable Norwegian law guarantees (Nw. *selvskyldnergaranti*) made by each of the Guarantors. The Guarantees are further described in section 5.4 |

***Section C - Securities***

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| **C.1** | Type and class of security | This Prospectus is made in respect of the Company's two Bond Issues, being:<br>(i) Senior secured open callable bonds in an initial amount of EUR 100,000,000 and in a maximum amount of EUR 125,000,000 with ISIN NO 0010832488 (the *First Lien Bonds*); and<br>(ii) Second priority secured callable PIK bonds in an amount of EUR 25,000,000 with ISIN NO 0010832512 (the *Second Lien Bonds*). |
| **C.2** | Currency of the securities issue | EUR |
| **C.5** | Restrictions on the free transferability of the securities | The Bonds are freely tradable. Bondholders may however be subject to purchase or transfer restrictions under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Pursuant to the Bond Terms, each Bondholder must ensure compliance with applicable local laws and regulations at its own cost and expense. |

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| **C.8** | Rights attached to the Bonds | The First Lien Bonds constitute senior debt of the Company, secured on a joint first priority basis (together with the WCF) with security granted over certain of the assets of the Company and the Guarantors, and otherwise rank at least *pari passu* with the claims of its other creditors, except for obligations which are mandatorily preferred by law, however subject to the terms of the Intercreditor Agreement.<br><br>The Second Lien Bonds constitute senior debt of the Company, secured on a second priority basis ranking behind the WCF and the First Lien Bonds with security granted over certain of the assets of the Company and the Guarantors, and otherwise rank at least *pari passu* with the claims of its other creditors, except for obligations which are mandatorily preferred by law, however subject to the terms of the Intercreditor Agreement. | |
| **C.9** | Terms of the Bonds | **First Lien Bonds**:<br><br>Max. issue amount: EUR 125 million<br><br>Coupon rate: EURIBOR 3M + 6.90 per cent (subject to margin step-down cf. section 5.2)<br><br>Interest payment dates: 3 January, 3 April, 3 July and 3 October each year<br><br>Amortisation: Four instalments of EUR 2.5 million each, balloon repayment of remainder on maturity<br><br>Final maturity date: 3 October 2021 at a price equal to 100.00 per cent of the Nominal Amount<br><br>Please refer to section 5.2 for a detailed overview of the terms of the First Lien Bonds. | **Second Lien Bonds**:<br><br>Max. issue amount: EUR 25 million<br><br>Coupon rate: EURIBOR 3M + 11.85 per cent<br><br>Interest payment dates: 3 January, 3 April, 3 July and 3 October each year (as payment-in-kind)<br><br>Amortisation: bullet repayment on maturity<br><br>Final maturity date: 3 April 2022 at a price equal to 100.00 per cent of the Nominal Amount<br><br>Please refer to section 5.3 for a detailed overview of the terms of the Second Lien Bonds. |
| | | Yield: Investors wishing to invest in the Bonds after the issue date must pay the market price for the Bonds in the secondary market at the time of purchase. Depending on the development in the bond market in general and the development of ZITON, the price of the Bonds may have increased (above par) or decreased (below par). As the Bonds have a floating reference rate, it is the market's expectations of risk premium, i.e. margin that affects the price. If the price has increased, the yield for the purchaser in the secondary market, given that the reference rate does not change, will be lower than the interest rate of the Bonds and vice versa. At par, the yield will be the equivalent of the current reference rate of EURIBOR 3M + the applicable margin of the Bonds. | |
| **C.10** | Derivative component | The Bonds have no derivative component. | |
| **C.11** | Admission to trading | The Company has applied for listing of Bonds on Oslo Børs, and admission to trading is expected to be on or about 29 November 2018 with ticker code "ZITON02" in respect of the First Lien Bonds and "ZITON03" in respect of the Second Lien Bonds. | |

***Section D – Risks***

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| **D.2** | Key information on the key risks that are specific to the issuer | *Please refer to section 2 (Risk factors) for a detailed overview of risks relating to ZITON and the Bonds.*<br>· Regulations governing operations<br>· Competition risk<br>· Technological progress might render the technologies used by the Group obsolete<br>· Risks related to BREXIT<br>· Operational risks associated with offshore operations<br>· The Group may assume substantial responsibilities<br>· Dependence on key executives and personnel<br>· Dependence on employment of the Group's vessels<br>· Risk associated with idle periods before bond maturity<br>· Expiry of Siemens Gamesa Contract<br>· The outcome of future claims and litigation could have a material adverse impact on the business, results of operation and financial condition of the Group<br>· Risks associated with upgrade, refurbishment and repairs<br>· Compliance with financial covenants<br>· Foreign exchange risk<br>· Credit risk on customers<br>· Liquidity risk – cost of funding operations<br>· Borrowing and leverage<br>· Related party transactions<br>· Overall tax structure |
| **D.3** | Key information on the key risks that are specific to the securities | *Please refer to section 2 (Risk factors) for a detailed overview of risks relating to ZITON and the Bonds.*<br>· The Bond Terms will impose significant operating and financial restrictions<br>· The Issuer may prepay the Bonds prior to their maturity<br>· Change of control - The Issuer's ability to redeem the Second Lien Bonds with cash may be limited<br>· There is likely to be a limited trading market for the Bonds<br>· The market price of the Bonds may be volatile<br>· Mandatory prepayment events<br>· Cash requirement to meet debt obligations and sustain operations<br>· Credit risk including restrictions on debt service and upstream capacity<br>· Modification of the bonds or waivers or authorizations of breaches and substitution<br>· Value of the security assets<br>· Limitations as to Security and perfection of Security<br>· Restrictions on transfers, failure to perfect security and priority<br>· Difficulties in enforcing the security<br>· Legal limitation on the Security Agent's ability to act<br>· Resale restrictions<br>· General risk regarding interest bearing securities<br>· Risks related to the market<br>· Enforceability of Civil Liabilities |

***Section E – Offer***

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| **E.2b** | Reasons for the offer and use of proceeds | The purpose of the Bonds is to (i) refinance the Company's existing EUR 100 million bond issue, including redemption costs, (ii) partial repayment of existing subordinated debt, (iii) finance the purchase of Blue Water Capital's shares in Jack-Up InvestCo 3 Plc, (iv) pay transaction costs, and (v) finance general corporate purposes of the Group.<br><br>The purpose of any subsequent tap issues under the First Lien Bond Issue shall be (i) the partial financing of the purchase of a new vessel, subject to fulfilling the relevant conditions stipulated under the "Permitted Debt" basket, and (ii) payment of transaction costs.<br><br>Please refer to sections 5.2 and 5.3 for a detailed overview of the purpose of the Bonds and the use of proceeds. |
| **E.3** | Terms and conditions of the offer | The Prospectus relates to the listing of already issued Bonds, the terms and conditions of which are governed by the Bond Terms appended to this Prospectus as Appendices 1 and 2 in respect of the First Lien Bonds and the Second Lien Bonds (respectively). |
| **E.4** | Material interests | The Manager or their affiliates have provided from time to time, and will provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Manager, their employees and any affiliate may currently own bonds in the Company. The Manager does not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Manager received a commission in connection with the issue of the Bonds. |
| **E.7** | Estimated expenses charged to the investor by the issuer or the offeror | Not applicable. The Company will not charge any expenses to the investors. |

## 2. RISK FACTORS

*Prior to any decision to invest in the Issuer's securities, potential investors should carefully read and assess the following specific risks and the other information contained in this Prospectus. If these risks materialize, individually or together with other circumstances, they may substantially impair the business of the Group and have material adverse effects on the Group's business prospects, financial condition or results of operations and the price of the Issuer's securities may decline, causing investors to lose all or part of their invested capital. As certain of the assets of the Group are held by the Issuer's subsidiaries, the risks associated with the Group will also be relevant for the Issuer, and references to the "Group" shall mean the Issuer, its subsidiaries and the ZITON group in general. The order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity or significance of individual risks. An investment in the Issuer is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.*

### 2.1 Market risk

#### 2.1.1 *Regulations governing operations*

The Group is subject to the laws and regulations governing the offshore industry. The Group is required to comply with the various regulations introduced by the authorities where the operations take place, various flag states and the guidelines introduced by the International Maritime Organisation (IMO) where applicable. In the event that the Group is unable at any time to comply with the existing regulations or any changes in such regulations, or any new regulations introduced by local or international bodies, the operations may be adversely affected. Any change in or introduction of new regulations, may increase the costs of operations, which could have an adverse effect on the Group's profitability. Furthermore, if the Group's vessels do not comply with the extensive regulations applicable from time to time, the consequence may be that vessels are refused to continue their operations.

#### 2.1.2 *Competition*

The Group's equipment and services are provided in an open market characterized by a relatively small number of potential clients and a relatively small number of suppliers. The demand for the Group's services may be volatile and is subject to variations for a number of reasons, including such factors as uncertainty in demand for service programs, regulatory changes, competition from other suppliers and competition from installation vessels. The latter is carrying significant risk since the demand for dedicated O&M vessels is impacted by installation vessels carrying out O&M tasks instead of WTG installations. If the forecast pick-up in the number of installations of offshore WTGs is not realised, there may be a continued overcapacity of installation vessels competing for O&M tasks, thereby negatively impacting the Issuer's ability to obtain employment contracts in the spot market. Additionally, as the Siemens Gamesa Contract is not to be extended post Mid-March 2019, weak market conditions could adversely influence the Group's financial position.

Should a situation occur where demand is reduced which makes the operation of the Group's assets unprofitable; there are limited prospects to employ the Group's assets profitably in other businesses. The failure of the Group to maintain competitive equipment and services offering could have a material adverse effect on the Group's business, operating results or financial condition.

#### 2.1.3 *Technological progress might render the technologies used by the Group obsolete*

The market for the services and products of the Group is characterized by continued technological developments to provide better and more reliable performance and services. If the Group is not able to offer commercially competitive products and to implement commercially competitive services in response to changes in technology, the business, results of operations and financial condition of the Group could be materially and adversely affected, and the value of the intellectual property of the Group reduced.

### 2.1.4 *Risks related to BREXIT*

Following the referendum in the United Kingdom (UK) on 23 June 2016, UK and the European Union (EU) have negotiated the terms concerning UK leaving EU and the future trade relationship between UK and EU ("BREXIT"). UK and EU are still negotiating with the aim to agree on a plan for BREXIT including (the free or restricted) transfer of people, goods, capital and services post BREXIT. There are still uncertainties as to the final outcome of BREXIT but a not unlikely outcome is that services and capital will no longer be freely passportable between UK and EU. This would *inter alia* entail that the Group may be restricted from offering its services in the UK sector. In addition, BREXIT may impact on the stability and development of the financial markets (including interest rates) and business markets in the EU and have negative impact on the business, financial condition, results of operations and prospects of the Company and its customers, and market conditions relevant to the Bonds.

## 2.2 Operational risk

### 2.2.1 *Operational risks associated with offshore operations*

The Issuer will be exposed to operational risks associated with offshore operations, such as breakdowns, bad weather, technical problems, environmental pollution, force majeure situations (nationwide strikes etc.), collisions and groundings, that may have a material adverse effect on the earnings and value of the Issuer. There are several factors that could contribute to an accident, including, but not limited to, human errors, weather conditions and faulty constructions.

### 2.2.2 *The Group may assume substantial responsibilities*

It should be emphasized that contracts in the offshore sector of the nature that the Group expects to enter into for its vessels require high standards of safety, and it is important to note that all offshore contracts are associated with considerable risks and responsibilities. These include technical, operational, commercial and political risks. The Group will obtain insurances deemed adequate for its business, but it is impossible to insure against all potential risks and liabilities.

### 2.2.3 *Requisition or arrest of assets*

The Group's vessels could be requisitioned by a government in the case of war or other emergencies or become subject to arrest. This could significantly and adversely affect the earnings of the Issuer and the Guarantors as well as the Guarantors' and Issuer's liquidity.

### 2.2.4 *Intellectual property rights*

The Group must observe third parties' patent rights and intellectual property rights. There is always an inherent risk of third parties claiming that the technology being utilized in the Group's operations infringes third parties' patents or intellectual property rights, and any such claim, if successful, could have a material adverse effect on the Group's results of operation.

### 2.2.5 *Dependence on key executives and personnel*

The Group's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel. The loss of the services of any of the senior management or key personnel may have an adverse impact on the Group.

### 2.2.6 *Dependence on employment of the Group's vessels*

A considerable portion of the Group's income will be dependent on employment contracts and employment of the Group's vessels and there is a risk that it may be difficult for the Group to obtain employment contracts. The Group's vessels may work in environments where the season makes it difficult for customers to conduct their normal work and operations. Consequently, the Group's vessels may be idle

during such periods without any compensation to the Issuer. There can also be off-hire periods between employment contracts and as a consequence of defects and non-performance. The cancellation or postponement of one or more employment contracts can have a material adverse impact on the earnings of the Issuer and may thus affect the ability to serve its debts when due.

### 2.2.7 *Risk associated with idle periods before bond maturity*

There is risk associated with the fact that it may prove difficult for the Group to obtain employment contracts after (i) the Siemens Gamesa Contract expires in mid-March 2019 and (ii) other contracts expire. This can result in a material adverse impact on the financial condition of the Issuer and the Group and their ability to serve their debts in the period between the expiration of the contracts and the maturity of the Bonds, if the contracts are not renewed or extended. In general, there is considerable uncertainty as to the duration of employment contracts because the agreements gives the operator both extension and early cancellation options.

### 2.2.8 *Expiry of Siemens Gamesa Contract*

Cash flow generated under the Siemens Gamesa Contract for WIND SERVER has been essential to serve the Group's interest payments and mandatory instalments under the Group's previous EUR 100 million bond issue. Siemens Gamesa generated approximately 50 per cent of revenues in H1 2018 and was consequently the Group's largest customer. Siemens Gamesa has informed the Company that the existing Siemens Gamesa Contract will not be extended beyond Mid-March 2019, and the Company expects a tender process to be initiated during 2018 with respect of Siemens Gamesa's expected demand for interventions going forward. No assurance can be made as to the future profitable occupation of WIND SERVER, or any other vessel, under new contracts with Siemens Gamesa or any other party. If the Group is not able to replace the Siemens Gamesa Contract with a new contract with similar day rates after the expiry of the Siemens Gamesa Contract it could have a materially and adverse effect on the business, results of operations or financial position of the Group.

### 2.2.9 *Dependence on services from third parties to complete some of the employment contracts*

Part of the work performed under the employment contracts of the Group is performed by third-party subcontractors and service providers. The Group also relies on third-party equipment manufacturers or suppliers to provide equipment and materials used in its projects. If the Group is unable to hire qualified subcontractors or service partners, or find qualified equipment manufacturers or suppliers, its ability to successfully complete a project could be impaired. If the amount the Group is required to pay for subcontractors or equipment and supplies exceeds what have been estimated, the profitability of such contracts will be negatively affected and potentially result in a loss. If a subcontractor, supplier, or manufacturer fails to provide services, supplies or equipment as required under a contract for any reason, the Group may be required to source these services, equipment or supplies from other third parties leading to delays or higher prices than anticipated, which could also negatively impact contract profitability.

During periods of wide-spread economic slowdowns, third parties may find it difficult to obtain sufficient financing to help fund their operations. The inability to obtain financing could adversely affect a third party's ability to provide materials, equipment or services which could materially and adversely impact the business, results of operations or financial condition of the Group.

### 2.2.10 *The outcome of future claims and litigation could have a material adverse impact on the business, results of operation and financial condition of the Group*

The nature of the business of the Group may sometimes result in clients, subcontractors, or vendors claiming for, among other things, recovery of costs related to certain contracts and projects. Similarly, the Group may present changed orders and other claims to its clients, subcontractors, and vendors. In the event that the Group fails to document properly the nature of the claims and change orders or are

otherwise unsuccessful in negotiating reasonable settlements with its clients, subcontractors, or vendors, the Group could incur cost overruns, reduced profits or, in some cases, a loss for a project or a service contract. Additionally, irrespective of how well the nature of the claims and change orders is documented, the cost to prosecute and defend claims and change orders can be significant.

Further future claims against the Group could result in professional liability, product liability, criminal liability, warranty obligations, and other liabilities which, to the extent the Group is not insured against such loss or the insurer fails to provide coverage, could have a material adverse impact on the business, results of operation and financial condition of the Group.

#### 2.2.11 *Risks associated with upgrade, refurbishment and repairs*

The Group will incur upgrade, refurbishment and repair expenditures for the Group's vessels from time to time, including when repairs or upgrades are required by law, in response to an inspection by a governmental authority, or when damaged. These upgrades, refurbishment and repair projects are subject to risks, including delays and cost overruns, which could have an adverse impact on the Group's available cash resources and results of operations.

### 2.3 Financial risk

#### 2.3.1 *Compliance with financial covenants*

The Group has from time to time several financing arrangement with third party financiers. Such agreements may include financial covenants where the Group is required to maintain certain financial ratios to comply with the terms of the financing agreement. The Group's ability to comply with the financial covenants in its financing arrangements depend on the Group's results, which is dependent on the prevailing economic and competitive conditions in addition to financial, operational and other factors outside the control of the Group. There can be no guarantee given that the Group is able to comply with all the conditions in loan agreements associated with current or future debt or that its lenders will waive or amend the conditions in order to avoid a breach of the Group's debt commitments.

#### 2.3.2 *Foreign exchange risk*

The Group operates in multiple jurisdictions and is exposed to currency risk related to commercial transactions, assets and liabilities and investments in foreign operations. Commercial transactions, assets and liabilities are subject to currency risk when payments are denominated in a currency other than the functional currency of the relevant group company. The Group's exposure to currency risk is primarily to EUR, GBP and DKK, but future currency risk could also be related to other currencies depending on employment contract locations and executions.

#### 2.3.3 *Credit risk*

The Issuer's main customers are Siemens Gamesa, MHI Vestas, Ørsted and Vattenfall and accordingly, the financial standing of the Issuer is dependent on such customers' profitability and financial standing, stressing the importance of the Issuer's ability to secure payments from its customers as well as secure other customers for its operations. There is a risk that payment from the customers of the Group is delayed or that the customers fail to pay invoices at all. In weak economic environments, the Group may experience increased delays and failures due to, among other reasons, a reduction in the customer's cash flow from operations and access to the credit markets. Further, from time to time, the Group will be in disagreement with customers in respect of allocation of costs and losses in connection with cost overruns or delays in projects; which could cause such customers to delay payment of disputed or undisputed amounts. If customers delay or fail in paying significant amounts of outstanding receivables, for any reason, this could have a material adverse effect on the Group's liquidity position, and on the business, results of operations and financial condition of the Group.

### 2.3.4 *Liquidity risk – cost of funding*

The Issuer is dependent on cash flow from the Guarantors and other operations in order to be able to meet its debt obligations as and when they fall due. As there are many factors affecting the Issuer's liquidity, prospective investors should carefully assess each such factor before investing in the Bonds. Furthermore, a termination of the working capital facility may have a significant negative effect on the liquidity and profitability of the Group, and there can be no assurance that the Issuer will be able to replace the existing working capital facility with new financing on satisfactory terms.

### 2.3.5 *Borrowing and leverage*

The Issuer is relatively leveraged and will have a substantial amount of debt after the issuance of the Bonds. The Issuer's ability to service its indebtedness as and when it falls due is dependent upon the Group generating sufficient cash from its operations. Should the Group's operations not generate sufficient cash flow to satisfy future liquidity requirements and/or to finance future operations, the Group may not be able to obtain or secure new financing due to its relatively high level of leverage.

The amount of debt incurred by the Issuer could have several negative implications, including but not limited to:

- the Issuer may be more vulnerable to general adverse economic and industry conditions;
- the Issuer may be at a competitive disadvantage compared to its competitors with less indebtedness or comparable indebtedness at more favourable interest rates and as a result, it may not be better positioned to withstand economic downturns;
- the Issuer's ability to refinance indebtedness may be limited or the associated costs may increase; and
- the Issuer's flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or the Issuer could be prevented from carrying out capital expenditures that are necessary or important to the Issuer's growth strategy and efforts to improve operating margins for the Issuer's business.

### 2.3.6 *Related party transactions*

The Group has engaged and will continue to engage in a variety of transactions with related parties. While the Group believes that such transactions have been conducted on an arm's length basis, the Group cannot provide assurance that the tax or other relevant authorities will not challenge these transactions in the future, which may have a material adverse effect on the Group's business, revenues, financial condition and results of operations.

### 2.3.7 *Value of secured assets*

Although the Bonds are secured, there can be no assurance that the value of the Issuer's and Guarantors' assets will be sufficient to cover all the outstanding Bonds together with accrued interest and expenses in case of a default and/or if the Issuer and/or the Guarantors enter into bankruptcy. A liquidation scenario may also make it difficult to obtain full market value for the secured assets, which may leave bondholders impaired.

### 2.3.8 *Limitations as to Security and the perfection of Security*

The assignment of the rights and entitlements of the Issuer under the Siemens Gamesa Contract (including all earnings payable and security granted thereunder) requires the consent of Siemens Gamesa and there can be no assurance of such consent. Further, the Issuer is expected to be able to receive payments and other entitlements under the Siemens Gamesa Contract as long as no Event of Default is continuing. Under Danish law the assignment of rights and entitlements under the Siemens Gamesa

Contract will not be considered as duly perfected until an Event of Default has occurred and the Issuer's access to such payments and other entitlements is blocked. The assignment will then be voidable if the Issuer is placed under insolvency proceedings within 3 months thereof (or a longer period if the Issuer was insolvent when this security was perfected). This will imply a significant risk that such assignment will not be effective. Furthermore, under Malta law the security in WIND SERVER and the guarantee from Jack-Up InvestCo 3 will not apply to the part of the loan financing purchase of shares in Jack-Up InvestCo 3 from BWC.

#### 2.3.9 *Overall tax structure*

The Issuer may directly or indirectly operate in numerous countries throughout the world. Consequently, the Group will be subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in various jurisdictions. Tax laws and regulations are highly complex and subject to interpretation. The Group's income tax expense will be based upon its interpretation of the tax laws in effect in various countries at the time that the expense will be incurred. If applicable laws, treaties or regulations change or other tax authorities do not agree with the Issuer's and/or any subsidiaries' assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on the Issuer.

### 2.4 Risks related to the Bonds

#### 2.4.1 *The Bond Terms will impose significant operating and financial restrictions*

The Bond Terms will contain restrictions on the Issuer's and Guarantors' activities, including, but not limited to, covenants that limit their ability to:

- transfer or sell assets or use asset sale proceeds other than in or towards prepayment of the Bonds;
- incur or guarantee additional debt;
- make certain investments or acquisitions;
- create or permit security interests on the Issuer's assets;
- pay dividends or make other payments;
- enter into transactions with affiliates; and
- dispose of the Group's vessels.

The restrictions in the Bond Terms may prevent the Issuer and the Guarantors from taking actions that they believe would be in the best interest of the Issuer's business, and may make it difficult for the Issuer to execute its business strategy successfully or compete effectively with companies that are not similarly restricted. The Issuer cannot assure investors that it will be granted waivers from or amendments to these agreements if for any reason it is unable to comply with these agreements. The breach of any of these covenants and restrictions can result in an event of default under the Bond Terms.

#### 2.4.2 *The Issuer may prepay the Bonds prior to their maturity*

Pursuant to the Bond Terms, the Issuer may prepay the Bonds prior to their maturity date. The amount to be paid to each bondholder if such option is exercised is equal to their outstanding principal amount of the Bonds, plus accrued and unpaid interest to the date of redemption and a premium calculated in accordance with the terms and conditions of the Bond Terms. The call option mechanisms may limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This

may also be true prior to any redemption period. The Issuer may be expected to redeem the Bonds when its general cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### 2.4.3 *Change of control - The Issuer's ability to redeem the Second Lien Bonds with cash may be limited*

Upon the occurrence of a Change of Control Event (as defined in the Second Lien Bond Terms), each individual bondholder have a right of pre-payment of the Second Lien Bonds at a price of 101 per cent of par value plus all accrued and unpaid interest to the date of redemption. However, it is possible that the Issuer will not have sufficient funds at the time of the Change of Control Event to make the required redemption of Second Lien Bonds. The Issuer's failure to redeem tendered Second Lien Bonds would constitute an event of default under the Second Lien Bond Terms.

#### 2.4.4 *There will only be a limited trading market for the Bonds*

There is no existing market for the Bonds, and there can be no assurance given regarding the future development of a market for the Bonds and therefore, the liquidity of the Bond and the volume it is traded in cannot be guaranteed. This may apply even if the Bonds are listed and there are no market-makers agreements in palace or intended to be established in order to secure a liquid market for the Bonds after the Issue Date.

#### 2.4.5 *The market price of the Bonds may be volatile*

The market price of the Bonds may experience significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer's operating results, financial condition or prospects.

#### 2.4.6 *Mandatory prepayment events*

In accordance with the terms and conditions of the Bond Terms, the Bonds are subject to mandatory prepayment by the Issuer on the occurrence of certain specified events, referred to as *Mandatory Prepayment Events*. Please refer to sections 5.2 and 5.3 in this Prospectus in respect of each of the Bond Terms for detailed descriptions thereof. Following any early redemption after the occurrence of a *Mandatory Prepayment Event*, it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. It is further possible that the Issuer will not have sufficient funds at the time of the *Mandatory Prepayment Event* to make the required redemption of Bonds.

#### 2.4.7 *Cash requirement to meet debt obligations and sustain operations*

If the Group does not have sufficient cash flows to pay its financial indebtedness and to fund its other liquidity needs the Issuer may become dependent on obtaining new financing. No assurance can be given that the Issuer will be able to obtain such financing on terms acceptable to the Issuer.

#### 2.4.8 *Debt service and upstream capacity*

Applicable law may limit the amounts that some of the members of the Group will be permitted to pay as dividends or distributions on their equity interests, and limitations on the ability to transfer cash among

entities within the Group may mean that even though the entities in aggregate may have sufficient resources to meet their obligations, the Issuer may not be permitted to make the necessary transfers within the Group.

### 2.4.9 *Modification of the bonds or waivers or authorizations of breaches and substitution*

The Bond Terms will contain provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority.

The Bond Trustee may, without the consent of the bondholders, agree to certain modifications of the Bond Terms and other Finance Documents (as defined in each of the Bond Terms) which, in the opinion of the Bond Trustee, are proper to make. Such modifications which will be binding upon the bondholders will and further described in the Bond Terms.

### 2.4.10 *Value of the security assets*

If the value of the security (or the underlying secured assets) is less than the value of the claims of the bondholders together with the claims of the other secured creditors, those claims may not be satisfied in full and no assurance can be given with respect to the amount that could be received upon a sale of any security.

### 2.4.11 *Restrictions on transfers, failure to perfect security and priority*

The security is subject to restrictions on the transferability and/or assignability of an asset that will apply mutatis mutandis with respect to the creation of a security interest over that asset. Furthermore, certain assets can only be properly perfected and its priority retained, through certain actions required to be undertaken by the secured party or the grantor of the security. Finally, the ranking of pledges could be determined by the date on which they were perfected.

### 2.4.12 *Difficulties in enforcing the security*

The security might be subject to defects, encumbrances, liens and other imperfections permitted under the Bonds which could adversely affect the value of the security and the ability to enforce or realize the security. Upon the occurrence of an event of default under the Bond Terms, any enforcement proceedings could be subject to lengthy delays resulting in, inter alia, increased custodial costs, adverse tax consequences. The costs of enforcement in any foreign jurisdictions, particularly if proceedings are on-going simultaneously in different jurisdictions, can be high. Even if the bondholders are successful in bringing an action in these jurisdictions, local laws may prevent or restrict the bondholders from enforcing a judgment against the Group's assets or the assets of its officers.

### 2.4.13 *Legal limitation on the Security Agent's ability to act*

The bondholders will be restricted from taking actions against the Issuer and/or Guarantors, other than through the Security Agent and the Bond Trustee (as applicable). The ability for such parties to act on behalf of the bondholders will differ among various jurisdictions and the concept of an agent/trustee may not be recognized in the jurisdiction in which the relevant security interests and/or claims need to be enforced.

### 2.4.14 *Resale restrictions*

The Bonds are being offered and sold pursuant to an exemption from registration under United States and applicable state security laws. Therefore, the Bonds may be transferred or resold in the United States only in a transaction registered under or exempt from the registration requirements of the securities act and applicable state securities law, and the seller maybe required to bear the risk of the investment for an

indefinite period of time. Furthermore, there cannot be any assurance that an active market will develop for the bonds, which could imply that an investor may not be able to sell its Bonds at all or sell the Bonds at an acceptable price.

### 2.4.15 *General risk regarding interest bearing securities*

All investments in interest bearing securities, such as the Bonds has risks associated with it, such as risks related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors.

### 2.4.16 *Risks related to the market*

There can be no assurance that there will be a liquid market for the Bonds. Therefore, investors may not be able to sell their bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have severely adverse effect on the market value of the Bonds.

### 2.4.17 *Enforceability of Civil Liabilities*

The Issuer is a limited liability company organized under the laws of Denmark and the directors and executives of the Issuer reside in Denmark. As a result, it may not be possible for investors in other jurisdictions to effect service of process in other jurisdictions upon such persons or the Issuer or to enforce judgments on such persons or the Issuer in other jurisdictions.

## 3. RESPONSIBILITY STATEMENT

The Company, with registered address Bygholm Søpark 21 E, 8700 Horsens, Denmark, is responsible for this Prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is to the best of the Company's knowledge in accordance with the facts and contains no omissions likely to affect its import.

Denmark, 28 November 2018

Ziton A/S

# 4. CAUTIONARY NOTE TO INVESTORS

## 4.1 Forward-looking statements

This Prospectus includes forward-looking statements, including, without limitation, projections and expectations regarding the Group's future financial position, business strategy, plans and objectives. If and when used in this document, the words "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should", "seek to" or, in each case, their negative, or other variations or similar expressions, as they relate to the Company, its subsidiaries or its management, are intended to identify forward-looking statements, and are included in section 6.7 ("Vessels and ownership"), section 6.10 ("Customer contracts") and section 7 ("Industry and Principal Markets") of this Prospectus. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company and its subsidiaries will operate. Factors that could cause the Group's actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to:

- the general and competitive nature of the markets in which the Group operates;
- global and regional economic conditions;
- government regulations;
- changes in political events;
- force majeure events; and
- exchange rate fluctuations.

Prospective investors in the Bonds are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. The Group cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur. These forward looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this Prospectus.

The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

## 4.2 Manager's liability disclaimer

The Manager make no representation or warranty, express or implied, as to the accuracy or completeness of the information in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Manager. Neither the Company nor the Manager has authorised any other person to provide investors with any other information related to the Listing and neither the Company nor the Manager will assume any responsibility for any information other persons may provide.

## 5. THE BONDS

### 5.1 The terms and details of the Bonds

Both the First Lien Bonds and the Second Lien Bonds were issued at 3 October 2018.

The terms and details of the First Lien Bonds and the Second Lien Bonds are set out in sections 5.2 and 5.3 below (respectively). The Bonds comprise the same security and guarantee, however on first and second priority, save for a certain retention account pledge which is applicable solely in relation to the First Lien Bonds in connection with interest payments and repayments in instalments. Please refer to section 5.5 for a description of the Intercreditor Agreement regulating among other things the ranking of payments and security between, *inter alia*, the First Lien Bonds and the Second Lien Bonds.

### 5.2 The First Lien Bonds

(*Capitalised terms and expressions used in this section 5.2 shall have the meaning given to them herein*).

| | |
|---|---|
| **ISIN:** | NO 0010832488 |
| **Securities type:** | Bond issue with floating rate. |
| **Issuer:** | Ziton A/S with registration no 24620417, incorporated under the laws of Denmark. |
| **Group:** | The Issuer and all Subsidiaries from time to time and "Group Company" means the Issuer or any of the Subsidiaries. |
| **Guarantors:** | Jack-Up InvestCo 3 Plc, with registration no. C 57037 and incorporated in the Republic of Malta ("Jack-Up InvestCo 3"), Jack-Up InvestCo 2 A/S, with registration no. 34589801 and incorporated in Denmark ("Jack-Up InvestCo 2"), and any New Vessel SPV (if established). |
| **Currency:** | EUR. |
| **Bond Issue:** | The Initial Bond Issue and any Subsequent Bond Issue. |
| **Initial Bond Issue:** | EUR 100,000,000. |
| **Subsequent Bond Issues:** | The Issuer may at one or more occasions issue additional Bonds amounting to EUR 25,000,000 in aggregate (together with the Initial Bond Issue, in total EUR 125,000,000 (each a "Subsequent Bond"), provided that the Issuer meets the Incurrence Test. |
| **Interest Rate:** | The Bonds shall carry interest at EURIBOR (3 months) plus the Initial Floating Rate Margin, payable quarterly in arrears. EURIBOR floor at 0.00 per cent. will apply, and adjusted for the potential Margin Step-Down, as applicable.<br><br>EURIBOR is an acronym for Euro Interbank Offered Rate and is a daily reference rate, published by the European Money Markets Institute, based on the averaged interest rates at which Eurozone banks offer to lend unsecured funds to other banks in the euro wholesale money market (or interbank market). In the calculation, the highest and lowest 15% of all the quotes collected are eliminated. The remaining rates will be averaged and rounded to three decimal places. EURIBOR is the primary benchmark, along with the LIBOR, for short-term interest rates around the world. Please refer to the definition of "Reference Rate" in the Bond Terms for further information.<br><br>Information about the past and the future performance of the EURIBOR and its volatility can be obtained at http://www.euribor-rates.eu/. |

Name of calculation agent: European Money Markets Institute.

**Initial Floating Rate Margin:** 6.90 per cent per annum.

**Yield:** As the Bonds have a floating interest rate, the yield paid out to the Bondholders fluctuates. Consequently it is not possible to provide an exact figure for the annual return for Bondholders.

The relevant interest payable amount shall be calculated based on a period from, and including, the First Issue Date to, but excluding, the next following applicable Interest Payment Date, and thereafter from and including, that Interest Payment Date to, but excluding, the next following applicable Interest Payment Date.

The day count fraction in respect of the calculation of the payable interest amount shall be "Actual/360", which means that the number of days in the calculation period in which payment being made divided by 360 ("Interest Rate Day Count Fraction").

The interest rate on the Bonds is set/reset on each interest quotation date by the Bond Trustee, being two Business Days before the beginning of the next Interest Period, commencing at the first date of the next Interest Period.

When the interest rate is set for the first time and on subsequent interest rate resets, the interest rate applicable up to the next Interest Period, and the actual number of calendar days for that period, shall immediately be notified to the Bondholders, the Issuer, the Paying Agent and Oslo Børs.

The payable interest amount per Bond for a relevant Interest Period shall be calculated as per the following formula:

$$Interest\ amount = (Nominal\ Amount \times Interest\ Rate \times Interest\ Rate\ Day\ Count\ Fraction)$$

Example calculation for a 90 days Interest Period if applicable Interest Rate equals 6.90 per cent.:

$$Interest\ amount = \left(\text{EUR } 1.00 \times \frac{6.90}{100} \times \frac{90}{360}\right) = \text{EUR } 0.01725$$

**Margin Step-Down:** The Initial Floating Rate Margin shall, provided the Maintenance Test is satisfied, be adjusted downwards by 100 basis points following an Equity Capital Raising and Equity Listing Event having occurred provided the ratio of Net Interest Bearing Debt to EBITDA (for this purpose excluding the Second Lien Bonds) is less than 4.00.

The Margin Step-Down shall apply from (but excluding) the first Interest Payment Date occurring after the above criteria are all met. The Margin Step-Down shall be cancelled with effect from the next Interest Payment Date if the test criteria for adjustment are no longer met.

**First Issue Date:** 3 October 2018.

**Issue Date:** The First Issue Date and any subsequent date when issuance of Subsequent Bonds takes place.

**Final Redemption Date:** 3 October 2021 (3 years after the Issue Date) at a price equal to 100.00 per cent of the Nominal Amount.

| | |
|---|---|
| **Interest Payment Dates:** | 3 January, 3 April, 3 July and 3 October each year (with the first Interest Payment Date on 3 January 2019 and the last Interest Payment Date being the Final Redemption Date). |
| **Interest Period:** | The period between the Interest Payment Dates, however subject to adjustment in accordance with Business Day Convention. |
| **Interest Payments:** | Interest on the Bonds will accrue from (and including) the Issue Date up to (but excluding) the relevant redemption date. The interest shall be payable quarterly in arrears on the Interest Payment Dates each year, or if the relevant Interest Payment Date does not fall on a banking day in Norway, on the first subsequent banking day (no adjustments of banking day).<br><br>Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). |
| **The Time Limit on the Validity of Claims to Interest and Repayment of Principal:** | Claims of interest and principal shall be subject to the time-bar provisions of the Norwegian Limitations Act of 18 May 1979 no. 18, p.t. 3 years for interest rates and 10 years for principal. |
| **Price:** | 100.00 per cent. of the Nominal Amount for Bonds issued on the Issue Date. |
| **Nominal Amount:** | The nominal amount of each Bond will be EUR 1.00. |
| **Outstanding Nominal Amount:** | The Bond Issue less any repayments and amortizations made. |
| **Minimum Investment:** | The minimum permissible investment (minimum subscription and allotment amount) upon issuance of the Bonds is EUR 100,000. |
| **Purpose of the Initial Bond Issue:** | The purpose of the Initial Bond Issue is to (i) refinance the Existing Bond, including redemption costs, (ii) partial repayment of the Co-investor Loan, (iii) finance the purchase of BWC's shares in Jack-Up InvestCo 3 Plc, (iv) pay Transaction Costs, and (v) finance general corporate purposes of the Group. |
| **Purpose of a Subsequent Bond Issue:** | The purpose of any Subsequent Bond Issue shall be (i) the partial financing of the purchase of a New Vessel, subject to fulfilling the conditions stipulated under Permitted Debt, paragraph (j), and (ii) payment of Transaction Costs. |
| **Super Senior Working Capital Facility:** | The super senior working capital and guarantee facility to be provided to the Issuer by one or several bank lenders, and any refinancing or replacements thereof. The working capital facility shall be no more than DKK 50 million. The guarantee facility may include any performance guarantees in respect of the ordinary course of business of the Issuer and/or Guarantors. |
| **Super Senior Finance Documents:** | The agreement for the Super Senior Working Capital Facility and the other documents defined as a "Finance Document" therein. |
| **Super Senior Obligations:** | The payment obligations towards the Super Senior Creditors under the Super Senior Finance Documents. |

**Super Senior Creditors:** The finance parties under the Super Senior Finance Documents.

**Status of the Bonds:** The Bonds will constitute senior debt of the Issuer and will:

a) be secured as set forth under "Security" but will receive proceeds from the enforcement (including distressed disposals pursuant to the terms of the Intercreditor Agreement) of the Security after the Super Senior Obligations have been repaid in full but before the Second Lien Bond is to receive any enforcement proceeds;

b) be at least pari passu in right of payment with all existing and future (i) direct, unconditional, unsubordinated and unsecured obligations, (ii) Super Senior Creditors, save for (a) above, (iii) Bonds and (iv) Second Lien Bonds, save for (a) above);

c) be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Bonds; and

d) be subordinated to any existing and future indebtedness of the Issuer that is mandatorily preferred by law.

**Secured Debt:** The payment obligations of the Obligors under the Bond Finance Documents, the Super Senior Finance Documents and the Second Lien Bond Finance Documents.

**Secured Creditors:** The finance parties under the Super Senior Finance Documents, the Bond Finance Documents and the Second Lien Bond Finance Documents.

**Security:** All amounts outstanding to the Trustee and/or the bondholders under the Bond Finance Documents, including but not limited to interest and expenses, shall be secured by:

<u>Pre-Settlement Security</u>

From the Issuer:

a) a pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Escrow Account (as defined below) (according to Norwegian law) (the "Escrow Account Pledge") to secure the entitlements of the bondholders having subscribed for Bonds against cash. The entitlements of the Roll-Over Bondholders shall be secured by the Roll-Over Bonds in the VPS Escrow Account.

<u>Pre-Disbursement Security</u>

As collateral security for the fulfilment of the Secured Debt, the Secured Creditors, represented by the Security Agent, shall prior to or in connection with Disbursement be granted the following security on the terms set out in the relevant security agreements (the "Security" and "Security Documents" respectively):

From the Issuer:

a) a pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Retention Account (as defined below) (according to Norwegian law) (the "Retention Account Pledge"); and

b) a pledge granted by the Issuer over 100 per cent of the shares in Jack-Up InvestCo 3 (the "Share Pledge A"), and a pledge over 100 per cent of the shares in Jack-Up InvestCo 2 (the "Share Pledge B"), together with, inter alia, letters of resignation

(effective upon an Event of Default for which the Trustee has issued a notice) (if legally possible) from the current board members and covenants to obtain such from future board members;

c) an assignment of the Issuer's entitlements under the insurances related to WIND (other than third party liability insurances) (the "Issuer's Assignment of Insurances");

d) a pledge over the Issuer's claims under any current and future Intercompany Loans where the Issuer is the creditor (the "Pledge of Intercompany Loans");

e) a mortgage over WIND including all relevant equipment being legally part of WIND (including the cranes) under the applicable law where WIND is registered (the "WIND Mortgage"); and

f) an assignment of or other security interest in the rights and entitlements of the Issuer under the Siemens Gamesa Contract (including all earnings payable and security granted by Siemens Gamesa thereunder), to the extent Siemens Gamesa consents thereto (the "Siemens Gamesa Contract Assignment").

From the Guarantors:

a) an assignment of Jack-Up InvestCo 3's entitlements under the insurances related to WIND SERVER and an assignment of Jack-Up InvestCo 2's entitlements under the insurances related to WIND PIONEER (other than third party liability insurances) (the "Guarantors' Assignment of Insurances");

b) a mortgage over WIND SERVER (granted by Jack-Up InvestCo 3) and a mortgage over WIND PIONEER (to be granted by Jack-Up InvestCo 2) including all relevant equipment being legally part of WIND SERVER and WIND PIONEER (including the cranes) under the applicable law where WIND SERVER and WIND PIONEER are registered (the "Guarantor Vessel Mortgages"); and

c) an unconditional and irrevocable on-demand guarantee issued by each of the Guarantors (payment by the Guarantors to be made within 14 banking days of any demand) (the "Guarantees").

The Security shall be established prior to or in connection with the first release from the Escrow Account as described below under Conditions Precedent Pre-Disbursement, but where perfection will be subject to limitations further described in the Information Memorandum, possibly applying to inter alia the Siemens Gamesa Contract Assignment.

Pre-Disbursement Security for a Subsequent Bond Issue

a) in the event a New Vessel is owned by a New Vessel SPV, a pledge granted by the Issuer over 100 per cent of the shares in the New Vessel SPV (the "Share Pledge C"), together with, inter alia, letters of resignation (effective upon an Event of Default for which the Trustee has issued a notice) (if legally possible) from the current board members and covenants to obtain such from future board members;

b) an assignment of the Issuer's or (if established) the New Vessel SPV's entitlements under the insurances related to the New Vessel and an assignment (other than third party liability insurances) (the "New Vessel Insurances");

c) a mortgage over the New Vessel (granted by the Issuer or the New Vessel SPV) including all relevant equipment being legally part of the New Vessel (including the cranes) under the applicable law where the New Vessel is registered (the "New Vessel Mortgage"); and

d) an unconditional and irrevocable on-demand guarantee issued by any New Vessel SPV (payment by the Guarantor to be made within 14 banking days of any demand) (the "New Vessel Guarantee").

Ranking:

The Security shall, rank on a first priority basis. The Security in the Accounts shall rank above any set-off rights for the bank.

The Security (other than the Pre-Settlement Security) shall be shared between the Trustee (on behalf of the bondholders) and the Super Senior Creditors in accordance with the terms of the Intercreditor Agreement. Nordic Trustee A/S will act as security agent on behalf of all of the Secured Creditors, both in respect of this Security and any additional security provided in accordance with the terms of the Intercreditor Agreement.

The Intercreditor Agreement shall include waterfall provisions where after the payment obligations under the Super Senior Finance Documents shall rank above the payment obligations under the Bond Finance Documents with respect to any proceeds from assets under the Security including the proceeds upon enforcement (including distressed disposals) of the Security.

Bondholders in the Second Lien Bond (represented by the Trustee) will be secured by the Security on a second priority basis, ranking below the Trustee (on behalf of the Bondholders) and the Super Senior Creditors, as further provided for in the Intercreditor Agreement.

**Call Option (American):**

The Issuer may redeem all, but not only some, of the Bonds early on any banking day before the Final Redemption Date. The Bonds shall be redeemed at the Make Whole Amount or the Call Option Amount (as applicable) together with accrued but unpaid interest.

**Make Whole Amount:**

From the Issue Date to, but not including, the First Call Date an amount equivalent to the sum of:

a) 103.45 per cent of the Outstanding Nominal Amount as if such payment originally should have taken place on the Interest Payment Date falling on the First Call Date; and

b) the remaining interest payments (excluding accrued but unpaid interest up to the relevant redemption date) up to and including the First Call Date (assuming that the Interest Rate for the period from the relevant record date to the First Call Date will be equal to the Interest Rate in effect on the date on which notice of redemption is given to the bondholders).

**Call Option Amount:**

a) 103.00 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the First Call Date to, but not including, the date falling 24 months after the First Issue Date;

b) 102.00 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 24

months after the First Issue Date to, but not including, the date falling 30 months after the First Issue Date;

c) 101.00 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 30 months after the First Issue Date to, but not including, the date falling 33 months after the First Issue Date; and

d) 100.50 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 33 months after the First Issue Date to but not including the Final Redemption Date.

**First Call Date:** The date falling 18 months after the First Issue Date.

**Mandatory Amortization:** The Issuer shall repay the total Outstanding Nominal Amount in the amount and at the dates set out below:

| | |
|---|---|
| The date falling 6 months after the Issue Date: | EUR 2,500,000 |
| The date falling 12 months after the Issue Date: | EUR 2,500,000 |
| The date falling 18 months after the Issue Date: | EUR 2,500,000 |
| The date falling 24 months after the Issue Date: | EUR 2,500,000 |

Any repayment shall be made pro rata among bondholders in accordance with the procedures of Verdipapirsentralen ASA (the Norwegian Securities Depository). Amortizations shall be made at 100.00 per cent of the Nominal Amount.

The remaining Bonds shall be redeemed on the Final Redemption Date.

**Mandatory Cash Sweep:** If the Group, according to the relevant Cash Report delivered to the Trustee, holds Liquidity in excess of EUR 7,500,000 as per the relevant Liquidity Testing Date, the Issuer shall make a partial prepayment in the amount of the Cash Sweep Prepayment Amount pro rata among bondholders in accordance with the procedures of Verdipapirsentralen ASA. The prepayment shall be made together with accrued but unpaid interest on the Cash Sweep Prepayment Amount and a premium of 2 per cent of the Cash Sweep Prepayment Amount. For the sake of clarity, no Make Whole Amount or Call Option Amount shall be paid in respect of any Mandatory Cash Sweep.

The prepayment shall be executed on the next Interest Payment Date falling immediately after the Liquidity Testing Dates in the relevant year (or if the relevant Interest Payment Date does not fall on a Business Day, on the first subsequent a Business Day) and the Issuer shall give not less than 10 banking days' notice of the prepayment to the Bondholders and the Trustee.

No Mandatory Cash Sweeps shall be conducted following an Equity Listing Event where the Equity Claw Back has been utilized in full.

**Cash Sweep Prepayment Amount:** An amount equal to the Liquidity held by the Group on the Liquidity Testing Date, according to the Cash Report in excess of EUR 7,500,000. The Prepayment Amount shall be rounded down so that the amount to be prepaid pursuant to a Mandatory Cash Sweep will be EUR 100 (or multiples thereof). If a Cash Sweep Prepayment Amount is less than EUR 100,000 such amount shall be transferred to the Retention

Account pending redemption to be carried out when the accumulated Cash Sweep Prepayment Amount exceeds EUR 100,000.

**Accounts:**

The Escrow Accounts mechanism

The Net Proceeds shall be transferred to the Escrow Account, to be established with SEB, Norwegian branch (or another Nordic bank). The Escrow Account will be pledged in favour of the Trustee and the bondholders that have subscribed for Bonds against cash (represented by the Trustee). The pledge over the Escrow Account shall be released when the Conditions Precedent for Disbursement have been fulfilled. The Roll-Over Bonds shall be transferred to the VPS Escrow Account before the Issue Date to serve as security for the Roll-Over Bondholders, who shall be returned their Roll-Over Bonds in exchange for the Temporary Bonds in the event that first Disbursement should not take place within 60 days of the First Issue Date.

The Retention Account mechanism

The Issuer shall on a monthly basis on any day during the 5 last banking days of each month (the "Transfer Dates") transfer to an account established with SEB, Norwegian branch (or another Nordic bank) (the "Retention Account") an amount equal to the sum of 1/3 of the next interest payment and 1/6 of the next amortization payment.

**Conditions Precedent for Disbursement of Initial Bond Issue:**

The Trustee's approval of the disbursement of the Net Proceeds from the Initial Bond Issue from the Escrow Account is subject to the following documents being received by the Trustee, in form and substance satisfactory to it (acting reasonably), that the following actions have been taken and that the following events have occurred:

a) certificate of registration and articles of association for the Issuer and the Guarantors;

b) corporate resolutions for the Issuer and each entity granting Security;

c) evidence that the Finance Documents have been duly executed;

d) the Intercreditor Agreement duly executed by all parties thereto;

e) evidence that the Security has been executed and (if applicable) perfected and evidence of discharge and release of all security and guarantees granted for the Existing Bond in connection with the Existing Bond being repaid in full in accordance to a closing procedure acceptable to the Trustee; and

f) a legal opinion on the validity and enforceability of the Finance Documents issued by a reputable law firm.

The Trustee may waive or postpone the delivery of certain conditions precedent at its sole discretion. The first release of funds from the Escrow Account, redemption and discharge of the Existing Bond, release of existing security for the Existing Bond and perfection of new Security all to be made in accordance with a closing mechanism, sequencing and terms acceptable to the Trustee, which may also include a defeasance account pledge arrangement for the Existing Bond.

When the Conditions Precedent set out above have been fulfilled to the satisfaction of the Trustee (acting reasonably), the Trustee shall transfer the funds from the Escrow Account in accordance with the Purpose of the Initial Bond Issue. The Trustee

shall transfer any residual funds of the Net Proceeds on the Escrow Account, to the bank account specified by the Issuer.

**Conditions Precedent for Disbursement of Subsequent Bond Issue:**

The Trustee's approval of the disbursement of the Net Proceeds from a Subsequent Bond Issue from the Escrow Account is subject to the following documents being received by the Trustee, in form and substance satisfactory to it (acting reasonably), that the following actions have been taken and that the following events have occurred:

a) certificate of registration and articles of association for the Issuer, and the New Vessel SPV where relevant;

b) corporate resolutions for the Issuer, and the New Vessel SPV where relevant;

c) evidence that the Finance Documents have been duly amended or restated to provide for the Subsequent Bond Issue, to the extent relevant;

d) the Intercreditor Agreement duly amended, to the extent relevant;

e) evidence that the Pre-Disbursement Security for a Subsequent Bond Issue has been or will be executed and (if applicable) perfected in connection with the Disbursement;

f) evidence that the Capex restrictions are met and the Incurrence Test is met on a testing date no later than 60 days preceding disbursement,

g) evidence that the proceeds has been or will be applied according to the Purpose of the Subsequent Bond Issue, and

h) a legal opinion on the validity and enforceability of the finance documents issued by a reputable law firm.

The Trustee may waive or postpone the delivery of certain conditions precedent at its sole discretion. When the Conditions Precedent set out above have been fulfilled to the satisfaction of the Trustee (acting reasonably), the Trustee shall transfer the funds from the Escrow Account in accordance with the Purpose of the Initial Bond Issue.

**Special Undertakings:**

a) Distributions: The Issuer shall not (unless replaced by Subordinated Capital in an equivalent amount), and shall procure that none of its Subsidiaries will, (i) pay any dividend on its shares (other than loans, dividends and group contributions to the Issuer or a Subsidiary of the Issuer), (ii) repurchase any of its own shares, (iii) redeem its share capital or other restricted equity with repayment to shareholders, (iv) grant any loans (other than to the Issuer or a wholly-owned Subsidiary of the Issuer), (v) make any other similar distribution or transfers of value to the direct or indirect shareholder of the Issuer, or any Affiliates of the Issuer (other than to the Issuer or a Subsidiary of the Issuer) or (vi) repay the Co-Investor Loan in parts or full however this shall not prohibit the initial repayment of EUR 17 million and payment of the CIBOR plus 2 per cent annual cash interest on the Co-investor Loan.

Notwithstanding the above, a Restricted Payment may be made by the Issuer, if at the time of the payment:

(i) the Incurrence Test is fulfilled (calculated on a proforma basis including the relevant Restricted Payment);

(ii) the Equity Claw Back has been utilized in full;

(iii) an Equity Listing Event has occurred; and

(iv) if, at the time of the payment, the aggregate amount of all Restricted Payments of the Group in any fiscal year (including the Restricted Payment in question) does not exceed 25 per cent of the Group's consolidated net profit for the previous fiscal year.

b) Listing: The Issuer shall ensure that (i) the Bonds are listed at the corporate bond list on Oslo Stock Exchange no later than 60 calendar days after the First Issue Date (and with an intention to complete such listing within 30 calendar days after the First Issue Date) and at the Frankfurt Open Market as soon as reasonably possible, (ii) any Subsequent Bonds are listed on the corporate bond list of Oslo Stock Exchange within 60 days after the issuance of such Subsequent Bonds and with an intention to complete such listing within 30 days after the issuance of such Subsequent Bonds and at the Frankfurt Open Market as soon as reasonably possible, and (iii) shall take all measures required to ensure that the Bonds, once listed on such markets, continue being listed on such markets for as long as any Bond is outstanding (however, taking into account the rules and regulations of these markets and the Paying Agent (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

c) Nature of business: The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group as of the Issue Date if such substantial change would have a Material Adverse Effect. For the sake of clarity; this shall not prohibit a Permitted Group Reorganisation.

d) Financial Indebtedness: The Issuer shall not, and shall procure that none of its Subsidiaries will, incur any Financial Indebtedness other than Permitted Debt.

e) Negative pledge: The Issuer shall not, and shall procure that none of its Subsidiaries, provide, prolong or renew any security over any of its/their assets (present or future) to secure any loan or other indebtedness, provided however that the Group Companies have a right to (i) provide, prolong and renew any Permitted Security, and (ii) retain, but not prolong or renew, any existing security in relation to indebtedness held by an entity acquired by a Group Company.

f) Clean Down Period: The Issuer shall procure that during each calendar year (commencing in 2018) there shall be a period of five (5) consecutive days during which the amount outstanding under the Super Senior Working Capital Facility, less cash and cash equivalents of the Group, amounts to zero (0) or less. Not less than six (6) months shall elapse between two such periods.

g) Dealings with related parties: The Issuer shall, and shall procure that its Subsidiaries will, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders (excluding other Group Companies) at arm's length terms.

h) Financial Reporting etc.: The Issuer shall:

(i) prepare and make available the Consolidated Financial Statements of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board

of directors, on its website not later than 4 months after the expiry of each financial year;

(ii) prepare and make available the quarterly interim unaudited consolidated reports of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors, on its website not later than 2 months after the expiry of each relevant interim period;

(iii) starting from the first anniversary of the Issue Date, prepare and make available to the Trustee, a report (a "Cash Report") evidencing the Liquidity balance of the Group as per 30 June and 31 December each year (the "Liquidity Testing Dates"), which Cash Report shall be delivered to the Trustee at the latest 20 banking days before the Interest Payment Date following directly after the relevant Liquidity Testing Date;

(iv) issue a Compliance Certificate to the Trustee in connection with the Financial Reports being delivered for each Reference Date;

(v) keep the latest version of the Terms and Conditions available on the website of the Group; and

(vi) promptly notify the Trustee when the Issuer is or becomes aware of (i) the occurrence of a Change of Control, (ii) that an Event of Default has occurred and (iii) an Equity Listing Event, Equity Claw back or a Margin Step-Down, and shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such notice.

When the Bonds have been listed on the Oslo Stock Exchange, the reports referred to under (i) and (ii) above shall, in addition, be prepared in accordance with IFRS and made available in accordance with the rules and regulations of Oslo Stock Exchange (as amended from time to time).

i) Vessel Covenants: Standard vessel covenants: (i) maintenance of insurances (see below), (ii) no sale of the Vessels without redemption of the Bonds (see Mandatory Prepayment) (for the sake of clarity this shall not prohibit a Permitted Group Reorganisation), (iii) maintenance of class, (iv) maintenance of flag, name and registry, (v) the Vessels to be kept in a good and safe condition and repair consistent with prudent ownership and industry standards, and (vi) operation in accordance with applicable laws and regulations.

j) Maintenance and Insurances: The Issuer shall provide for reasonable and satisfactory maintenance of insurances of Vessels and all relevant equipment related thereto at all times, hereunder to retain Vessels in class. During operation of Vessels, the Issuer shall ensure that it runs proper maintenance of Vessels according to planned maintenance system. Vessels shall also be adequately insured (including war risk) against risks related to hull & machinery and hull & freight interest at least to the full value of Vessels and at least 120 per cent of the outstanding amount under the Finance Documents, and a third party liability insurance as per industry standards, as well as mortgagee interest insurance and loss of hire and any additional insurance required under any law or charter contracts.

The insurances and loss payee clause shall be in accordance with the Norwegian Marine Insurance Plan or other insurances with no less favourable terms.

k) Capex restriction: The Issuer shall not (and procure that no Subsidiary or New Vessel SPV) make or commit to enter into any new build contract for a new vessel or purchases or otherwise acquires a New Vessel unless (a) such capital expenditures are limited to EUR 2.0 million per annum from the Issue Date to the Final Redemption Date or (b) all of the following conditions are all met:

(i) Any Financial Indebtedness raised for purchase of a New Vessel is limited to Financial Indebtedness as defined under clause (j) under the definition of Permitted Debt;

(ii) Security for the New Vessel is granted as stipulated under clause Pre-Disbursement Security for a Subsequent Bond Issue;

(iii) A minimum of 40 per cent of the purchase price for such New Vessel is financed with new Equity or additional Subordinated Loans (not being the Co-investor Loan);

(iv) A minimum Capacity Utilization for the Vessels of 70 per cent has been obtained during the most recent Reference Period;

(v) Funding from the Issuer is limited to EUR 45 million; and

(vi) The Incurrence Test is met on a pro forma basis excluding any Cash Equivalent Investments injected by the Issuer or any Subsidiary (not being the New Vessel SPV); or

(vii) any construction project relating to a new vessel or any purchase or otherwise acquisition of a New Vessel that is conducted by a New Vessel SPV on a non-recourse basis (i.e. no guarantees extended or security granted from any part of the Group, including the Issuer) and fully funded by capital raised in an Equity Capital Raising; or

(viii) is acquired as a Temporary Chartered Vessel, provided that no New Vessel has been or purchased or otherwise acquired as described above in Special Undertakings, sub-clause k, paragraph (i)-(vi) (for the avoidance of doubt; such Temporary Chartered Vessel may be subsequently acquired).

l) Financial Assistance: The Issuer shall not, and procure that no Subsidiary, grant any loans, guarantees or other financial assistance to any Group Company and/or any third party, save for Permitted Debt and such assistance to New Vessel SPVs as permitted under the Capex restriction.

m) Liquidity Investments: The Issuer shall ensure that the Group's freely available cash is not invested in instruments not qualifying as Cash Equivalent Investments (this shall however not restrict the use of cash for business purposes or according to the provisions of the Bond Agreement reflecting this Term Sheet.

**Permitted Debt:** Means any Financial Indebtedness:

a) incurred under the Bonds;

b) The Super Senior Working Capital Facility.

c) Intercompany Loans and customary intra-group cash pool arrangements only involving the Issuer and the Guarantors;

d) Arising under any guarantee issued by a Group Company in the ordinary course of business;

e) arising under a foreign exchange transaction or commodity derivatives for spot or forward delivery entered into in connection with protection against fluctuation in currency rates or prices where the exposure arises in the ordinary course of business or in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

f) arising under any interest rate hedging transactions in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

g) incurred by the Issuer as Subordinated Loans;

h) incurred under Advanced/Deferred Purchase Agreements;

i) of the Group under any guarantee issued by a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

j) incurred as a result of a Subsequent Bond Issue, meets the Incurrence Test on a pro forma basis and is applied towards financing the purchase of a New Vessel.

k) before any purchase of a New Vessel, incurred under any leasing obligations for a Temporary Chartered Vessel in a maximum amount of EUR 17.5 million provided that a minimum Capacity Utilization of 70 per cent for the Vessels has been obtained during the most recent Reference Period;

l) until the Conditions Precedent for Disbursement have been fulfilled, any Existing Bond;

m) financial leasing and credit card debt in the ordinary course of business, in an aggregate amount of EUR 1.5 million; and

n) incurred in connection with the redemption of the Bonds in order to fully refinance the Bonds and provided that a call notice has been published and further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of the Bonds (taking into account the rules and regulations of Verdipapirsentralen ASA, the CSD), for the purpose of securing, inter alia, the redemption of the Bonds.

**Permitted Security:** Means any security:

a) granted under the Finance Documents for the Secured Debt;

b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advanced/Deferred Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);

c) rising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including group cash pool arrangements;

d) provided for hedging transactions set out in letter (e) or (f) of the definition Permitted Debt;

e) relating to any Temporary Chartered Vessel, provided that no Security may be granted;

f) until the Conditions Precedent for Disbursement have been fulfilled, the existing security for the Existing Bond;

g) of the Group under any guarantee issued by a Group Company or a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

h) provided for financial leasing and credit card debt set out in letter m) of the definition Permitted Debt; and

i) provided as security for obligations pursuant to any of items (b) and (j) of the definition of Permitted Debt.

**Maintenance test (on Subordinated Capital Ratio):** The Issuer shall at all times maintain a Subordinated Capital Ratio of minimum 30.0 per cent in the first 12 months from the Issue Date, to increase by 2.5 percentage points each subsequent year, to be tested quarterly on the basis of the interim report for such period and reported by delivery of a Compliance Certificate to the Trustee no later than 60 days following the last day of the relevant financial quarter.

**Incurrence test:** The Incurrence Test is met if the:

a) ratio of Net Interest Bearing Debt to EBITDA is not greater than:

(i) 5.00 from the First Issue Date until 31 December 2018;

(ii) 4.50 from 1 January 2019 until 31 December 2019;

(iii) 4.00 from 1 January 2020 until the Final Redemption Date;

b) The Subordinated Capital Ratio exceeds 30.0 per cent (to increase by 2.5 percentage points annually, the first increase to occur 12 months year after the Issue Date) on a pro forma basis; and

c) no Event of Default is continuing or would occur upon the incurrence.

**Testing:** The calculation of the ratio of Net Interest Bearing Debt to EBITDA and Subordinated Capital Ratio shall be made as per a testing date determined by the Issuer, falling no more than two months prior to the incurrence of the new Financial Indebtedness or making of a Restricted Payment. The Net Interest Bearing Debt and Subordinated Capital Ratio shall be measured on the relevant testing date so determined, but include the new Financial Indebtedness provided it is an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt). EBITDA and Total Assets shall be calculated as set out below.

The figures for EBITDA for the Reference Period ending on the last day of the period covered by the most recent Financial Report, and the figures for Total Assets and Subordinated Capital on the Reference Date, shall be used for the Incurrence Test, but adjusted so that:

a) entities acquired or disposed of by the Group during the Reference Period, or after the end of the Reference Period but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the EBITDA for the entire Reference Period; and

b) any entity to be acquired with the proceeds from new Financial Indebtedness shall be included, pro forma, in the EBITDA for the entire Reference Period, and shall be included in the calculation of Total Assets.

c) Any entities acquired or disposed of by the Group after the Reference Date but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the calculation of Total Assets;

d) Any Subordinated Capital acquired by the Group after the Reference Date but before the relevant testing date, or to be acquired in connection with the New Financial Indebtedness, shall be included pro forma in the calculation of the Subordinated Capital Ratio;

e) In the calculation of the Net Interest Bearing Debt and Subordinated Capital Ratio, the purchase price under any call-option to purchase a Temporary Chartered Vessel shall be excluded. In respect of any put-option to purchase a Temporary Chartered Vessel the purchase price shall be included less any amount that the Issuer is entitled to settle in shares, and be substituted with the payment amount under any walk-away option available for the Issuer with respect to any balance calculation in respect of a Temporary Chartered Vessel.

**Equity Claw Back:** The Issuer may at one occasion, in connection with an Equity Listing Event, repay up to 30 per cent of the total Nominal Amount, in which case all outstanding Bonds shall be partially repaid pro rata among bondholders in accordance with the procedures of Verdipapirsentralen ASA. The repayment must occur on an Interest Payment Date within 180 days after such initial public offering and be made with funds in an aggregate amount not exceeding the cash proceeds received by the Issuer as a result of such offering (net of fees, charges and commissions actually incurred in connection with such offering and net of taxes paid or payable as a result of such offering). The repayment shall equal the repaid percentage of the Nominal Amount plus (i) a premium on the repaid amount as set forth in the Call Option Amount for the relevant period and, shall for the non-call period (until the First Call Date) be the price set out in paragraph (a) of the Call Option Amount definition above, and (ii) accrued but unpaid interest on the repaid amount.

**Definitions:** "Advanced/Deferred Purchase Agreements" means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment in the normal course of business with credit periods which are normal for the relevant type of project contracts, or (b) any other trade credit incurred in the ordinary course of business.

"Affiliate" means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day Convention" means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in

which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following*).

"BWC" means Blue Water Capital, the owner of 50 per cent of the shares in Jack-Up InvestCo 3 Plc.

"Capacity Utilization" means the weighted average utilisation rate calculated as revenue during the quarter divided by full utilisation at an aggregate day rate of EUR 135,000 for the Vessels (excluding any New Vessel).

"Compliance Certificate" means a certificate, in form and substance satisfactory to the Trustee, signed by the Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it.

"Consolidated Financial Statements" means financial statements on a consolidated level of the Issuer.

"Cash Equivalent Investments" means, in respect of the Group, and at any time, (i) immediately available funds at bank or postal accounts, (ii) any investment in marketable debt obligations issued by the Issuer or by any other party, and (iv) any investment in investment funds which invest substantially all their assets in securities of the types described in paragraph (ii) above. For avoidance of doubt, any undrawn and available amounts under the Super Senior Working Capital Facility shall not be considered Cash Equivalent Investments.

"Client Cancellation" means an event where either or both of the Issuer and Siemens Gamesa Renewable Energy cancels the Siemens Gamesa Contract due to a breach of the Issuer, and such a cancellation does not result in the Issuer receiving the remaining 80 per cent of the outstanding contract value of the Siemens Gamesa Contract.

"Co-investor Loan" means the subordinated loan to the Issuer from a Co-investor of BWB Equity Partners in the approximate amount of EUR 37.8 million as per 30 June 2018, of which EUR 17 million is to be repaid with parts of the loan proceeds while the remainder will mature after the Final Redemption Date.

"EBITDA" means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s):

a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;

b) before deducting any net financial items;

c) before taking into account any extraordinary items which are not in line with the ordinary course of business, provided that such items are not in excess of an amount equal to ten (10) per cent of EBITDA in the Reference Period;

d) before taking into account any Transaction Costs (including any costs relating to the refinancing and the Existing Bond and the partial repayment of the Co-investor Loan) and any transaction costs relating to any acquisition of any New Vessel;

e) not including any accrued interest owing to any member of the Group;

f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis);

g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;

h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

i) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and

j) after adding back any amount attributable to the amortisation, depreciation, depletion or depletion of assets of members of the Group.

"Equity Capital Raising" means a minimum EUR 50,000,000 contribution in the form of equity or Subordinated Loans raised after the First Issue Date, excluding any capital raised for the purpose of financing the purchase of a New Vessel.

"Equity Listing Event" means an initial public offering of shares in the Issuer, after which such shares shall be quoted, listed, traded or otherwise admitted to trading on a regulated market or unregulated market.

"Escrow Account" means a bank account of the Issuer, into which the Net Proceeds will be transferred and which has been pledged in favour of the Trustee and the bondholders (represented by the Trustee) under the Escrow Account Pledge.

"Existing Bond" means the Senior Secured Callable Bond Issue with ISIN NO0010751332.

"Existing Bondholders" means the holders in the Existing Bond.

"Existing Bondholder's Roll-Over" The Existing Bond which in accordance with the Existing Bondholders' acceptance of the Existing Bondholders' Roll-Over shall be used as payment for the Bonds (in kind) at par value ("Roll-Over Bonds"). Accrued interest and premium will be payable as set out under "Settlement" above.

"Finance Documents" means the Bond Agreement, the Trustee Agreement, the Security Documents and any other document designated to be a Finance Document by the Issuer and the Trustee.

"Financial Indebtedness" means any indebtedness in respect of:

a) moneys borrowed (including acceptance credit and any overdraft facility);

b) any bond, note, debenture, loan stock or other similar instrument;

c) the amount of any liability in respect of any lease, hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

d) receivables sold or discounted (other than any receivables sold on a non-recourse basis);

e) any sale and lease-back transaction, or similar transaction which is treated as indebtedness under IFRS;

f) any liability under a deferred purchase agreement where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;

g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price, including without limitation currency or interest rate swaps, caps or collar transactions (and, when calculating the value of the transaction, only the marked-to-market value shall be taken into account);

h) any amounts raised under any other transactions having the commercial effect of a borrowing or raising of money, (including any forward sale or purchase agreement);

i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any underlying liability; and

j) (without double counting) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any of the items referred to above.

"Financial Report" means the Group's annual audited financial statements or quarterly interim unaudited reports, which shall be prepared and made available according to (i) and (ii) under Section "Financial Reporting".

"Intercompany Loans" means any loan between Group companies. Any Intercompany Loan in a minimum amount of EUR 1,000,000 under which the Issuer or the Guarantor is a debtor shall according to its terms and pursuant to an intercreditor agreement satisfactory to the Trustee (acting reasonably) between the relevant creditor and the Bond Trustee, (a) be subordinated to the obligations of the Issuer and Guarantor under the Finance Documents, and (b) have no acceleration right.

"Intercreditor Agreement" means an agreement between, amongst others, the Obligors, the Trustee (representing the bondholders in the Bond and the Second Lien Bond) and the Super Senior Creditors. The Intercreditor Agreement shall be based on customary terms and conditions as the Trustee and the Super Senior Creditors shall approve, including, but not limited to, the main terms set out in Schedule 1. The Trustee shall be authorised to agree and execute the Intercreditor Agreement on behalf of the Bondholders.

"Liquidity" means, at any time and in each case free and clear of all Security, the aggregate amount of unrestricted and freely available cash of the Group in accordance with the Consolidated Financial Statements (excluding cash proceeds retrieved upon the occurrence of Mandatory Prepayment Events):

a) plus Cash Equivalent Investments on hand by any member of the Group;

b) minus any amount of utilised loans under the Super Senior Working Capital Facility;

c) minus any amount of cash and cash equivalents on the Retention Account;

d) minus any cash on blocked accounts or which by way of agreement or otherwise are not available for utilisation by the entire Group;

e) minus any amount which is overdue for payment with more than 14 days in connection with supply of assets or services;

f) minus the amount of any Equity Capital Raising to cure any covenant breach pursuant to the Super Senior Working Capital Facility, which has been made to the Group during the last 12 months;

g) minus any cash in a New Vessel SPV; and

h) minus the amount of any proceeds raised during the last 12 months in connection with an Equity Capital Raising which are not used to prepay the Bonds.

"Material Adverse Effect" means a material adverse effect on (a) the Issuer's ability to perform and comply with its payment obligations under the Finance Documents, or (b) the validity or enforceability of the Finance Documents.

"Net Interest Bearing Debt" means the aggregate interest bearing debt less cash and cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time (for the avoidance of doubt, excluding any, guarantees, counter indemnities in respect of bank guarantees, Subordinated Loans and interest bearing debt borrowed from any Group Company).

"Net Proceeds" means the cash proceeds from the Bond Issue after deduction has been made for the Transaction Costs payable by the Issuer to the Sole Bookrunner (if the Sole Bookrunner have requested that their respective fees and costs shall be deducted) and the Issuing Agent for the services provided in relation to the placement and issuance of the Bonds.

"New Vessel SPV" means a special purposes vehicle established to conduct to purchase or otherwise acquire a New Vessel.

"New Vessel" means any fully constructed offshore jack-up wind turbine O&M vessel purchased or otherwise acquired to be utilized in the ordinary course of business.

"Obligors" means the Issuer and the Guarantors.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"Permitted Group Reorganisation" means a potential reorganisation of the Group for commercial and/or tax benefits where after the Issuer becomes the direct owner of Wind Server and/or Wind Pioneer and/or New Vessel and the relevant Guarantor(s) are dissolved. The Issuer shall upon completion of such reorganisation provide the Guarantor Vessel Mortgages and the Guarantors' Assignment of Insurances while the Guarantees and the Share Pledge A and Share Pledge B and (if granted) Share Pledge C will be cancelled.

"Reference Date" means the final date of a Reference Period for an Incurrence Test.

"Reference Period" means each period of 12 consecutive calendar months.

"Siemens Gamesa Contract" means the three year time charter contract signed on May 19th 2014 between the Issuer and Siemens Gamesa Renewable Energy concerning WIND SERVER commenced on 14 March 2016.

"Second Lien Bonds" means second ranking PIK bonds issued by the Issuer to, together with the Bonds, be applied towards the Purpose of the Bonds. The Second Lien Bonds are not subordinated but shall be ranked below the bondholders in the Bond (and the Super Senior Creditors) with respect to the Security.

"Security Documents" means the security documents pursuant to which the Security is created and any other document designated as a security document by the Issuer and the Trustee.

"Subordinated Capital Ratio" means the ratio of Subordinated Capital to Total Assets.

"Subordinated Capital" means the sum of (i) the aggregate amount which in accordance with applicable accounting standards would be shown in the Issuer's Consolidated Financial Statements as the equity of the Group, (ii) any Subordinated Loans and (iii) any Second Lien Bonds.

"Subordinated Loans" means (i) any loan from a creditor which is not a group company to the Issuer and/or a Guarantor as the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Bond Issue, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or amortisation dates or instalment dates which occur after the Final Redemption Date, (c) according to its terms yield only payment-in-kind for any interest exceeding CIBOR (3 months, floor at 0.00 per cent. to apply) plus 2 per cent annually, (ii) the Co-investor Loan, and (iii) any Second Lien Bonds.

"Subsidiary" means an entity from time to time of which a person:

a) has direct or indirect control; or

b) owns directly or indirectly more than fifty (50) per cent of the share capital or other right of ownership, and

c) the Guarantors.

"Temporary Chartered Vessel" means a fully operational vessel chartered or assumed on bareboat by the Group from an external party prior to a purchase of a New Vessel.

"Total Assets" means the aggregate amount which in accordance with the applicable accounting standards would be shown in the Issuers Consolidated Financial Statements as the total assets.

"Transaction Costs" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (i) the Bond Issue and (ii) the listing of the Bonds.

"Trustee Agreement" means the fee agreement entered into between the Trustee and the Issuer on or about the Issue Date regarding, inter alia, the remuneration payable to the Trustee.

"Vessels" means WIND, WIND SERVER and WIND PIONEER,

"WIND" means the offshore jack-up wind turbine O&M vessel identified as WIND with IMO number 9107851.

"WIND SERVER" means the offshore jack-up wind turbine O&M vessel identified as Wind Server with IMO number 9670793.

"WIND PIONEER" means the offshore jack-up wind turbine O&M vessel identified as WIND PIONEER with IMO number 8660222.

**Events of Default:** The Bond Terms shall include standard remedy and event of default provisions, including remedy periods and cross default provisions against all Group Companies with a threshold of EUR 1,000,000. The Finance Documents will contain waterfall provisions in case of partial payments i.e. first to cover costs, fees and expenses of the Trustee (the "Trustee Expenses") and thereafter any other outstanding amounts under the Finance Documents. In case the Issuer does not pay the Trustee for incurred fees, then the Trustee may seek funding of the Trustee Expenses from the bondholders, or failing them, other sources, in which case such other sources will be subrogated into the position of the Trustee, but subordinate to any further Trustee Expenses.

**Acceleration Amount:** In the event of an acceleration of the Bonds, the Issuer shall redeem all Bonds with an amount per Bond together with a premium on the due and payable amount as set forth in the Call Option Amount for the relevant period and, shall for the non-call period (until the First Call Date) be the price set out in paragraph (a) of the Call Option Amount definition above the applicable Call Option Amount (plus accrued and unpaid interest).

**Mandatory Prepayment:** Upon a Mandatory Prepayment Event occurring, the Issuer shall redeem:

a) 100 per cent of the outstanding bonds at a price equal to the prevailing call price outlined under the Call Options (described above) upon the occurrence of any of the Mandatory Prepayment Events listed as (a-c) occur;

b) 100 per cent of the outstanding bonds at 100 per cent of par value (plus accrued interest on redeemed amount) upon the occurrence of a WIND SERVER Total Loss Event;

c) Bonds pro rata at a price equal to the prevailing call price outlined under the Call Options described above however at the first call price if occurring before the First Call Date, by applying all net proceeds retrieved upon the occurrence of a Mandatory Prepayment Event listed as (e-h), where the redemption shall be effected pro rata among bondholders in accordance with the procedures of Verdipapirsentralen ASA.

The Mandatory Prepayment shall be carried out as soon as possible upon the Issuer receiving cash from the relevant Mandatory Prepayment Event (including insurance proceeds upon actual or constructive loss) however no later than 180 days after the relevant Mandatory Prepayment Event occurred.

For the avoidance of doubt, the redemption price shall be determined based on the date the Mandatory Prepayment Event occurred and not based on the date the repayment is carried out.

If the Bonds are redeemed according to this Mandatory Prepayment clause, the entire amount on the Escrow Account and the Retention Account, together with any

amounts received as damages payments under any insurance proceeds may be applied to prepay the Bonds.

**Mandatory Prepayment Event:** Means if (save for in connection with a Permitted Group Reorganisation):

a) WIND SERVER is sold or disposed of;

b) a Client Cancellation of the Siemens Gamesa Contract occurs;

c) the Issuer ceases to own directly all the outstanding shares and/or voting capital of Jack-Up InvestCo 3 (following the purchase of shares from BWC);

d) there is an actual or constructive total loss of WIND SERVER (a "WIND SERVER Total Loss Event");

e) there is an actual or constructive total loss of WIND or WIND PIONEER;

f) WIND, WIND PIONEER or any New Vessel, are sold or disposed of;

g) any shares in Jack-Up InvestCo 2 are sold or disposed of; and

h) the Siemens Gamesa Contract is cancelled by the client and the Issuer, or a Subsidiary thereof, receives 80 per cent of the revenues for the remaining life of the Siemens Gamesa Contract.

**Change of Control:** The occurrence of an event or series of events whereby one or more persons, not being BWB Equity Partners (or an Affiliate thereof), acting together, acquire control over the Issuer and where "control" means (a) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

**Repurchase of Bonds:** The Issuer may at any time purchase Bonds. Bonds held by the Issuer may at the Issuer's discretion be retained or sold, but not cancelled except in connection with a full redemption of the Bonds

**Trustee:** The bondholders are represented by Nordic Trustee AS, P.B. 1470 Vika, N-0116 Oslo, Norway. For further information on the Trustee's rights and power to represent the Bondholders, please refer to Clause 16 in the Bond Terms.

**Security Agent:** Nordic Trustee A/S, acting as security agent for the Super Senior Creditors and the bondholders.

**Registration:** The Bonds are registered electronically with the Norwegian Central Securities Depository, being Verdipapirsentralen ASA, Fred. Olsens gate 1, 0051 Oslo, Norway ("**VPS**"). Principal and interest accrued will be credited the Bondholders through VPS.

**Paying Agent and Issuing Agent:** The Oslo branch of Skandinaviska Enskilda Banken (publ) AB ("**SEB**"), Filipstad brygge 1, 0252, Oslo, Norway.

**Quorum and majority requirements:** Quorum at a bondholders' meeting exists if bondholders representing at least 20 per cent of the aggregate Outstanding Nominal Amount attend the bondholders' meeting in due order. Bonds held by any Group Company or its Affiliates shall not be considered or included in the Outstanding Nominal amount when calculating if necessary majority has been achieved and shall not carry any voting right. The resolution of the bondholders shall be in accordance with the opinion held by the

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| | majority of the Outstanding Nominal Amount of the Bonds represented at the meeting. In respect of material matters, a qualified majority of at least two thirds (2/3) of the Bonds represented at the meeting is required for a resolution to be passed. Please refer to Clause 15 of the Bond Terms for further information on bondholders' decisions. |
| **No separate action clause:** | No bondholder may take any action against the Issuer in matters relating to the Bonds or the Bond Terms, other than when acting through the Trustee in accordance with the Bond Terms. |
| **Governing law and Disputes:** | Norwegian law for the Bond Terms and appropriate law for the other Finance Documents. |

## 5.3 The Second Lien Bonds

(*Capitalised terms and expressions used in this section 5.3 shall have the meaning given to them herein*).

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| **ISIN:** | NO 0010832512 |
| **Securities type:** | Bond issue with floating rate. |
| **Issuer:** | Ziton A/S with registration no 24620417, incorporated under the laws of Denmark. |
| **Group:** | The Issuer and all Subsidiaries from time to time and "Group Company" means the Issuer or any of the Subsidiaries. |
| **Guarantors:** | Jack-Up InvestCo 3 Plc, with registration no C 57037 and incorporated in the Republic of Malta ("Jack-Up InvestCo 3"), Jack-Up InvestCo 2 A/S, with registration no 34589801 and incorporated in Denmark ("Jack-Up InvestCo 2"), and any New Vessel SPV established. |
| **Currency:** | EUR. |
| **Bond Issue:** | The Initial Bond Issue and the PIK Bonds. |
| **Initial Bond Issue:** | EUR 25,000,000. |
| **PIK Bonds:** | The Bonds to be issued subsequently on each Interest Payment Date as settlement for Interest Payments. |
| **Interest Rate:** | The Bonds shall carry interest at EURIBOR (3 months) plus the Initial Floating Rate Margin, payable quarterly in arrears. EURIBOR floor at 0.00 per cent. will apply. The Interest Rate shall be payable in kind by issuance of PIK Bonds.<br><br>EURIBOR is an acronym for Euro Interbank Offered Rate and is a daily reference rate, published by the European Money Markets Institute, based on the averaged interest rates at which Eurozone banks offer to lend unsecured funds to other banks in the euro wholesale money market (or interbank market). In the calculation, the highest and lowest 15% of all the quotes collected are eliminated. The remaining rates will be averaged and rounded to three decimal places. EURIBOR is the primary benchmark, along with the LIBOR, for short-term interest rates around the world. Please refer to the definition of "Reference Rate" in the Bond Terms for further information.<br><br>Information about the past and the future performance of the EURIBOR and its volatility can be obtained at http://www.euribor-rates.eu/.<br><br>Name of calculation agent: European Money Markets Institute. |
| **Initial Floating Rate Margin:** | 11.85 per cent per annum. |
| **Yield:** | As the Bonds have a floating interest rate, the yield paid out to the Bondholders fluctuates. Consequently it is not possible to provide an exact figure for the annual return for Bondholders.<br><br>The relevant interest payable amount shall be calculated based on a period from, and including, the First Issue Date to, but excluding, the next following applicable Interest Payment Date, and thereafter from and including, that Interest Payment Date to, but excluding, the next following applicable Interest Payment Date. |

The day count fraction in respect of the calculation of the payable interest amount shall be "Actual/360", which means that the number of days in the calculation period in which payment being made divided by 360 ("Interest Rate Day Count Fraction").

The interest rate on the Bonds is set/reset on each interest quotation date by the Bond Trustee, being two Business Days before the beginning of the next Interest Period, commencing at the first date of the next Interest Period.

When the interest rate is set for the first time and on subsequent interest rate resets, the interest rate applicable up to the next Interest Period, and the actual number of calendar days for that period, shall immediately be notified to the Bondholders, the Issuer, the Paying Agent and Oslo Børs.

The payable interest amount per Bond for a relevant Interest Period shall be calculated as per the following formula:

$$Interest\ amount = (Nominal\ Amount \times Interest\ Rate \times Interest\ Rate\ Day\ Count\ Fraction)$$

Example calculation for a 90 days Interest Period if applicable Interest Rate equals 6.90 per cent.:

$$Interest\ amount = \left(\text{EUR } 1.00 \times \frac{6.90}{100} \times \frac{90}{360}\right) = \text{EUR } 0.01725$$

**First Issue Date:** 3 October 2018.

**Issue Date:** The First Issue Date and any subsequent date when issuance of PIK Bonds takes place.

**Final Redemption Date:** 3 April 2022 (3.5 years after the Issue Date) at a price equal to 100.00 per cent of the Nominal Amount.

**Interest Payment Dates:** 3 January, 3 April, 3 July and 3 October each year (with the first Interest Payment Date on 3 January 2019 and the last Interest Payment Date being the Final Redemption Date).

**Interest Period:** The period between the Interest Payment Dates, however subject to adjustment in accordance with Business Day Convention.

**Interest Payments:** Interest on the Bonds will accrue from (and including) the Issue Date up to (but excluding) the relevant redemption date. The interest shall be payable quarterly in arrears by issue of PIK Bonds (and thus be accumulated and added to the Bond Issue) on the Interest Payment Dates each year, or if the relevant Interest Payment Date does not fall on a banking day in Norway, on the first subsequent banking day (no adjustments of banking day).

Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

**The Time Limit on the Validity of Claims to Interest and Repayment of Principal:** Claims of interest and principal shall be subject to the time-bar provisions of the Norwegian Limitations Act of 18 May 1979 no. 18, p.t. 3 years for interest rates and 10 years for principal.

**Price:** 100.00 per cent of the Nominal Amount for Bonds issued on the Issue Date.

**Nominal Amount:** The nominal amount of each Bond will be EUR 1.00.

**Outstanding Nominal Amount:** The Bond Issue less any repayments and amortizations made.

**Minimum Investment:** The minimum permissible investment (minimum subscription and allotment amount) upon issuance of the Bonds is EUR 100,000.

**Purpose of the Initial Bond Issue:** The purpose of the Initial Bond Issue is to (i) refinance the Existing Bond, including redemption costs, (ii) partial repayment of the Co-investor Loan, (iii) finance the purchase of BWC's shares in Jack-Up InvestCo 3 Plc, (iv) pay Transaction Costs, and (v) finance general corporate purposes of the Group.

**Super Senior Working Capital Facility:** The super senior working capital and guarantee facility to be provided to the Issuer by one or several bank lenders, and any refinancing or replacements thereof. The working capital facility shall be no more than DKK 50 million. The guarantee facility may include any performance guarantees in respect of the ordinary course of business of the Issuer and/or Guarantors.

**Super Senior Finance Documents:** The agreement for the Super Senior Working Capital Facility and the other documents defined as a "Finance Document" therein.

**Super Senior Obligations:** The payment obligations towards the Super Senior Creditors under the Super Senior Finance Documents.

**Super Senior Creditors:** The finance parties under the Super Senior Finance Documents.

**First Lien Bonds:** The Senior Secured Callable Bond Issue of initially EUR 100,000,000 and in a maximum amount (tap issue) of up to 125,000,000, to be issued in connection with this Initial Bond Issue.

**Status of the Bonds:** The Bonds will constitute senior debt of the Issuer and will:

a) be secured as set forth under "Security" with second priority in the Pre-Disbursement Security, to receive proceeds from the enforcement (including distressed disposals pursuant to the terms of the Intercreditor Agreement) of such Security after the Super Senior Obligations and First Lien Bonds have been repaid in full;

b) be at least pari passu in right of payment with all existing and future (i) direct, unconditional, unsubordinated and unsecured obligations, (ii) Super Senior Creditors, save for a) above, (iii) First Lien Bonds and (iv) Bonds, save for a) above);

c) be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Bonds; and

d) be subordinated to any existing and future indebtedness of the Issuer that is mandatorily preferred by law.

**Secured Debt:** The payment obligations of the Obligors under the First Lien Bond Finance Documents, the Super Senior Finance Documents and the Second Lien Bond Finance Documents.

**Secured Creditors:** The finance parties under the Super Senior Finance Documents, the First Lien Bond Finance Documents and the Second Lien Bond Finance Documents.

**Security:** All amounts outstanding to the Trustee and/or the bondholders under the Bond Finance Documents, including but not limited to interest and expenses, shall be secured by:

Pre-Settlement Security

From the Issuer:

a) a pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Escrow Account (as defined below) (according to Norwegian law) (the "Escrow Account Pledge") to secure the entitlements of the bondholders having subscribed for Bonds.

Pre-Disbursement Security

As collateral security for the fulfilment of the Secured Debt, the Secured Creditors, represented by the Security Agent, shall prior to or in connection with Disbursement be granted the following security on the terms set out in the relevant security agreements (the "Security" and "Security Documents" respectively);

From the Issuer:

a) a pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Retention Account (as defined below) (according to Norwegian law) (the "Retention Account Pledge"); and

b) a pledge granted by the Issuer over 100 per cent of the shares in Jack-Up InvestCo 3 (the "Share Pledge A"), and a pledge over 100 per cent of the shares in Jack-Up InvestCo 2 (the "Share Pledge B"), together with, inter alia, letters of resignation (effective upon an Event of Default for which the Trustee has issued a notice) (if legally possible) from the current board members and covenants to obtain such from future board members;

c) an assignment of the Issuer's entitlements under the insurances related to WIND (other than third party liability insurances) (the "Issuer's Assignment of Insurances");

d) a pledge over the Issuer's claims under any current and future Intercompany Loans where the Issuer is the creditor (the "Pledge of Intercompany Loans");

e) a mortgage over WIND including all relevant equipment being legally part of WIND (including the cranes) under the applicable law where WIND is registered (the "WIND Mortgage"); and

f) an assignment of or other security interest in the rights and entitlements of the Issuer under the Siemens Gamesa Contract (including all earnings payable and security granted by Siemens Gamesa thereunder), to the extent Siemens Gamesa consents thereto (the "Siemens Gamesa Contract Assignment").

From the Guarantors:

a) an assignment of Jack-Up InvestCo 3's entitlements under the insurances related to WIND SERVER and an assignment of Jack-Up InvestCo 2's entitlements under

the insurances related to WIND PIONEER (other than third party liability insurances) (the "Guarantors' Assignment of Insurances");

g) a mortgage over WIND SERVER (granted by Jack-Up InvestCo 3) and a mortgage over WIND PIONEER (to be granted by Jack-Up InvestCo 2) including all relevant equipment being legally part of WIND SERVER and WIND PIONEER (including the cranes) under the applicable law where WIND SERVER and WIND PIONEER are registered (the "Guarantor Vessel Mortgages"); and

h) an unconditional and irrevocable on-demand guarantee issued by each of the Guarantors (payment by the Guarantors to be made within 14 banking days of any demand) (the "Guarantees").

The Security shall be established prior to or in connection with the first release from the Escrow Account as described below under Conditions Precedent Pre-Disbursement, but where perfection will be subject to limitations further described in the Information Memorandum, possibly applying to inter alia the Siemens Gamesa Contract Assignment.

Pre-Disbursement Security for a Subsequent Bond Issue (in the First Lien Bonds)

The Security shall be expanded to include the following upon disbursement of a Subsequent Bond Issue in the First Lien Bond:

a) in the event a New Vessel is owned by a New Vessel SPV, a pledge granted by the Issuer over 100 per cent of the shares in the New Vessel SPV (the "Share Pledge C"), together with, inter alia, letters of resignation (effective upon an Event of Default for which the Trustee has issued a notice) (if legally possible) from the current board members and covenants to obtain such from future board members;

b) an assignment of the Issuer's or (if established) New Vessel SPV's entitlements under the insurances related to the New Vessel and an assignment (other than third party liability insurances) (the "New Vessel Insurances");

c) a mortgage over the New Vessel (granted by the Issuer or any New Vessel SPV) including all relevant equipment being legally part of the New Vessel (including the cranes) under the applicable law where the New Vessel is registered (the "New Vessel Mortgage"); and

d) an unconditional and irrevocable on-demand guarantee issued by the New Vessel SPV (payment by the Guarantor to be made within 14 banking days of any demand) (the "New Vessel Guarantee").

Ranking:

The Security in the Accounts shall rank above any set-off rights for the bank.

The Security shall, rank on a second priority basis, after the Super Senior Creditors and First Lien Bonds, in accordance with the terms of the Intercreditor Agreement. Nordic Trustee A/S will act as security agent on behalf of all Secured Creditors, both in respect of the Security and any additional security provided in accordance with the terms of the Intercreditor Agreement.

The Intercreditor Agreement shall include waterfall provisions where after the payment obligations under the Super Senior Finance Documents and First Lien Bond

Finance Documents shall rank above the payment obligations under the Second Lien Bond Finance Documents with respect to any proceeds from assets under the Security including the proceeds upon enforcement (including distressed disposals) of the Security.

**Call Option (American):** The Issuer may redeem all, but not only some, of the Bonds early on any banking day before the Final Redemption Date. The Bonds shall be redeemed at the Make Whole Amount or the Call Option Amount (as applicable) together with accrued but unpaid interest.

**Make Whole Amount:** From the Issue Date to, but not including, the First Call Date an amount equivalent to the sum of:

a) 105.93 per cent of the coupon of the Outstanding Nominal Amount as if such payment originally should have taken place on the Interest Payment Date falling on the First Call Date; and

b) the remaining interest payments (excluding accrued but unpaid interest up to the relevant redemption date) up to and including the First Call Date (assuming that the Interest Rate for the period from the relevant record date to the First Call Date will be equal to the Interest Rate in effect on the date on which notice of redemption is given to the bondholders).

**Call Option Amount:**

a) 103.00 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the First Call Date to, but not including, the date falling 24 months after the First Issue Date;

b) 102.00 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 24 months after the First Issue Date to, but not including, the date falling 30 months after the First Issue Date;

c) 101.00 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 30 months after the First Issue Date to, but not including, the date falling 33 months after the First Issue Date; and

d) 100.50 per cent of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 33 months after the First Issue Date to but not including the Final Redemption Date.

**First Call Date:** The date falling 18 months after the First Issue Date.

**Accounts:** <u>The Escrow Accounts mechanism</u>

The Net Proceeds shall be transferred to the Escrow Account, to be established with SEB, Norwegian branch (or another Nordic bank). The Escrow Account will be pledged in favour of the Trustee and the bondholders (represented by the Trustee). The pledge over the Escrow Account shall be released when the Conditions Precedent for Disbursement have been fulfilled.

**Conditions Precedent for Disbursement:** The Trustee's approval of the disbursement of the Net Proceeds from the Escrow Account is subject to the following documents being received by the Trustee, in form

and substance satisfactory to it (acting reasonably), that the following actions have been taken and that the following events have occurred:

a) certificate of registration and articles of association for the Issuer and the Guarantors;

b) corporate resolutions for the Issuer and each entity granting Security;

c) evidence that the Finance Documents have been duly executed;

d) evidence that the Conditions Precedent for Disbursement of the First Lien Bond are all met and that disbursement of the First Lien Bonds will occur simultaneous to disbursement of the Bonds;

e) the Intercreditor Agreement duly executed by all parties thereto;

f) evidence that the Security has been executed and (if applicable) perfected and evidence of discharge and release of all security and guarantees granted for the Existing Bond in connection with the Existing Bond being repaid in full in accordance to a closing procedure acceptable to the Trustee; and

g) a legal opinion on the validity and enforceability of the Finance Documents issued by a reputable law firm.

The Trustee may waive or postpone the delivery of certain conditions precedent at its sole discretion. The first release of funds from the Escrow Account, redemption and discharge of the Existing Bond, release of existing security for the Existing Bond and perfection of new Security all to be made in accordance with a closing mechanism, sequencing and terms acceptable to the Trustee, which may also include a defeasance account pledge arrangement for the Existing Bond.

When the Conditions Precedent for Disbursement set out above have been fulfilled to the satisfaction of the Trustee (acting reasonably), the Trustee shall transfer the funds from the Escrow Account in accordance with the Purpose of the Initial Bond Issue. The Trustee shall transfer any residual funds of the Net Proceeds on the Escrow Account, to the bank account specified by the Issuer.

**Special Undertakings:**

a) Distributions: The Issuer shall not (unless replaced by Subordinated Capital in an equivalent amount), and shall procure that none of its Subsidiaries will, (i) pay any dividend on its shares (other than loans, dividends and group contributions to the Issuer or a Subsidiary of the Issuer), (ii) repurchase any of its own shares, (iii) redeem its share capital or other restricted equity with repayment to shareholders, (iv) grant any loans (other than to the Issuer or a wholly-owned Subsidiary of the Issuer), or (v) make any other similar distribution or transfers of value to the direct or indirect shareholder of the Issuer, or any Affiliates of the Issuer (other than to the Issuer or a Subsidiary of the Issuer) or (vi) repay the Co-Investor Loan in parts or full however this shall not prohibit the initial repayment of EUR 17 million and payment of the CIBOR plus 2 per cent. annual cash interest on the Co-investor Loan.

Notwithstanding the above, a Restricted Payment may be made by the Issuer, if at the time of the payment:

(i) the Incurrence Test is fulfilled (calculated on a *pro forma* basis including the relevant Restricted Payment);

(ii) the Equity Claw Back has been utilized in full;

(iii) an Equity Listing Event has occurred; and

(iv) if, at the time of the payment, the aggregate amount of all Restricted Payments of the Group in any fiscal year (including the Restricted Payment in question) does not exceed 25 per cent of the Group's consolidated net profit for the previous fiscal year.

b) Listing: The Issuer shall ensure that (i) the Bonds are listed at the corporate bond list on Oslo Stock Exchange no later than 60 calendar days after the First Issue Date (and with an intention to complete such listing within 30 calendar days after the First Issue Date) and at the Frankfurt Open Market as soon as reasonably possible, (ii) any Subsequent Bonds are listed on the corporate bond list of Oslo Stock Exchange within 60 days after the issuance of such Subsequent Bonds and with an intention to complete such listing within 30 days after the issuance of such Subsequent Bonds and at the Frankfurt Open Market as soon as reasonably possible, and (iii) shall take all measures required to ensure that the Bonds, once listed on such markets, continue being listed on such markets for as long as any Bond is outstanding (however, taking into account the rules and regulations of these markets and the Paying Agent (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

c) Nature of business: The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group as of the Issue Date if such substantial change would have a Material Adverse Effect. For the sake of clarity; this shall not prohibit a Permitted Group Reorganisation.

d) Financial Indebtedness: The Issuer shall not, and shall procure that none of its Subsidiaries will, incur any Financial Indebtedness other than Permitted Debt.

e) Negative pledge: The Issuer shall not, and shall procure that none of its Subsidiaries, provide, prolong or renew any security over any of its/their assets (present or future) to secure any loan or other indebtedness, provided however that the Group Companies have a right to (i) provide, prolong and renew any Permitted Security, and (ii) retain, but not prolong or renew, any existing security in relation to indebtedness held by an entity acquired by a Group Company.

f) Clean Down Period: The Issuer shall procure that during each calendar year (commencing in 2018) there shall be a period of five (5) consecutive days during which the amount outstanding under the Super Senior Working Capital Facility, less cash and cash equivalents of the Group, amounts to zero (0) or less. Not less than six (6) months shall elapse between two such periods.

g) Dealings with related parties: The Issuer shall, and shall procure that its Subsidiaries will, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders (excluding other Group Companies) at arm's length terms.

h) Financial Reporting etc.: The Issuer shall:

(i) prepare and make available the annual audited Consolidated Financial Statements of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the

Issuer's board of directors, on its website not later than 4 months after the expiry of each financial year;

(ii) prepare and make available the quarterly interim unaudited consolidated reports of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors, on its website not later than 2 months after the expiry of each relevant interim period;

(iii) starting from the first anniversary of the Issue Date, prepare and make available to the Trustee, a report (a "Cash Report") evidencing the Liquidity balance of the Group as per 30 June and 31 December each year (the "Liquidity Testing Dates"), which Cash Report shall be delivered to the Trustee at the latest 20 banking days before the Interest Payment Date following directly after the relevant Liquidity Testing Date;

(iv) issue a Compliance Certificate to the Trustee in connection with the Financial Reports being delivered for each Reference Date;

(v) keep the latest version of the Terms and Conditions available on the website of the Group; and

(vi) promptly notify the Trustee when the Issuer is or becomes aware of (i) the occurrence of a Change of Control, (ii) that an Event of Default has occurred and (iii) an Equity Listing Event or Equity Claw Back, and shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such notice.

When the Bonds have been listed on the Oslo Stock Exchange, the reports referred to under (i) and (ii) above shall, in addition, be prepared in accordance with IFRS and made available in accordance with the rules and regulations of Oslo Stock Exchange (as amended from time to time).

i) Vessel Covenants: Standard vessel covenants: (i) maintenance of insurances (see below), (ii) no sale of the Vessels without redemption of the Bonds (see Mandatory Prepayment) (for the sake of clarity this shall not prohibit a Permitted Group Reorganisation), (iii) maintenance of class, (iv) maintenance of flag, name and registry, (v) the Vessels to be kept in a good and safe condition and repair consistent with prudent ownership and industry standards, and (vi) operation in accordance with applicable laws and regulations.

j) Maintenance and Insurances: The Issuer shall provide for reasonable and satisfactory maintenance of insurances of Vessels and all relevant equipment related thereto at all times, hereunder to retain Vessels in class. During operation of Vessels, the Issuer shall ensure that it runs proper maintenance of Vessels according to planned maintenance system. Vessels shall also be adequately insured (including war risk) against risks related to hull & machinery and hull & freight interest at least to the full value of Vessels and at least 120 per cent of the outstanding amount under the Finance Documents, and a third party liability insurance as per industry standards, as well as mortgagee interest insurance and loss of hire and any additional insurance required under any law or charter contracts.

The insurances and loss payee clause shall be in accordance with the Norwegian Marine Insurance Plan or other insurances with no less favourable terms.

k) Capex restriction: The Issuer shall not (and procure that no Subsidiary or New Vessel SPV) make or commit to enter into any new build contract for a new vessel or purchases or otherwise acquires a New Vessel unless (a) such capital expenditures are limited to EUR 2.0 million per annum from the Issue Date to the Final Redemption Date or (b) all of the following conditions are all met:

(i) Any Financial Indebtedness raised for purchase of a New Vessel is limited to Financial Indebtedness as defined under clause (j) under the definition of Permitted Debt;

(ii) Security for the New Vessel is granted as stipulated under clause Pre-Disbursement Security for a Subsequent Bond Issue;

(iii) A minimum of 40 per cent of the purchase price for such New Vessel is financed with new Equity or additional Subordinated Loans (not being the Co-investor Loan);

(iv) A minimum Capacity Utilization for the Vessels of 70 per cent has been obtained during the most recent Reference Period;

(v) Funding from the Issuer is limited to EUR 45 million; and

(vi) The Incurrence Test is met on a *pro forma* basis excluding any Cash Equivalent Investments injected by the Issuer or any Subsidiary (not being the New Vessel SPV); or

(vii) any construction project relating to a new vessel or any purchase or otherwise acquisition of a New Vessel that is conducted by a New Vessel SPV on a non-recourse basis (i.e. no guarantees extended or security granted from any part of the Group, including the Issuer) and fully funded by capital raised in an Equity Capital Raising; or

(viii) is acquired as a Temporary Chartered Vessel, provided that no New Vessel has been or purchased or otherwise acquired as described above in Special Undertakings, sub-clause k, paragraph (i)-(vi) (for the avoidance of doubt; such Temporary Chartered Vessel may be subsequently acquired).

l) Financial Assistance: The Issuer shall not, and procure that no Subsidiary, grant any loans, guarantees or other financial assistance to any Group Company and/or any third party, save for Permitted Debt and such assistance to New Vessel SPVs as permitted under the Capex restriction.

m) Liquidity Investments: The Issuer shall ensure that the Group's freely available cash is not invested in instruments not qualifying as Cash Equivalent Investments (this shall however not restrict the use of cash for business purposes or according to the provisions of the Bond Agreement reflecting this Term Sheet).

**Permitted Debt:** Means any Financial Indebtedness:

a) incurred under the Bonds;

b) The Super Senior Working Capital Facility and the First Lien Bonds.

c) Intercompany Loans and customary intra-group cash pool arrangements only involving the Issuer and the Guarantors;

d) Arising under any guarantee issued by a Group Company in the ordinary course of business;

e) arising under a foreign exchange transaction or commodity derivatives for spot or forward delivery entered into in connection with protection against fluctuation in currency rates or prices where the exposure arises in the ordinary course of business or in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

f) arising under any interest rate hedging transactions in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

g) incurred by the Issuer as Subordinated Loans;

h) incurred under Advanced/Deferred Purchase Agreements;

i) of the Group under any guarantee issued by a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

j) incurred as a result of a Subsequent Bond Issue in the First Lien Bonds, meets the Incurrence Test on a pro forma basis and is applied towards financing the purchase of a New Vessel.

k) before any purchase of a New Vessel, incurred under any leasing obligations for a Temporary Chartered Vessel in a maximum amount of EUR 17.5 million provided that a minimum Capacity Utilization of 70 per cent for the Vessels has been obtained during the most recent Reference Period;

l) until the Conditions Precedent for Disbursement have been fulfilled, any Existing Bond;

m) financial leasing and credit card debt in the ordinary course of business, in an aggregate amount of EUR 1.5 million; and

n) incurred in connection with the redemption of the Bonds in order to fully refinance the Bonds and provided that a call notice has been published and further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of the Bonds (taking into account the rules and regulations of Verdipapirsentralen ASA, the CSD), for the purpose of securing, inter alia, the redemption of the Bonds.

**Permitted Security:** Means any security:

a) granted under the Finance Documents for the Secured Debt;

b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advanced/Deferred Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);

c) rising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including group cash pool arrangements;

d) provided for hedging transactions set out in letter (e) or (f) of the definition Permitted Debt;

e) relating to any Temporary Chartered Vessel, provided that no Security may be granted;

f) until the Conditions Precedent for Disbursement have been fulfilled, the existing security for the Existing Bond;

g) of the Group under any guarantee issued by a Group Company or a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

h) provided for financial leasing and credit card debt set out in letter (m) of the definition Permitted Debt; and

i) provided as security for obligations pursuant to any of items (b) and (j) of the definition of Permitted Debt.

**Maintenance test (on Subordinated Capital Ratio):** The Issuer shall at all times maintain a Subordinated Capital Ratio of minimum 30.0 per cent in the first 12 months from the Issue Date, to increase by 2.5 percentage points each subsequent year, to be tested quarterly on the basis of the interim report for such period and reported by delivery of a Compliance Certificate to the Trustee no later than 60 days following the last day of the relevant financial quarter.

**Incurrence test:** The Incurrence Test is met if the:

a) ratio of Net Interest Bearing Debt to EBITDA is not greater than:

(i) 5.00 from the First Issue Date until 31 December 2018;

(ii) 4.50 from 1 January 2019 until 31 December 2019;

(iii) 4.00 from 1 January 2020 until the Final Redemption Date;

b) The Subordinated Capital Ratio exceeds 30.0 per cent (to increase by 2.5 percentage points annually, the first increase to occur 12 months year after the Issue Date) on a pro forma basis; and

c) no Event of Default is continuing or would occur upon the incurrence.

**Testing:** The calculation of the ratio of Net Interest Bearing Debt to EBITDA and Subordinated Capital Ratio shall be made as per a testing date determined by the Issuer, falling no more than two months prior to the incurrence of the new Financial Indebtedness or making of a Restricted Payment. The Net Interest Bearing Debt and Subordinated Capital Ratio shall be measured on the relevant testing date so determined, but include the new Financial Indebtedness provided it is an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt). EBITDA and Total Assets shall be calculated as set out below.

The figures for EBITDA for the Reference Period ending on the last day of the period covered by the most recent Financial Report, and the figures for Total Assets and Subordinated Capital on the Reference Date, shall be used for the Incurrence Test, but adjusted so that:

a) Entities acquired or disposed of by the Group during the Reference Period, or after the end of the Reference Period but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the EBITDA for the entire Reference Period;

b) Any entity to be acquired with the proceeds from new Financial Indebtedness shall be included, pro forma, in the EBITDA for the entire Reference Period, and shall be included in the calculation of Total Assets;

c) Any entities acquired or disposed of by the Group after the Reference Date but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the calculation of Total Assets;

d) Any Subordinated Capital acquired by the Group after the Reference Date but before the relevant testing date, or to be acquired in connection with the New Financial Indebtedness, shall be included pro forma in the calculation of the Subordinated Capital Ratio;

e) In the calculation of the Net Interest Bearing Debt and Subordinated Capital Ratio, the purchase price under any call-option to purchase a Temporary Chartered Vessel shall be excluded. In respect of any put-option to purchase a Temporary Chartered Vessel the purchase price shall be included less any amount that the Issuer is entitled to settle in shares, and be substituted with the payment amount under any walk-away option available for the Issuer with respect to any balance calculation in respect of a Temporary Chartered Vessel.

**Equity Claw Back:** The Issuer may at one occasion, in connection with an Equity Listing Event, repay the total Nominal Amount. The repayment must occur on an Interest Payment Date within 180 days after such initial public offering and be made with funds in an aggregate amount not exceeding the cash proceeds received by the Issuer as a result of such offering (net of fees, charges and commissions actually incurred in connection with such offering and net of taxes paid or payable as a result of such offering). The repayment shall equal the Nominal Amount plus (i) a premium on the repaid amount as set forth in the Call Option Amount for the relevant period and, shall for the non-call period (until the First Call Date) be the price set out in paragraph (a) of the Call Option Amount definition above, and (ii) accrued but unpaid interest on the repaid amount.

**Definitions:** "Advanced/Deferred Purchase Agreements" means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment in the normal course of business with credit periods which are normal for the relevant type of project contracts, or (b) any other trade credit incurred in the ordinary course of business.

"Affiliate" means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Business Day Convention" means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in

which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following*).

"BWC" means Blue Water Capital, the owner of 50 per cent of the shares in Jack-Up InvestCo 3 Plc.

"Capacity Utilization" means the weighted average utilisation rate calculated as revenue during the quarter divided by full utilisation at an aggregate day rate of EUR 135,000 for the Vessels (excluding any New Vessel).

"Compliance Certificate" means a certificate, in form and substance satisfactory to the Trustee, signed by the Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it.

"Consolidated Financial Statements" means financial statements on a consolidated level of the Issuer.

"Cash Equivalent Investments" means, in respect of the Group, and at any time, (i) immediately available funds at bank or postal accounts, (ii) any investment in marketable debt obligations issued by the Issuer or by any other party, and (iv) any investment in investment funds which invest substantially all their assets in securities of the types described in paragraph (ii) above. For avoidance of doubt, any undrawn and available amounts under the Super Senior Working Capital Facility shall not be considered Cash Equivalent Investments.

"Client Cancellation" means an event where either or both of the Issuer and Siemens Gamesa Renewable Energy cancels the Siemens Gamesa Contract due to a breach of the Issuer, and such a cancellation does not result in the Issuer receiving the remaining 80 per cent of the outstanding contract value of the Siemens Gamesa Contract.

"Co-investor Loan" means the subordinated loan to the Issuer from a Co-investor of BWB Equity Partners in the approximate amount of EUR 37.8 million as per 30 June 2018, of which EUR 17 million is to be repaid with parts of the loan proceeds while the remainder will mature after the Final Redemption Date.

"EBITDA" means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s):

a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;

b) before deducting any net financial items;

c) before taking into account any extraordinary items which are not in line with the ordinary course of business, provided that such items are not in excess of an amount equal to ten (10) per cent of EBITDA in the Reference Period;

d) before taking into account any Transaction Costs (including any costs relating to the refinancing and the Existing Bond and the partial repayment of the Co-investor Loan) and any transaction costs relating to any acquisition of any New Vessel;

e) not including any accrued interest owing to any member of the Group;

f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis);

g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;

h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

i) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and

j) after adding back any amount attributable to the amortisation, depreciation, depletion or depletion of assets of members of the Group.

"Equity Capital Raising" means a minimum EUR 50,000,000 contribution in the form of equity or Subordinated Loans raised after the First Issue Date, excluding any capital raised for the purpose of financing the purchase of a New Vessel.

"Equity Listing Event" means an initial public offering of shares in the Issuer, after which such shares shall be quoted, listed, traded or otherwise admitted to trading on a regulated market or unregulated market.

"Escrow Account" means a bank account of the Issuer, into which the Net Proceeds will be transferred and which has been pledged in favour of the Trustee and the bondholders (represented by the Trustee) under the Escrow Account Pledge.

"Existing Bond" means the Senior Secured Callable Bond Issue with ISIN NO0010751332.

"Finance Documents" means the Bond Agreement, the Trustee Agreement, the Security Documents and any other document designated to be a Finance Document by the Issuer and the Trustee.

"Financial Indebtedness" means any indebtedness in respect of:

a) moneys borrowed (including acceptance credit and any overdraft facility);

b) any bond, note, debenture, loan stock or other similar instrument;

c) the amount of any liability in respect of any lease, hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

d) receivables sold or discounted (other than any receivables sold on a non-recourse basis);

e) any sale and lease-back transaction, or similar transaction which is treated as indebtedness under IFRS;

f) any liability under a deferred purchase agreement where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;

g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price, including without limitation currency or interest rate swaps, caps or collar transactions (and, when calculating the value of the transaction, only the marked-to-market value shall be taken into account);

h) any amounts raised under any other transactions having the commercial effect of a borrowing or raising of money, (including any forward sale or purchase agreement);

i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any underlying liability; and

j) (without double counting) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any of the items referred to above.

"Financial Report" means the Group's annual audited financial statements or quarterly interim unaudited reports, which shall be prepared and made available according to (i) and (ii) under Section "Financial Reporting".

"Intercompany Loans" means any loan between Group companies. Any Intercompany Loan in a minimum amount of EUR 1,000,000 under which the Issuer or the Guarantor is a debtor shall according to its terms and pursuant to an intercreditor agreement satisfactory to the Trustee (acting reasonably) between the relevant creditor and the Bond Trustee, (a) be subordinated to the obligations of the Issuer and Guarantor under the Finance Documents, and (b) have no acceleration right.

"Intercreditor Agreement" means an agreement between, amongst others, the Obligors, the Trustee (representing the bondholders in the Bond and the First Lien Bond) and the Super Senior Creditors. The Intercreditor Agreement shall be based on customary terms and conditions as the Trustee and the Super Senior Creditors shall approve, including, but not limited to, the main terms set out in Schedule 1. The Trustee shall be authorised to agree and execute the Intercreditor Agreement on behalf of the Bondholders.

"Liquidity" means, at any time and in each case free and clear of all Security, the aggregate amount of unrestricted and freely available cash of the Group in accordance with the Consolidated Financial Statements (excluding cash proceeds retrieved upon the occurrence of Mandatory Prepayment Events):

a) plus Cash Equivalent Investments on hand by any member of the Group;

b) minus any amount of utilised loans under the Super Senior Working Capital Facility;

c) minus any amount of cash and cash equivalents on the Retention Account;

d) minus any cash on blocked accounts or which by way of agreement or otherwise are not available for utilisation by the entire Group;

e) minus any amount which is overdue for payment with more than 14 days in connection with supply of assets or services;

f) minus the amount of any Equity Capital Raising to cure any covenant breach pursuant to the Super Senior Working Capital Facility, which has been made to the Group during the last 12 months;

g) minus any cash in a New Vessel SPV; and

h) minus the amount of any proceeds raised during the last 12 months in connection with an Equity Capital Raising which are not used to prepay the Bonds.

"Material Adverse Effect" means a material adverse effect on (a) the Issuer's ability to perform and comply with its payment obligations under the Finance Documents, or (b) the validity or enforceability of the Finance Documents.

"Net Interest Bearing Debt" means the aggregate interest bearing debt less cash and cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time (for the avoidance of doubt, excluding any, guarantees, counter indemnities in respect of bank guarantees, Subordinated Loans and interest bearing debt borrowed from any Group Company).

"Net Proceeds" means the cash proceeds from the Bond Issue after deduction has been made for the Transaction Costs payable by the Issuer to the Sole Bookrunner (if the Sole Bookrunner have requested that their respective fees and costs shall be deducted) and the Issuing Agent for the services provided in relation to the placement and issuance of the Bonds.

"New Vessel SPV" means a special purposes vehicle established to conduct to purchase or otherwise acquire a New Vessel.

"New Vessel" means any fully constructed offshore jack-up wind turbine O&M vessel purchased or otherwise acquired to be utilized in the ordinary course of business.

"Obligors" means the Issuer and the Guarantors.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"Permitted Group Reorganisation" means a potential reorganisation of the Group for commercial and/or tax benefits where after the Issuer becomes the direct owner of Wind Server and/or Wind Pioneer and/or New Vessel and the relevant Guarantor(s) are dissolved. The Issuer shall upon completion of such reorganisation provide the Guarantor Vessel Mortgages and the Guarantors' Assignment of Insurances while the Guarantees and the Share Pledge A and Share Pledge B and Share Pledge C will be cancelled.

"Reference Date" means the final date of a Reference Period for an Incurrence Test.

"Reference Period" means each period of 12 consecutive calendar months.

"Siemens Gamesa Contract" means the three year time charter contract signed on May 19th 2014 between the Issuer and Siemens Gamesa Renewable Energy concerning WIND SERVER commenced on 14 March 2016.

"Security Documents" means the security documents pursuant to which the Security is created and any other document designated as a security document by the Issuer and the Trustee.

"Subordinated Capital Ratio" means the ratio of Subordinated Capital to Total Assets.

"Subordinated Capital" means the sum of (i) the aggregate amount which in accordance with applicable accounting standards would be shown in the Issuer's Consolidated Financial Statements as the equity of the Group, (ii) the (Second Lien) Bonds and (iii) any Subordinated Loans.

"Subordinated Loans" means (i) any loan from a creditor which is not a group company to the Issuer and/or a Guarantor as the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Bond Issue, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or amortisation dates or instalment dates which occur after the Final Redemption Date, (c) according to its terms yield only payment-in-kind interest in excess of CIBOR (3 months, floor at 0.00 per cent. to apply) plus 2 per cent annually, (ii) the Co-investor Loan, and (iii) the (Second Lien) Bonds.

"Subsidiary" means an entity from time to time of which a person:

a) has direct or indirect control; or

b) owns directly or indirectly more than fifty (50) per cent of the share capital or other right of ownership, and

c) the Guarantors.

"Temporary Chartered Vessel" means a fully operational vessel chartered or assumed on bareboat by the Group from an external party prior to a purchase of a New Vessel.

"Total Assets" means the aggregate amount which in accordance with the applicable accounting standards would be shown in the Issuers Consolidated Financial Statements as the total assets.

"Transaction Costs" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (i) the Bond Issue and (ii) the listing of the Bonds.

"Trustee Agreement" means the fee agreement entered into between the Trustee and the Issuer on or about the Issue Date regarding, inter alia, the remuneration payable to the Trustee.

"Vessels" means WIND, WIND SERVER and WIND PIONEER,

"WIND" means the offshore jack-up wind turbine O&M vessel identified as WIND with IMO number 9107851.

"WIND SERVER" means the offshore jack-up wind turbine O&M vessel identified as Wind Server with IMO number 9670793.

"WIND PIONEER" means the offshore jack-up wind turbine O&M vessel identified as WIND PIONEER with IMO number 8660222.

**Events of Default:** The Bond Terms shall include standard remedy and event of default provisions, including remedy periods and cross default provisions against all Group Companies with a threshold of EUR 1,000,000. The Finance Documents will contain waterfall provisions in case of partial payments i.e. first to cover costs, fees and expenses of the Trustee (the "Trustee Expenses") and thereafter any other outstanding amounts under the Finance Documents. In case the Issuer does not pay the Trustee for incurred fees, then the Trustee may seek funding of the Trustee Expenses from the bondholders, or failing them, other sources, in which case such other sources will be subrogated into the position of the Trustee, but subordinate to any further Trustee Expenses.

**Acceleration Amount:** In the event of an acceleration of the Bonds, the Issuer shall redeem all Bonds with an amount per Bond together with a premium on the due and payable amount as set forth in the Call Option Amount for the relevant period and, shall for the non-call period (until the First Call Date) be the price set out in paragraph (a) of the Call Option Amount definition above the applicable Call Option Amount (plus accrued and unpaid interest).

**Mandatory Prepayment:** Upon a Mandatory Prepayment Event occurring, the Issuer shall redeem:

a) 100 per cent of the outstanding bonds at a price equal to the prevailing call price outlined under the Call Options (described above) upon the occurrence of any of the Mandatory Prepayment Events listed as (a-c) occur;

b) 100 per cent of the outstanding bonds at 100 per cent of par value (plus accrued interest on redeemed amount) upon the occurrence of a WIND SERVER Total Loss Event;

c) Bonds pro rata at a price equal to the prevailing call price outlined under the Call Options described above however at the first call price if occurring before the First Call Date, by applying all net proceeds retrieved upon the occurrence of a Mandatory Prepayment Event listed as (e-h), where the redemption shall be effected pro rata among bondholders in accordance with the procedures of Verdipapirsentralen ASA.

The Mandatory Prepayment shall be carried out as soon as possible upon the Issuer receiving cash from the relevant Mandatory Prepayment Event (including insurance proceeds upon actual or constructive loss) however no later than 180 days after the relevant Mandatory Prepayment Event occurred.

For the avoidance of doubt, the redemption price shall be determined based on the date the Mandatory Prepayment Event occurred and not based on the date the repayment is carried out.

If the Bonds are redeemed according to this Mandatory Prepayment clause, the entire amount on the Escrow Account and the Retention Account, together with any amounts received as damages payments under any insurance proceeds may be applied to prepay the Bonds.

**Mandatory Prepayment Event:** Means if (save for in connection with a Permitted Group Reorganisation):

a) WIND SERVER is sold or disposed of;

b) a Client Cancellation of the Siemens Gamesa Contract occurs;

c) the Issuer ceases to own directly all the outstanding shares and/or voting capital of Jack-Up InvestCo 3 (following the purchase of shares from BWC);

d) there is an actual or constructive total loss of WIND SERVER (a "WIND SERVER Total Loss Event");

e) there is an actual or constructive total loss of WIND or WIND PIONEER;

f) WIND, WIND PIONEER or any New Vessel, are sold or disposed of;

g) any shares in Jack-Up InvestCo 2 are sold or disposed of; and

h) the Siemens Gamesa Contract is cancelled by the client and the Issuer, or a Subsidiary thereof, receives 80 per cent of the revenues for the remaining life of the Siemens Gamesa Contract.

**Change of Control:** The occurrence of an event or series of events whereby one or more persons, not being BWB Equity Partners (or an Affiliate thereof), acting together, acquire control over the Issuer and where "control" means (a) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

**Put Option upon Change of Control Event:** Should a Change of Control Event occur, each bondholder shall have a right of prepayment (Put Option) of the Bonds at a price of 101 per cent of the Nominal Amount (plus accrued and unpaid interest) during a period of 60 days following the notice of a Change of Control (Exercise Period). The settlement date of the Put Option shall occur within 20 banking days after the ending of the Exercise Period.

**Call Option upon Change of Control Event:** Should a Change of Control Event occur, the Issuer shall have a right of prepayment (Call Option) of the Bonds at a price of 104 per cent of the Nominal Amount (plus accrued and unpaid interest) during a period of 60 days following the notice of a Change of Control (Exercise Period). The settlement date of the Call Option shall occur within 20 banking days after the ending of the Exercise Period.

**Repurchase of Bonds:** The Issuer may at any time purchase Bonds. Bonds held by the Issuer may at the Issuer's discretion be retained or sold, but not cancelled except in connection with a full redemption of the Bonds.

**Trustee:** The bondholders are represented by Nordic Trustee AS, P.B. 1470 Vika, N-0116 Oslo, Norway. For further information on the Trustee's rights and power to represent the Bondholders, please refer to Clause 16 in the Bond Terms.

**Security Agent:** Nordic Trustee A/S, acting as security agent for the Super Senior Creditors and the bondholders.

**Registration:** The Bonds are registered electronically with the Norwegian Central Securities Depository, being Verdipapirsentralen ASA, Fred. Olsens gate 1, 0051 Oslo, Norway ("**VPS**"). Principal and interest accrued will be credited the Bondholders through VPS.

**Paying Agent and Issuing Agent:** The Oslo branch of Skandinaviska Enskilda Banken (publ) AB ("**SEB**"), Filipstad brygge 1, 0252, Oslo, Norway.

| | |
|---|---|
| **Quorum and majority requirements:** | Quorum at a bondholders' meeting exists if bondholders representing at least 20 per cent of the aggregate Outstanding Nominal Amount attend the bondholders' meeting in due order. Bonds held by any Group Company or its Affiliates shall not be considered or included in the Outstanding Nominal amount when calculating if necessary majority has been achieved and shall not carry any voting right. The resolution of the bondholders shall be in accordance with the opinion held by the majority of the Outstanding Nominal Amount of the Bonds represented at the meeting. In respect of material matters, a qualified majority of at least two thirds (2/3) of the Bonds represented at the meeting is required for a resolution to be passed. Please refer to Clause 15 of the Bond Terms for further information on bondholders' decisions. |
| **No separate action clause:** | No bondholder may take any action against the Issuer in matters relating to the Bonds or the Bond Terms, other than when acting through the Trustee in accordance with the Bond Terms. |
| **Governing law and Disputes:** | Norwegian law for the Bond Terms and appropriate law for the other Finance Documents. |

## 5.4 The Guarantees

Each of the Guarantors has granted a joint and several unconditional and irrevocable Norwegian law guarantee (Nw. *selvskyldnergaranti*) to the benefit of the Security Agent (on behalf of the Secured Creditors) as continuing security for the due and punctual payment, discharge and performance of the Guaranteed Obligations (as defined in the Guarantee) (together, the "**Guarantees**"):

> *Guaranteed Obligations: any and all claims, obligations and liabilities outstanding under the Finance Document from time to time, including (without limitation) the Obligors' obligation to repay the Bonds together with all unpaid interests, default interest, costs, charges, expenses and any derived liability whatsoever of the Obligors towards the Secured Creditors under or in connection with the Finance Documents.*

The Guarantees are governed by a guarantee document dated 10 October 2018 (the "**Guarantee**"), as set out in Appendix 12 to this Prospectus. Pursuant to the Guarantee each of the Guarantors irrevocably and unconditionally:

(i) guarantees to the Security Agent, as for its own debt and not merely as surety (In Norwegian: "*selvskyldnergaranti*"), the due and punctual performance by the Issuer of all of the Guaranteed Obligations;

(ii) undertakes with the Security Agent that, whenever the Issuer does not pay any amount of the Guaranteed Obligations when due, the Guarantors shall immediately on demand pay that amount to the Security Agent (on behalf of the Secured Creditors) or as it directs as if it was the principal obligor in respect of that amount together with default interest on the amount payable by the Guarantors from the date of demand until the date of payment, both before and after judgment; and

(iii) undertakes to indemnify the Security Agent (on behalf of the Secured Creditors) upon its first written demand against any cost, loss or liability suffered by the Security Agent or the Secured Creditors if any of the Guaranteed Obligations is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Security Agent or the Secured Creditors would otherwise have been entitled to recover from the Guarantors. The amount payable by the Guarantors under this indemnity shall not in any event exceed the amount each of them would have had to pay under this Guarantee if the amount claimed had

been recoverable on the basis of the guarantee granted by it pursuant to paragraphs (i) and (ii) above.

The maximum guarantee liability of each of the Guarantors pursuant to the Guarantee shall always be limited to EUR 250,000,000, plus any unpaid amount of interest, fees, liability and expenses. The Obligations and liabilities of Jack-Up InvestCo 3 Plc under the Guarantee shall not extend to a point where it would infringe the provision of financial assistance within the meaning of Article no (1)(b) of the Companies Act (Cap. 386 of the laws of Malta).

## 5.5 The Intercreditor Agreement

The Intercreditor Agreement is entered into between the Company, the Guarantors, Spar Nord A/S ("**Spar Nord**") as, inter alia, *Super Senior Creditor*, the Security Agent and the Bond Trustee, and governs the creditor relationship between the creditors under the Bonds (i.e. the bondholders) and Spar Nord as creditor under the WCF.

The Intercreditor Agreement contains provisions on, inter alia, the ranking of security, standstill on enforcement and buy-out options, turnover of proceeds and payment waterfall, favouring Spar Nord through its super senior status in relation to the WCF. In addition, intercompany loans and subordinated loans are subordinated to the *Secured Debt* (as defined in the Intercreditor Agreement), i.e. the Obligors' liabilities and obligations under the WCF and the Bonds.

The payment waterfall pursuant to the Intercreditor Agreement is as follows:

(i) First, against reimbursement of any unpaid fees, costs and expenses whatsoever incurred by the Security Agent in such capacity;

(ii) Second, payment to Spar Nord towards the discharge of the Super Senior Obligations (to the extent such obligations are due for payment), for distribution in accordance with WCF;

(iii) Third, payment to the Bond Trustee towards the discharge of the Obligors obligations in respect of the First Lien Bond Terms for distribution in accordance with the First Lien Bond Terms;

(iv) Forth, payment to the Bond Trustee towards the discharge of the Obligors obligations in respect of the Second Lien Bond Terms for distribution in accordance with the Second Lien Bond Terms;

(v) Fifth, the balance, if any, shall be paid to the relevant Obligor.

## 5.6 Listing

The Company has applied for listing of Bonds on Oslo Børs, and admission to trading is expected to be on or about 29 November 2018 under the ticker code "ZITON02" in respect of the First Lien Bonds and the ticker code "ZITON03" in respect of the Second Lien Bonds.

In addition, the Bonds are listed on the Frankfurt market (*Börse Frankfurt*) under the names "Ziton 18-21 FLR" in respect of the First Lien Bonds and "Ziton 18-22 FLR" in respect of the Second Lien Bonds.

## 5.7 Expenses and use of proceeds

### 5.7.1 Expenses related to the issuance and listing of the Bonds

The Company shall cover all expenses in connection with the Bond Issues such as preparation of the Bond Terms, review and approval of the Prospectus from the FSA, listing of the Bonds on Oslo Børs and registration and administration of the loan in the VPS in the accordance with agreements between the Company and the VPS. The fees payable for listing on Oslo Børs amount to approximately NOK 60,000 and the fees payable for review and approval from the FSA amount to NOK 76,000. The total costs incurred by the Company in connection with the issuance and listing of the Bonds are expected to amount to approximately MEUR 2.8.

### 5.7.2 Use of proceeds

The estimated aggregated net amount of the proceeds from the Bond Issues is approximately MEUR 122.2. The expenses and proceeds will be used by priority as described set out below (terms as defined in sections 5.2 and 5.3 of this Prospectus – the definitions being identical):

| **Purpose:** | | **Amount (EUR '000)** |
|---|---|---|
| (i) | Refinance the Existing Bond, including redemption costs: | 91 688 |
| (ii) | Partial repayment of the Co-investor Loan: | 17 000 |
| (iii) | Finance the purchase of BWC's shares in Jack-Up InvestCo 3 Plc: | 23 658 |
| (iv) | Pay Transaction Costs: | 2 800 |
| (v) | Finance general corporate purposes of the Group: | -10 146 |
| *Total:* | | 125 000 |

The proceeds from the issuance of any additional bonds under the First Lien Bond Issue (tap issue) will be used by priority as set out below (terms as defined in section 5.2 of this Prospectus):

(i) The partial financing of the purchase of a New Vessel;

(ii) Payment of Transaction Costs.

## 5.8 Advisers

Pareto Securities AB has acted as Manager in relation to the issuance of the Bonds. Advokatfirmaet Schjødt AS is acting as Norwegian law legal adviser to the Company, together with Kromann Reumert acting as Danish law legal adviser and Ganado Advocates acting as Maltese law legal adviser.

## 5.9 Interests of natural and legal persons involved in the Bond

The Manager or their affiliates have provided from time to time, and will provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Manager, their employees and any affiliate may currently own existing shares and/or bonds in the Company. The Manager does not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Manager received a commission in connection with the Bond Issues.

## 5.10 Transferability and taxation of the Bonds

The Bonds are freely tradable. Bondholders may however be subject to purchase or transfer restrictions under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business).

Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents. The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

(i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and

(ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

Any public fees levied on the trade of Bonds in the secondary market shall however be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

# 6. INFORMATION ABOUT THE COMPANY, THE GUARANTORS AND THE GROUP

## 6.1 The Company

Ziton A/S was incorporated on 24 October 1985 and is registered under the laws of Denmark with company registration number (CVR) 24 62 04 17. The Company is organised as a private limited liability company in accordance with the Danish Companies Act.

The Company's domicile is Bygholm Søpark 21 E, 8700 Horsens, Denmark. Its mailing address is the same. The Company's telephone number is +45 87444400, and its web address is www.ziton.eu.

According to article 2 of the Articles of Association of the Company, the purpose of the Company is salvaging, towage and crane services, and any other activities that the Board of Directors deems to be ancillary or related thereto.

### 6.1.1 Share capital

The Company currently has a share capital of DKK 82,782,198 divided into 15,118,416 A-shares of DKK 1 or any multiples thereof and 67,633,782 B-shares of DKK 1 or any multiples thereof. Each A-share of DKK 1 shall carry one vote. B-shares do not have voting rights. B-shares carry a preferential right to receive dividends and other distributions from the Company. B-shares can be converted into A-shares at a price of 23.982 at the holders' request.

The Company has issued warrants to management and holders of subordinated loans. Each warrant entitles the holder to subscribe for one share at a price of DKK 23.982 per share of DKK 1 nominal value.

There are no arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

### 6.1.2 Major shareholders

The following table sets forth information on shareholders of the Company, as of the date of the Prospectus:

| Name of shareholder | A-shares | B-shares | Warrants | Percentage of shares |
|---|---|---|---|---|
| BWB Partners (through Jack-Up Holding A/S) | 8,583,748 | 50,156,740 | 0 | 59.5% |
| Ove Eriksen and family (through Dansk Bjergning og Bugsering ApS) | 3,920,000 | 13,918,988 | 0 | 25.1% |
| Oy Finans ApS | 2,500,000 | 3,588,054 | 0 | 14.8% |
| Management & Chairman | 114,668 | 0 | 378,407 | 0.6% |
| PenSam | 0 | 0 | 99,500 | 0.0% |

## 6.2 The Guarantors

| Legal and commercial name | Type of company | Registration no. and register | Date and place of incorporation | Registered office | Governing statue |
|---|---|---|---|---|---|
| Jack-Up InvestCo 2 A/S | Limited liability company | 34589801 in CVR | 8 June 2012, The Kingdom of Denmark | Bygholm Søpark 21 E, 8700 Horsens, Denmark | The Danish Companies Act |
| Jack-Up InvestCo 3 Plc. | Public limited company | C 57037 in the Company Register of Malta | 23 July 2012, The Republic of Malta | 4, St. Michael, Guze Galea Street, Qormi QRM 2107, Malta | Merchant Shipping Act, Chapter 234 of the Laws of Malta |

### 6.2.1 Purposes of the Guarantors

JackUp InvestCo 2 A/S

According to article 2 of the Articles of Association of JackUp InvestCo 2 A/S, the purpose of JackUp InvestCo 2 A/S is to own and to operate one or more jack-up vessels, and any other activities that the Board of Directors deems to be ancillary or related thereto.

JackUp InvestCo 3 Plc

According to article 4 of the Memorandum & Articles of Association of JackUp InvestCo 3 Plc, the purposes of JackUp InvestCo 3 Plc are:

(a) to buy or acquire on any title, sell, operate, charter on a bareboat or on a fully equipped basis or exchange, administer, and manage ships, yachts, boats and any other vessel, and to register same under and in accordance with the Merchant Shipping Act, Chapter 234 or in any jurisdiction whatsoever;

(b) to obtain loans, overdrafts, credits and other financial and monetary facilities either alone or jointly and severally with third parties for the purposes of purchasing, selling, chartering, hiring and generally operating ships and to provide by way of security for the repayment of the principal and interest thereon, and the fulfilment of any obligations, a hypothec, privilege, lien and/or mortgage over the assets and/or seacraft of the Company;

(c) to issue bonds, debentures and debt instruments, whether in dematerialised form or as represented by a bond or debt certificate and admitted to listing and/or trading on any exchange;

(d) to guarantee and or undertake the repayment of any indebtedness of any person, corporation or firm of any kind, whether associated to or forming part of the same group as the Company or not, although not in furtherance of its corporate purpose and although not for the direct or indirect benefit of the Company and to secure such guarantee and/or undertaking by a mortgage, charge, hypothec, pledge or the creation of a security interest in the Company's vessels or seacraft and/or any part of the corporate assets or property or any interest therein wherever situated; and

(e) to do all other things as may be considered conducive or ancillary to the fulfilment of the foregoing objects or any of them and in particular to buy, sell, charter, own and otherwise operate any vessel and to hold shares or other equity interests in other companies with similar objects.

### 6.2.2 The Guarantors' share capital and ownership

Jack-Up InvestCo 2 A/S has a share capital of DKK 500,000 comprising of 500,000 shares with a nominal value of DKK 1 each. Each share of DKK 1 carries one vote and all shares carry identical rights.

Jack-Up InvestCo 3 Plc has a share capital (both authorised and issued) of EUR 28,001,200 divided into 14,000,600 A-shares of EUR 1 each and 14,000,600 B-shares of EUR 1 each. Each share of EUR 1 carries one vote and all shares carry identical rights.

All shares in the Guarantors are held by the Company, save for one (1) B-share in Jack-Up InvestCo 3 Plc with a nominal amount of EUR 1, which is held by Jack-Up InvestCo 2 A/S.

## 6.3 The shareholders of ZITON

### 6.3.1 BWB Partners

BWB Partners invested in ZITON in 2012, becoming the Group's majority shareholder. Founded in 2005 and based in Denmark, BWB Partners is an independent, owner-managed generalist buyout fund that invests in small and medium-sized businesses with revenues of up to DKK 750 million (approx. EUR 100 million).

Working in close partnership with co-owners and management teams, BWB Partners aims to create fundamental and long-term value through strategic add-on acquisitions, operational improvements and a professionalization of leadership structures. BWB Partners participates actively as majority owner in all of its portfolio companies, always combining capital with strategic aptitude and real hands-on operational capabilities to drive each company towards becoming an attractive medium-sized business with a strong market position and healthy earnings. BWB Partners seeks to hold an equity majority in all of its investments and always aims to establish a strong, professional shareholder structure in which management and former owners often co-invest alongside the fund.

The investment in ZITON is held within the fund BWB Partners II, a DKK 1.0 billion fund with a total of six investments remaining. In aggregate, BWB Partners manages approximately DKK 2.3 billion across two funds, having invested in 19 companies of which seven have been exited. BWB Partners is backed by well-recognised Nordic and European institutional investors.

As at the time of this Prospectus, BWB Partners together with one of its key investors, a Danish pension fund, have invested more than EUR 59 million in ZITON through a combination of equity and subordinated debt. The decision to invest in ZITON was motivated by the Group's strong operational track record and market position combined with the recognition of significant underlying market growth.

### 6.3.2 Dansk Bjergning og Bugsering Holding ApS

In addition to its shareholding in the Issuer, the company owns Dansk Bjergning og Bugsering A/S that focuses on salvage and towing operations, specialised heavy lift and ROV operations. The company currently operates the tug boat Obelix and the multipurpose tug and workboats Eurocarrier 2495 and Eurocarrier 2611, as well as DBB ROV, a provider of underwater ROV services. The founder and owner, Ove Eriksen, handles the day-to-day administration of the company and the vessels. As of year-end 2017, Dansk Bjergning og Bugsering Holding ApS' total book assets amounted to DKK 117 million and total book equity amounted to DKK 80 million.

### 6.3.3 OY Finans ApS

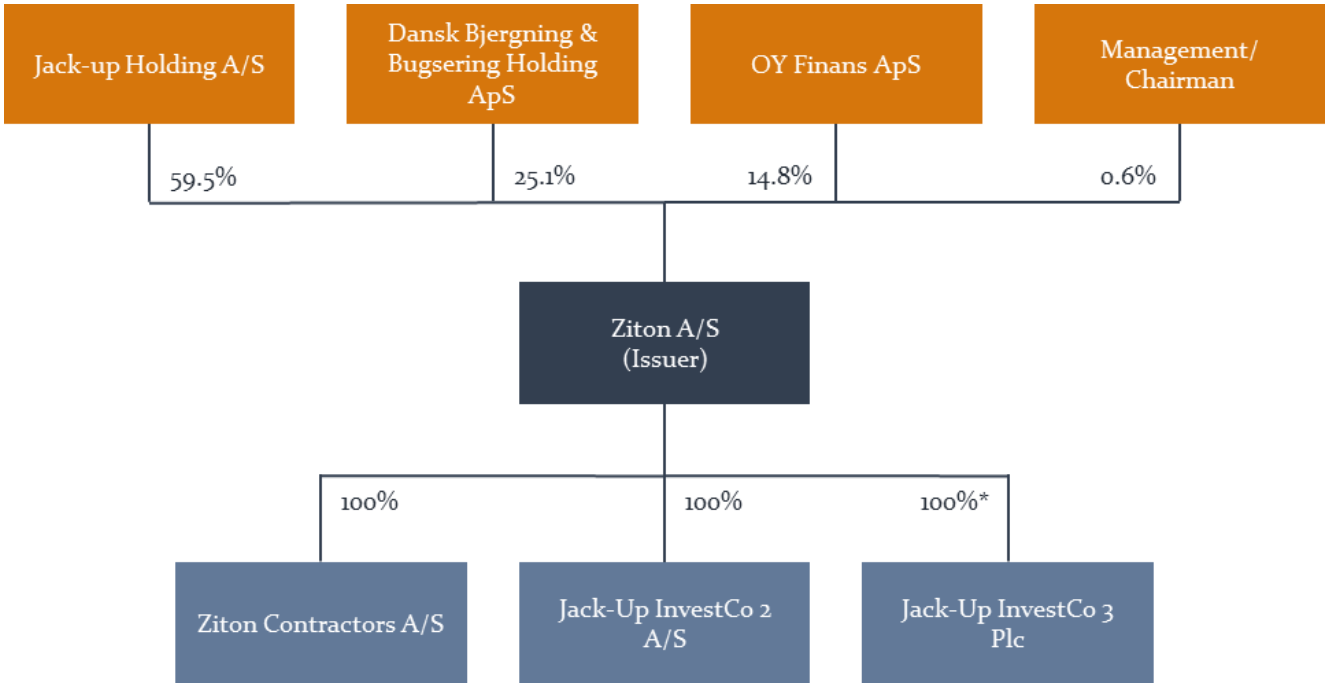
OY Finans ApS is part of the Orskov Group, which owns and operates Orskov Yard in Frederikshavn, Denmark, where the conversion of WIND PIONEER took place. The yard comprises three docks with capacity of handling projects of up to 215 x 34 metres. As at the end of its most recent financial year, OY Finans ApS' total book assets amounted to DKK 29.6 million and total book equity amounted to DKK 24 million.

## 6.4 Description of the legal structure of the Group

ZITON was partially acquired by BWB Partners in 2012, who is the largest shareholder in the Company with approximately 59.5 per cent. ownership share through the company Jack-up Holding A/S. The other shareholders in the Company are Ove Eriksen (through Dansk Bjergning & Bugsering Holding ApS) with approximately 25.1 per cent. ownership share, Niels Ørskov Christensen (through OY Finans ApS) with approximately 14.8 per cent. ownership share, and with the remaining 0.6 per cent. of the shares held by the Chairman of the Company and the Company's management.

The Group is inter-related with regard to both financial and operational matters and the Group companies are as such dependent on each other. The Company is the administrative body of the Group, and the Guarantors are *special purpose vehicles* (SPVs) owning one vessel each (WIND SERVER and WIND PIONEER). The third vessel, WIND, is owned by the Issuer. Vessel ownership is further detailed in section 6.7.

Please find below a chart describing the legal structure of the Group:




**One share (nominal amount € 1) is held by Jack-Up InvestCo A/S.*

## 6.5 Principal activities

ZITON is a Danish based full-service provider within offshore wind operations and maintenance (O&M), serving leading offshore wind farm owners (WFOs) and wind turbine manufacturers (OEMs) across Europe. The Group's service offering includes maritime project planning and execution, lift planning and execution, and the provision of specialised jack-up vessels with experienced crews as well as technicians, tools and equipment. The Group owns and operates three dedicated jack-up vessels and employs approximately 100 staff, of which some 75 offshore.

ZITON benefits from longstanding and deeply entrenched relationships with the major European OEMs, including Siemens Games and MHI Vestas, as well as WFOs, such as Vattenfall and Ørsted. Together, the aforementioned four players are responsible for more than 80 per cent of the entire installed offshore turbine base in Europe.[1]

The Group applies time charter contracts, framework agreements and turnkey contracts.

ZITON has no significant new products or activities.

The market in which the Group operates is further described in section 7 below.

## 6.6 ZITON's service offering

ZITON's core business comprises the ownership, chartering and operation of jack-up vessels designed to carry out O&M services on WTGs in offshore wind farms. None of the major offshore WFOs or OEMs own or operate in-house O&M jack-up vessels and both groups are hence key customers of ZITON's.

WTGs generally need to be accessed on a weekly or monthly basis to carry out minor adjustments and repair works. An offshore wind farm, located near shore, with approximately 100 WTGs, usually operates 2–3 smaller crew vessels on a full time basis as part of its O&M setup. These crew vessels are normally built to carry up to 12 WTG technicians with 2 crew members operating on 12 hour shifts, weather permitting. This work is generally carried out entirely in-house. However, when extensive repairs are due, larger jack-up service vessels, such as those operated by ZITON, are required. Such repairs generally involve the larger components of a WTG such as the gearbox, main shaft, blades, rotor or generators. An intervention can take place in order to address regular wear and tear or in order to rectify serial defects in a particular make of WTG, in which case the operation in question will have to be replicated across all installed WTGs of that model.

ZITON's scope of business in relation to major component repairs or replacements covers the entire spectrum of the operation, from planning and documentation to execution. ZITON typically receives site information from the WFO containing the latest site survey including information on seabed cabling tracks, position of the WTGs, scour protection areas, seabed drill samples, unexploded ordnances and Bartholomew maps (seabed maps). Based on this information, an expected penetration analysis report is produced by a sub-supplier providing engineering consulting services. The penetration analysis is based on the exact jack-up vessel for each location or for a group of locations depending on the seabed structure. Based on this penetration analysis, a site specific assessment ("**SSA**") is carried out by another sub-supplier such as Global Maritime or OSK Offshore. This SSA provides the calculations that in turn set out the weather conditions under which the vessel can and must operate. The SSA is then typically subject to approval by the client's marine warranty surveyor.

Once the above has been completed, the actual repair work can commence. Normally, the required spare parts are loaded onto the jack-up vessel in the base port near the site. After loading, and weather permitting, the vessel sails out to the repair location. Offshore wind farms are deliberately placed in areas with harsh weather to maximize the energy output, and hence a window of sufficiently benign weather conditions to accommodate a certain vessel's operational capability is required. The length of this window

[1] According to Management estimates.

ranges from 6 to 36 hours, depending on the type of repair work that is to be carried out. Delays or limitations to the work carried out do occur, with the most common cause being wind speeds above the operational threshold.

*Illustration of major components in an offshore wind turbine (Source: ZITON)*

Before the jack-up vessel commences its procedure, the WTG has been switched off and prepared by the OEM's or WFO's technicians. Once the technicians assess that the WTG is ready, the jack-up service vessel moves into position, assisted by dynamic positioning systems which calculate and maintain an optimal vessel position throughout the procedure. Once the vessel is in position, the jacking up commences. Having reached stable seabed pressure and after a sufficiently long pre-drive period, the crane is released for operation and a safe transfer from the vessel to the WTG foundation is established via a gangway. Old parts are then lifted from the WTG onto the deck of the vessel and exchanged for new parts which are lifted onto the WTG and installed. Upon completion of the procedure, the vessel jacks down and sails on, either to the next location or back to its base port.

## 6.7 Vessels and ownership

### 6.7.1 Overview

ZITON's fleet comprises three purpose-built, dedicated and fully operational O&M jack-up vessels, namely WIND SERVER, WIND and WIND PIONEER. Together, these three vessels form a diversified fleet capable of serving the majority of all offshore WTGs currently in operation in Europe. The largest vessel, WIND SERVER, is capable of serving wind turbines located at sea depths of up to 45 metres and with a total height of up to 132 meters. This covers WTGs of up to 4-5 MW depending on water depth, turbine height and seabed characteristics. WIND PIONEER is specifically designed for shallow water locations and challenging seabed profiles but can still conduct O&M tasks on WTGs located at depths of up to 34 metres. WIND is the smallest vessel, with a total reach of up to 106 metres (which still accounts for nearly half of all WTGs currently in operation)[2] and can operate in water depths of up 30 metres.

[2] According to Management estimates.

### 6.7.2 The Vessels

**NAME:** WIND

**VESSEL OWNER:** ZITON A/S (THE COMPANY)

**General information**

**Type**: 1A1 Self-elevating offshore support unit / self-propelled jack-up vessel

**Flag:** Danish

**Length (overall):** 55.1 m

**Width (overall):** 18.13 m

**Hull depth:** 4.0 m

**Pre-load capacity, active:** 600 t/leg

**Elevating speed:** 0.7 m/minute

**Transit speed:** 6 knots

**Accommodation:** 20 single cabins for charterer and 11 single cabins for crew

**Cargo capacity**

**Payload:** 220 t

**Main deck area:** Approx. 430 m²

**Main crane and lifting capacity**

**Main crane:** Liebherr LTR 11200

**Main crane boom length**: 28-110 m (telescopic)

**Main crane max. lifting capacity:** 40 tons @ 20 m radius @ 100 m height above deck

**Operating conditions**

**Service:** Weather restricted, site specific

**Endurance:** 30 days

**Jacking operations – wave height:** Up to 1.25 m

**Jacking operations – wind:** Up to 10 m/s

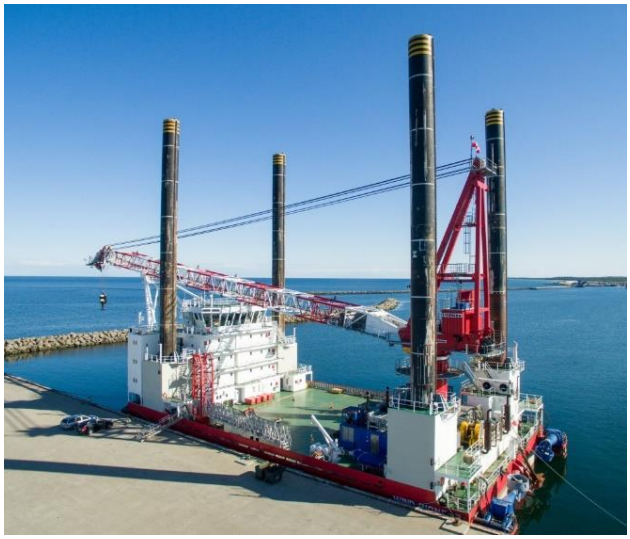
**Jacking operations – tidal current:** Up to 1 kn.

**Jacking operations –Max depth:** Up to 35 m

**NAME:** WIND PIONEER

**VESSEL OWNER:** JACK-UP INVESTCO 2 A/S

## General information



**Type**: 1A1 Self-elevating crane unit / wind turbine installation unit / non-self-propelled jack-up vessel

**Flag:** Danish

**Length (overall):** 56.0 m

**Width (overall):** 28.0 m

**Hull depth:** 4.5 m

**Pre-load capacity, active:** 1,200 t/leg

**Elevating speed:** 0.5 m/minute

**Transit speed:** 5 knots (towed)

**Accommodation:** 22 single cabins for charterer and 12 single cabins for crew

## Cargo capacity

**Payload:** 650 t

**Main deck area:** Approx. 530 m²

## Main crane and lifting capacity

**Main crane:** Liebherr BOS 7500

**Main crane boom length**: 78 m

**Main crane max. lifting capacity:** 150 tons @ 19 m radius @ 78 m height above deck

## Operating conditions

**Service:** Unrestricted (as per DNV rules)

**Endurance:** 30 days

**Jacking operations – wave height:** Up to 1.5 m

**Jacking operations – wind:** Up to 15 m/s

**Jacking operations – tidal current:** Up to 2.5 kn.

**Jacking operations –Max depth:** Up to 34 m

**NAME:** WIND SERVER

**VESSEL OWNER:** JACK-UP INVESTCO 3 PLC

**General information**

**Type**: 1A1 Self-elevating wind turbine service and crane unit / self-propelled jack-up vessel

**Flag:** Maltese

**Length (overall):** 79.5 m

**Width (overall):** 32.3 m

**Hull depth:** 7.4 m

**Pre-load capacity, active:** 2,700 t/leg

**Elevating speed:** 1.0 m/minute

**Transit speed:** Approx. 9 knots

**Accommodation:** 24 single cabins for charterer and 15 single cabins for crew

**Cargo capacity**

**Payload:** 1,760 t

**Main deck area:** Approx. 1,000 m²

**Main crane and lifting capacity**

**Main crane:** Liebherr BOS 14000

**Main crane boom length**: 87 m

**Main crane max. lifting capacity:** 400 tons @ 20 m radius @ 96 m height above deck

**Operating conditions**

**Service:** Unrestricted (as per DNV rules)

**Endurance:** 30 days

**Jacking operations – wave height:** Up to 2.6 m

**Jacking operations – wind:** Up to 15 m/s

**Jacking operations – tidal current:** Up to 3 kn.

**Jacking operations –Max depth:** Up to 45 m

Potential for a larger jack-up vessel

As elaborated on in section 7, the European offshore wind industry is increasingly moving towards larger turbines with capacity in excess of 6 MW, which over the coming years is expected to result in growing demand for interventions on these. Although the bulk of projected interventions over the coming years is still expected to be generated by the current installed base of WTGs with a capacity of up to 4 MW, the need for a dedicated O&M jack-up vessel able to serve larger turbines is becoming apparent. To maintain its position in the market and continue to be able to capitalise on its experience and know-how, it is a clear strategic priority for ZITON to expand its fleet with a jack-up vessel capable of servicing even the largest 9.5 MW turbines. This would enable ZITON to grow with the market and continue to be able to offer a full-service solution covering all of its clients' turbines.

## 6.8 The history of ZITON

Ove Eriksen founded the predecessor to ZITON, Dansk Bjergning og Bugsering A/S ("**DBB**"), in 1989. WIND was acquired in 2007 and in 2008 DBB Jack-Up Services A/S (renamed Ziton A/S in 2016) was demerged into a separate company together with WIND. BWB Partners invested in ZITON in 2012 and employed Thorsten Jalk as CEO. Since then the development of the Group has been accelerated both commercially and through the expansion of its asset base with a further two vessels; WIND SERVER and WIND PIONEER.

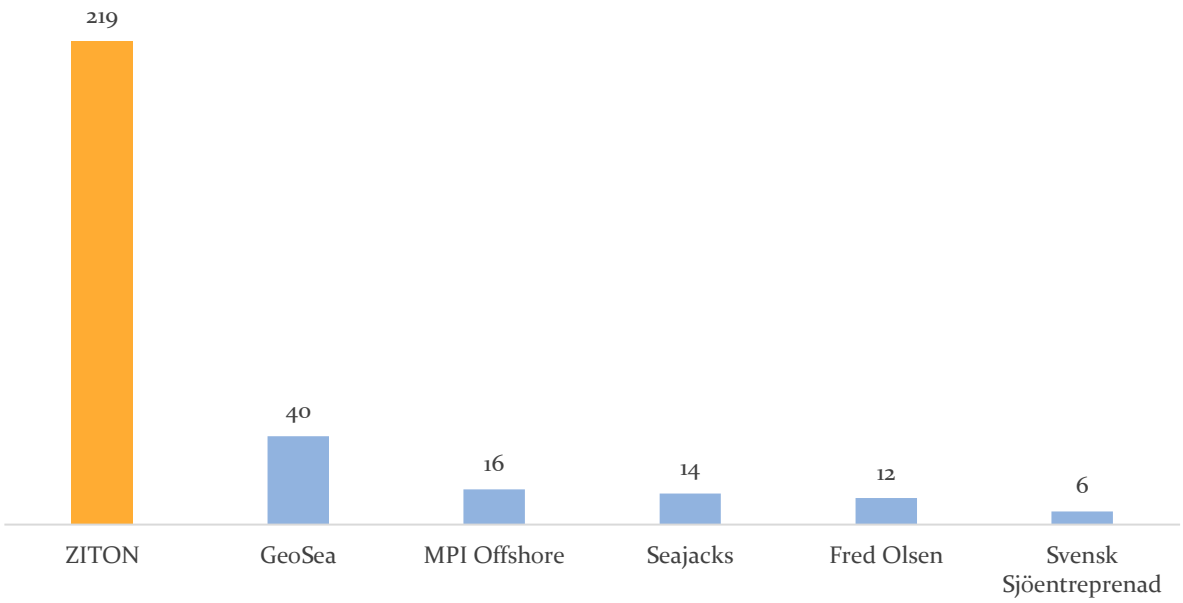
| | |
|---|---|
| **1989** | · DBB is founded by Ove Eriksen. The company focuses on salvage and towing assignments, specialized heavy lift, etc. |
| **2007** | · DBB acquires WIND<br>· WIND initiates its first charter with Vestas |
| **2008** | · On 1 January the Group's operations are demerged into a separate entity – DBB Jack-Up Services A/S |
| **2009 – 2010** | · A EUR 15 million refurbishment of WIND is carried out<br>· WIND commences operations on a long-term charter for Vestas |
| **2011** | · WIND initiates operations on a three-year charter for Siemens Gamesa via a third party |
| **2012** | · BWB Partners invests in DBB Jack-Up Services<br>· WIND PIONEER is acquired from Hyundai in June<br>· The Group enters into a joint venture with Blue Water Capital S.A to finance WIND SERVER<br>· WIND SERVER is ordered from Nordic Yards in August |
| **2013** | · DBB Jack-Up InvestCo 3 Plc issues a EUR 40 million bond to finance the construction of WIND SERVER |
| **2014** | · The Group signs a three year charter contract for WIND SERVER with Siemens Gamesa in May<br>· WIND SERVER is delivered from Nordic Yards in December 2014<br>· The Group signs a right of first refusal agreement with MHI Vestas |
| **2015** | · WIND SERVER carries out its first WTG intervention in March 2015<br>· The conversion of WIND PIONEER is completed and the vessel performs it first intervention<br>· The Group issues a EUR 100 million senior secured bond in December 2015, with the Company as issuer |
| **2016** | · WIND SERVER commences the three-year T/C with Siemens Gamesa<br>· DBB Jack-up A/S is renamed Ziton A/S<br>· A three-year framework agreement with Ørsted (Dong Energy) is announced in August<br>· A three-year framework agreements with Vattenfall is announced in November |
| **2017** | · Ziton Contractors A/S is established<br>· The framework agreement with MHI Vestas is prolonged |

## 6.9 ZITON's market position

The market for offshore wind O&M is highly consolidated, with ZITON as the only dedicated O&M provider, having carried out 71 per cent. of all interventions completed between 1 July 2016 and 30 June 2018.[3] ZITON's primary competitor, GeoSea, carries out occasional O&M business using two installation vessels and had a market share of 13 per cent. during the same period.[4] GeoSea has exclusively performed interventions on turbines above 4 MW, an area where ZITON currently has limited presence due to its fleet being specialised on turbines up to 4-5 MW. In July 2018, MPI Offshore (owned by Vroon) announced that it will be exiting the market by selling the vessel MPI Discovery as well as a portion of its employees to Jan De Nul Group. MPI Offshore's two remaining vessels, MPI Adventure and MPI Resolution, as well as the organisation in the UK, have subsequently been taken over by Van Oord as of 2 October 2018. Other competitors of ZITON are Seajacks, Fred Olsen and Svensk Sjöentreprenad.

The remaining market is covered by various installation vessels which also conduct O&M tasks on an ad-hoc basis during periods of low installation activity or are too small to install +6 MW turbines. These vessels typically operate in the spot market.

ZITON's market share based on conducted O&M interventions according to Management data, July 2016 to June 2018:




*(Source: ZITON)*

## 6.10 Customer contracts

### 6.10.1 Overview

ZITON's customer relationships are formalised through a number of structures, including framework agreements, time charter (**T/C**) contracts or turnkey contracts. In the early years of offshore wind O&M, customers were demanding – and operators providing – little more than an asset, i.e. the jack-up vessel, rather than a full-service offering. As a consequence, agreements often took the form of long-term time charter contracts, similar to what is seen in e.g. the shipping industry, or short term spot contracts. Spot contracts are typically used for installation vessels that temporarily operate in the O&M market. As

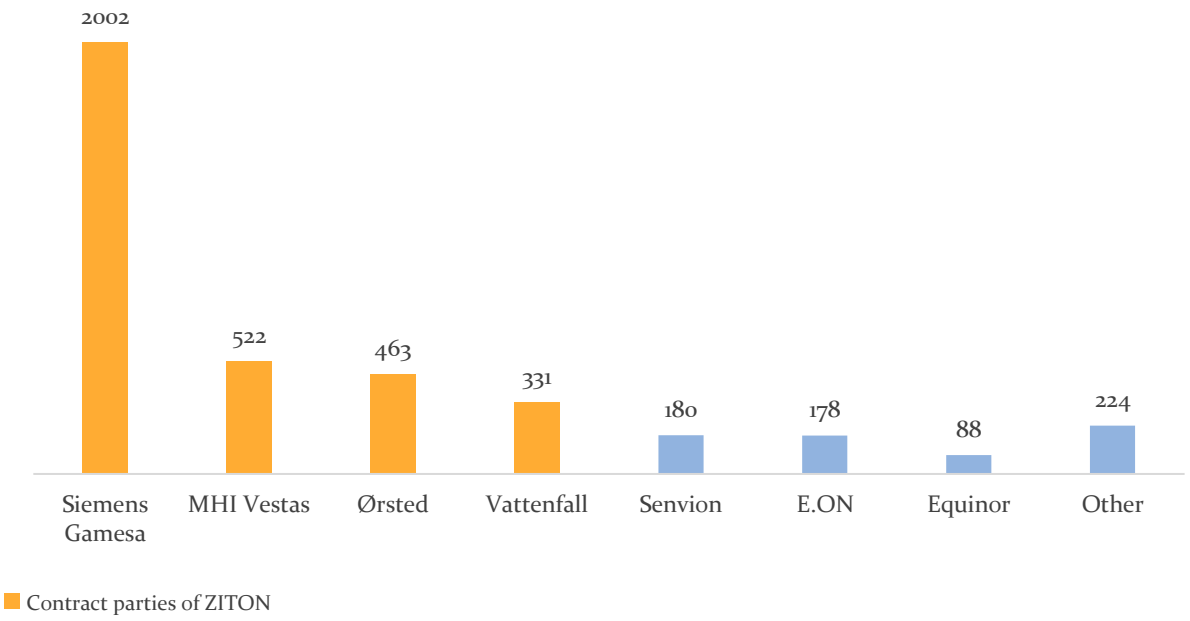
[3] Based on Management estimates.

[4] Based on Management estimates.

elaborated on in the market description in section 7, the past few years have seen an industry-wide convergence on a model based on loose framework agreements rather than long-term time charters, which is a consequence of the slight oversupply of installation jack-ups operating in the O&M market. However, with supply and demand dynamics having improved significantly over the past few years, ZITON's management is confident that this transition will present more of an opportunity than a threat to the Group and aims to continue to leverage its entrenched customer relationships, track record of successful interventions and full-service offering to defend and increase its market share going forward. However, it is worth noting that the ongoing shift away from T/C contracts is uncertain over the medium term as the estimated pick-up in number of interventions may result in a shortage of available vessels and lead to OEMs and WFOs going back to T/Cs to secure O&M capacity.

ZITON currently has contracts in place with the four largest players in the European offshore wind space: Siemens Gamesa, MHI Vestas, Ørsted and Vattenfall. Together, these four players are responsible for 83 per cent of all WTGs installed in Europe.[5] Due to the dominant position of these four players in the European offshore wind industry, having a concentrated customer base is customary for jack-up service providers.

WTG base by customer according to Management data, end of 2017:




*(Source: ZITON)*

Framework agreements

Under a framework agreement, all key commercial terms including pricing are agreed upfront, reducing ZITON's response time to requests for interventions. Pricing is structured either as a lump sum per intervention or based on day rates, which due to their short-term nature will be somewhat higher than long-term T/C day rates. Under most of the Group's framework agreements, pricing is based on a lump sum per intervention in addition to a mobilisation fee in the event that the vessel is located in a different area to the WTG requiring the intervention. Under a lump sum pricing structure, all costs including fuel, logistical support, etc. are borne by the Group, as are any costs incurred due to delays resulting from adverse weather or maintenance work on the vessel. This is a deliberate strategy by the Group, aiming to shift risk from the customer to the party best equipped to assume, manage and price such risk – namely

[5] Based on Management estimates.

ZITON. On average, lump sum prices assume an intervention to last between seven and thirteen days, meaning that longer interventions will be less profitable and shorter interventions will be more profitable.

In the winter period, several weeks can go by without the weather permitting any major component replacements. In the summer period, on the other hand, ZITON can carry out several interventions in a week if the WTGs in question are located in close proximity to one another. Under a lump sum pricing structure as outlined above, the Group can therefore achieve an utilisation rate in excess of 100 per cent during periods of strong demand for component replacements coupled with favourable weather conditions, as the weighted average utilisation rate is calculated as revenue divided by full utilisation at standard rates of EUR 135,000/day. Each vessel has a different weighting depending on its specifications.

Time charter

A T/C can be short-term (up to three months), medium-term (three to 24 months) and long-term (beyond two years). Customers often have extension options at the end of the contract with a notice period reflecting the length of the contract e.g. twelve months' notice for a three-year contract. Long-term T/C contracts are normally priced slightly below short-term contracts. International standards for T/C contracts, such as BIMCO Supplytime 2005, are generally followed. Modifications to BIMCO terms are usually limited to a few specific requests from customers. Under T/C contracts, customers are required to pay for fuel and necessary logistical support from supply boats. The cost of delays resulting from adverse weather lies with the customer. However, the customer will pay no charter hire when the vessel goes off-hire, for instance when undergoing maintenance. Consequently, the main focus under T/C contracts is to ensure effective operations of the vessel to avoid going off-hire.

Turnkey

Turnkey contracts are offered in market segments where the Group has a competitive edge. In general, this is within segments where handling of a jack-up vessel with a crane combined with strong knowledge of the offshore wind industry is essential. These market segments include decommissioning of met masts or offshore WTGs that have become obsolete. Similar to under lump sum agreements, all costs related to fuel, logistical support and delays due to adverse weather, etc. are borne by the Group, as are the risks related to subpar performance of sub-suppliers that are hired to, for instance, recycle WTGs or cut foundations. Hence, executing a turnkey project requires strong project management skills in order to avoid cost overruns. Similar to framework agreements, turnkey contracts also make it possible to achieve utilisation rates in excess of 100 per cent..

Contracts are generally entered into following a tender process which is initiated by the customer through a request for a quotation. The request is sent to a number of vessel operators either directly, through shipbrokers or through supplier management communities like Sellihca or Connexio (for both of which the Group is prequalified). Tender processes normally require a price indication, evaluation of contractual conditions, description of HSEQ (health, safety, environment and quality) systems, proposed project execution plans, availability of proposed vessels and vessel specifications including water depth, load, crane load, accommodation facilities, etc. Participating in tender processes requires substantial documentation, in particular in relation to more complex turnkey solutions. ZITON's management team has significant experience in managing tender processes and preparing documentation for tendering.

### 6.10.2 Material contracts

The Siemens Gamesa Contract

In March 2016, WIND SERVER commenced a milestone three-year charter agreement with Siemens Gamesa, giving ZITON unparalleled access to Siemens Gamesa's offshore wind farms across Northern Europe and enabling the customer to be well prepared for – and reducing lead times of – upcoming interventions. During the T/C, ZITON is remunerated on the basis of a fixed day rate, which it will receive regardless of how many interventions Siemens Gamesa requests.

Pursuant to the terms of the contract, Siemens Gamesa has only limited termination rights, including but not limited to the right to terminate if the vessel in any 365 day period or pro rata thereof is off-hire for any of the following periods:

- a single consecutive period exceeding 45 days; or
- any combination of periods of less than 15 days each which in the aggregate exceeds 45 days; or
- any combination of periods which in aggregate exceed 75 days.

In ZITON's experience, the event of a major breakdown causing the vessel to be off-hire for more than 45 consecutive days is unlikely. As at the Issue Date, no off-hire days have occurred since commencement of the Siemens Gamesa contract in March 2016. While the T/C does not specify a number of permitted vessel maintenance days or any certain vessel maintenance period, Siemens Gamesa may give its consent to general maintenance when the vessel is not operational e.g. due to weather conditions or idle time between two operations.

The T/C runs until March 2019 and Siemens Gamesa has chosen not to exercise its option to extend the contract. Management instead expects Siemens Gamesa to initiate a tender process during 2018 in order to cover its O&M needs going forward. Although the wider market is moving towards long-term framework agreements it is still uncertain whether Siemens Gamesa will opt for an amended T/C or a long-term framework agreement.

Framework agreement with MHI Vestas Offshore Wind

ZITON has had a framework agreement in place with MHI Vestas Offshore Wind since 2015. The agreement is not vessel specific and grants ZITON right of first refusal on all service interventions on MHI Vestas' offshore WTGs. In principle, this means that ZITON has the option to carry out the intervention if it can reach the site within an agreed number of days of receiving the intervention request. Remuneration to ZITON takes place on a lump sum basis, with the price varying depending on the site and the type of the intervention. The agreement was set to expire at the end of 2017 but has since been prolonged and as the time of this Prospectus runs until cancelled by one of the parties.

Framework agreement with Ørsted (formerly Dong Energy)

ZITON has a framework agreement in place with Ørsted – by far the largest operator of offshore wind farms in Europe – which runs from August 2016 until March 2019. The agreement is not vessel specific and remuneration to ZITON takes place on a lump sum basis, with the price varying depending on the site and type of intervention.

Framework agreement with Vattenfall

ZITON has a framework agreement in place with Vattenfall – Europe's second largest operator of offshore wind farms – running from November 2016 to November 2019. The agreement is not vessel specific and remuneration to ZITON takes place on a lump sum basis, with the price varying depending on the site and type of intervention as well as on ZITON's response time to Vattenfall's request. Under the terms of the agreement, Vattenfall is required to perform a minimum number of major component replacements annually.

## 6.11 Litigation

From time to time the Company and/or the Group may become engaged in litigation or regulatory proceedings incidental to their business.

Neither the Company nor the Guarantors are involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company or the Guarantors are aware), as of the date of this Prospectus, or have been for the preceding 12 months, which may have, or have had in recent past, significant negative effects on the Company's and/or the Guarantor's financial position or profitability.

## 6.12 Further information

For further information about ZITON and the Company's business, please refer to the Company's annual report for 2017 which is appended hereto as Appendix 3.

# 7. INDUSTRY AND PRINCIPAL MARKETS

## 7.1 Important information

*Market data and certain industry forecasts used in this Prospectus have been obtained from internal surveys, reports and studies as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. The Company has not independently verified such information and therefore cannot guarantee its accuracy and completeness. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.*

*In this Prospectus, the Company makes some statements regarding its own competitive and market position. While the Company's management believes that its internal surveys, estimates and market research are reliable, the Company has not independently verified this information.*

*Numbers, percentages and other statements made in this section 7 is based on Management estimates and ZITON's internals research and data, unless otherwise is expressly stated by reference.*

## 7.2 Industry introduction

ZITON competes in the market for O&M services on European offshore wind farms, which are often deliberately placed in the harshest offshore environments in order to maximise average wind speeds and thus energy generation. Owing to their regular exposure to extreme forces of nature, offshore WTGs require substantial maintenance work over their economic lifespan. This can range from minor adjustments and repairs, to component replacements owing to serial defects, where the operation will have to be replicated across all WTGs of that particular model. Minor adjustments and repair works are often carried out smaller crew vessels with on-board technicians, which are employed on a full-time basis by the WFOs as part of the latter's internal O&M setup. For major repair works and the replacement of components such as the gearbox, main shaft, blades, generator or transformer, jack-up vessels equipped with a crane are required. Such interventions are outside the scope of a WFO's in-house O&M and are thus carried out by external O&M service providers such as ZITON. The WFO can then elect to have the actual exchange work in the WTG carried out by own personnel or by third party technicians provided by an external supplier such as ZITON Contractors.

Once an offshore wind farm has been installed, the responsibility for its performance generally lies with the OEM for a five-year warranty period. Once the warranty period expires, the WFO can elect to enter into a new O&M programme with the OEM (or another third party) or take over O&M responsibility themselves. Because of this, the demand side of the market for O&M jack-up vessels used in offshore wind farms comprises both the OEMs who construct and install the parks, such as Siemens Gamesa and MHI Vestas, and the utility companies that operate them, such as Ørsted and Vattenfall.

Owing to the relatively short history of offshore wind farms, investment in specialised O&M jack-up vessels has been limited, with the exception of ZITON. As a result, at the time of this Prospectus ZITON is the only operating company owning jack-up vessels that are fully dedicated to O&M within offshore wind.

## 7.3 Overview of the European offshore wind industry

### 7.3.1 Introduction

Compared to other forms of renewable energy, offshore wind remains an emerging industry, with the world's first offshore wind farm inaugurated off the coast of Denmark as recently as 1991. Since then, offshore wind has become increasingly attractive due to its abundant and consistent wind patterns which result in a steady supply of power with few fluctuations or interruptions. Moreover, the availability of

onshore sites is limited, both due to onshore wind's weaker and less predictable nature, but also because of growing local opposition to having wind farms erected in or near local communities – often referred to as NIMBYism (*Not In My Back Yard*).

Europe is home to the absolute majority of the world's offshore wind power, with the North, Baltic and Irish Seas and the English Channel all being favoured wind farm locations. The majority of the world's remaining capacity is located largely in China followed by Japan, South Korea and the United States.[6] Outside of Europe, wind power remains underdeveloped and the Company hence deems the threat of entry from non-European competitors to be limited. On the contrary, the Company expects European players to increase their focus on expansion opportunities in China and the United States over the coming years.

The growth in offshore wind capacity in Europe has been driven primarily by EU-level targets to reduce greenhouse gas emissions. The EU Renewable Energy Directive[7] stipulates that renewable energy should account for 20 per cent. of the EU's total energy consumption by 2020 and 27 per cent. by 2030; this compares to 9 per cent. in 2005. Wind energy plays a crucial role in meeting these targets and is expected to account for approximately 14 per cent. of total EU electricity consumption by 2020, up from 2 per cent. in 2005, 5 per cent. in 2010, and 10 per cent. in 2015.[8]

All of the nations most active within offshore wind have set out ambitious targets to increase their share of renewable energy, with offshore wind playing a key role.[9] Germany is one of the major drivers behind the emergence of offshore wind, largely motivated by its *Energiewende* (En: *Energy Transition*), which sets ambitious renewable energy and greenhouse gas reduction targets.[10]

### 7.3.2 Development of the installed base of WTGs

One of two major drivers of demand for O&M services is the number of installed WTGs, as each turbine is likely to require major component replacements and other maintenance work at some point during its lifetime. Since 2010, the number of installed offshore WTGs in Europe has grown at a CAGR of 21 per cent., reaching nearly 4,000 at the end of 2017.[11]

Based on ZITON's proprietary market insights, this strong historical growth trend is expected to continue as the European energy sector intensifies its efforts to move away from oil and coal, with both these energy sources currently decommissioning more capacity than they are installing. Consequently, the installed base of WTGs is estimated to grow by 10 per cent. p.a. over the period to 2023, at which point the installed base will number more than 7,100 WTGs - a 78 per cent. increase over 2017 levels.[12] Most of the growth in offshore wind capacity is expected to be driven by the established leaders UK and Germany, with the remainder coming mainly from Denmark, the Netherlands and Belgium.

The rapid growth in the installed base of WTGs is supported by technological advances which enable the construction of wind farms at located further off shore and at greater water depths, allowing them to benefit from stronger and more consistent winds. This in turn has motivated the construction of higher-capacity WTGs. An analysis of the installation pipeline in Europe indicates that, by 2022, nearly 90 per

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[6] Global Wind Statistics 2017.

[7] Renewable Energy Directive (2009/28/EC).

[8] Wind energy in Europe: Outlook to 2020.

[9] Offshore wind power in Germany - Power production at sea re-emerges as Energiewende cornerstone.
Offshore wind operational report – January – December 2017.

[10] A good piece of work – The Energy of the Future – Fourth "Energy Transition" Monitoring Report – Summary.

[11] According to Management estimates.

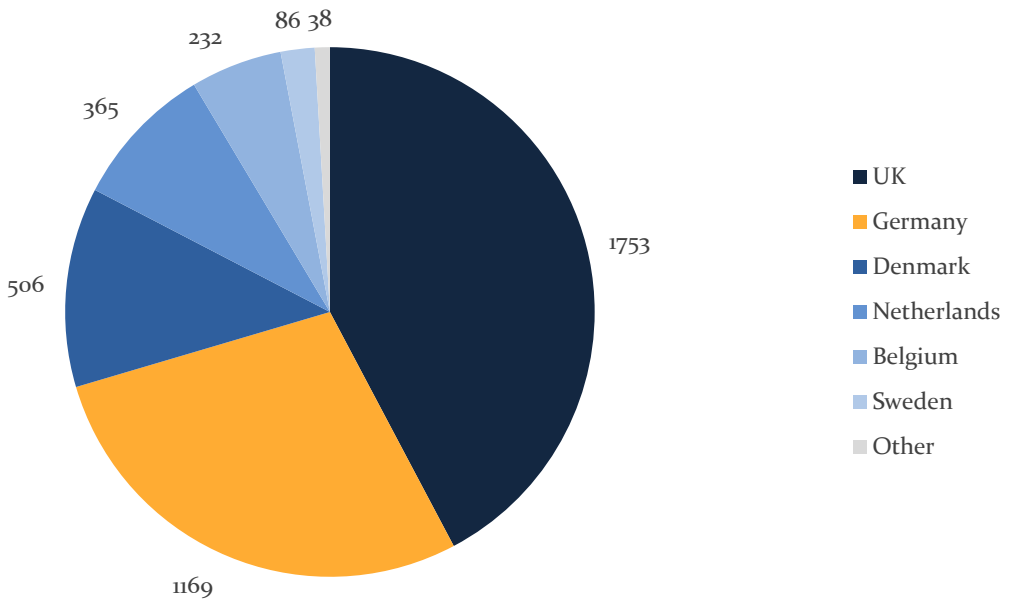
[12] According to Management estimates.

cent. of all new installations will be of the 8 or 9.5 MW variety, compared to an average capacity of 4.0 MW for turbines installed during 2015.[13]

### 7.3.3 Capacity distribution – by geography

The UK remains the dominant nation within the European offshore wind industry, ahead of Germany and Denmark. The UK's strong position is explained partly by the fact that as an island nation it is naturally suited for offshore wind energy production, as well as by the consistent and substantial support for offshore wind power provided by British authorities. As at the end of 2017, the UK accounted for 1,753 WTGs, or 43 per cent. of the total installed base in Europe. Germany is the second largest player with 1,169 turbines (28 per cent. of the European market). Other notable countries are Denmark, the Netherlands, Belgium and Sweden which together have 1,189 installed WTGs equalling 29 per cent. of the installed base. The UK is also the nation with the largest installed capacity with 6,836 MW as at the end of 2017, followed by Germany with 5,355 MW. The UK and Germany have more turbines and capacity installed than the rest of Europe combined.[14]

Distribution of installed offshore wind turbines in Europe by geography according to Management data, 2017:




*(Source: ZITON)*

### 7.3.4 Capacity distribution – by OEM

The production and installation of offshore WTGs in Europe has traditionally been the domain of two OEMs, Siemens and MHI Vestas. Due to the merger between Siemens and Gamesa in 2017 the figures shown below therefore include both Siemens and Gamesa, with Gamesa however only accounting for a minor part, through their joint venture Adwen that has now been incorporated into Siemens Gamesa. As at the end of 2017, Siemens Gamesa had delivered 70 per cent of the installed base of WTGs in Europe, with MHI having delivered 18 per cent.[15]

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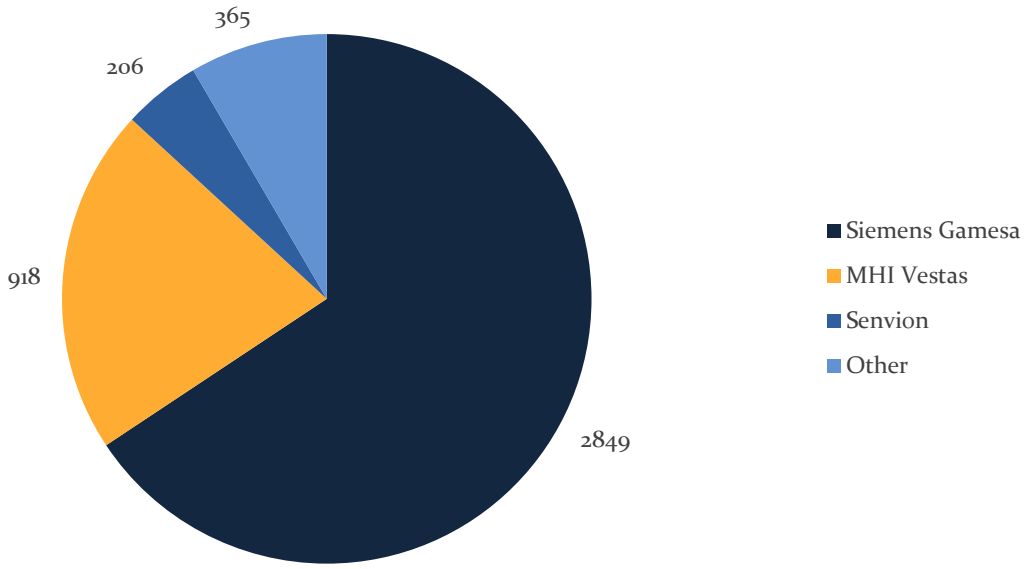
[13] Based on Management estimates.

[14] Based on Management estimates.

[15] Based on Management estimates.

Distribution of installed offshore wind turbines in Europe by OEM according to Management data, 2017:




*(Source: ZITON)*

### 7.3.5 Capacity distribution – by WFO

The demand side of the European offshore WTG market is more fragmented than the supply side of the industry, but a significant share of installed capacity is nevertheless concentrated among a limited number of large utility and energy companies. Fragmentation is increasing, however, evidenced by the top five park owners' share of the market, in terms of capacity, having declined from 56 per cent in 2014 to 44 per cent in 2017.[16]

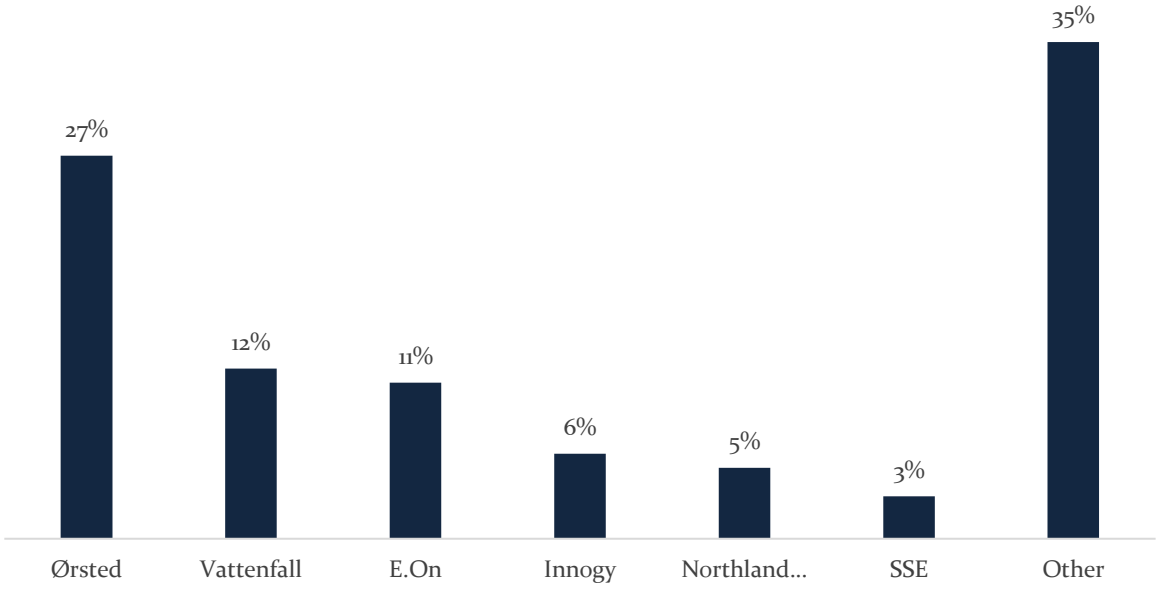
Ørsted maintains its position as the world's largest offshore WFO, operating 27 per cent of Europe's installed base as at the end of 2017. Other major European WFOs include Vattenfall and E.ON, operating respectively 12 and 11 per cent of the installed turbine base. As at the date of this Information Memorandum, ZITON has framework agreements in place with Ørsted and Vattenfall. A notable characteristic of the European offshore wind industry is that approximately 35 per cent of the installed base is operated by smaller players, each of which has a market share of no more than 3.4 per cent.[17]

*(graphics on next page)*

[16] According to Management data.

[17] According to Management data.

Distribution of installed turbines by WFO according to Management data, 2017:




*(Source: ZITON)*

## 7.4 Demand outlook for O&M jack-up vessels

The second major driver of demand for O&M jack-up vessels, besides the number of installed WTGs, is a WTG's failure rate, which is defined as the number of times during its lifetime a WTG requires an intervention, i.e. a major component replacement necessitating the use of a jack-up vessel. The need for a jack-up vessel to carry out O&M arises when major repairs or replacements on a WTG are necessary, or when it becomes economically beneficial to retrofit a larger number of WTGs with new components.

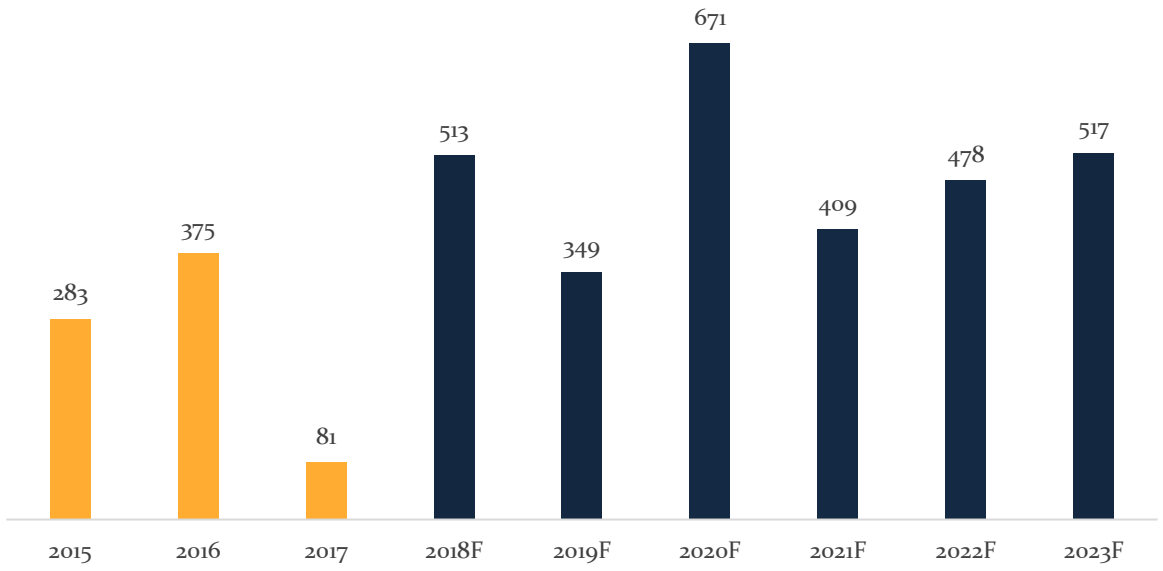
### 7.4.1 Probability of WTG failure and forecast interventions

The offshore WTG industry is still relatively young, meaning that the first generation of WTGs installed in the early 2000s remains in operation. There is hence limited long-term, empirical data available on the failure rate of major components. However, it is possible to make broad assumptions of a WTG's failure rate. Moreover, the data varies between segments such as first-generation turbines from Siemens Gamesa and MHI Vestas and second-generation turbines from other providers. Depending on the generation and series, certain WTG models will suffer from serial defects caused by design or sub-component failures. These defects will often manifest themselves during the first few years after installation. The prevalence of such serial defects has however fallen as the industry has matured and OEMs have improved on turbine designs from generation to generation.

Generally speaking, a WTG's lifespan of approximately 20 years can be divided into four phases: years 1-4, 5-9, 10-14 and 15-20. During the first four years potential serial defects are typically detected and corrected and as the WTG's age increases, so does wear and tear, as reflected in the increased probability of failure in years 5-9. A WTG will most likely have had its first major replacement towards the end of the second phase and the probability of another visit in the near future consequently declines. As wear and tear continues to impact both original and replaced components the probability of failure increases again after year 12. After year 19 the probability of failure decreases again as a potential second intervention requiring a jack-up is likely to have occurred. The curve ends at year 20 when the WTG has reached the end of its assumed lifecycle and the wind farm owner is unlikely to conduct any further intervention requiring a jack-up. After this the turbines can be decommissioned or – the feasibility of which is currently being looked into by WFOs – life-extended.

As illustrated by the chart below, the offshore wind industry in Europe is still relatively young, with more than half of the installed base being less than five years old and thus typically still within the respective OEM's warranty period. Based on the estimated probability of failure of a WTG, this should imply that the majority of WTGs installed in Europe have yet to experience their first failure and thus require their first intervention. Moreover, in the Company's management's experience, OEMs generally carry out only the minimum amount of maintenance necessary to fulfil the uptime requirements stipulated by the warranty agreement for a wind farm. As such, once maintenance responsibility is handed over to an owner, who carries a direct financial interest in maximising turbine update, the first round of predictive maintenance generally follows within a short period of time. Providing further support to the expectation that a considerable amount of WTGs will require O&M interventions over the coming years is the number of WTGs coming out of their initial warranty period, in particular in 2018F and 2020F, as shown below.

Number of WTGs coming out of initial five-year warranty period p.a. according to Management data and estimates, 2015-2023F:



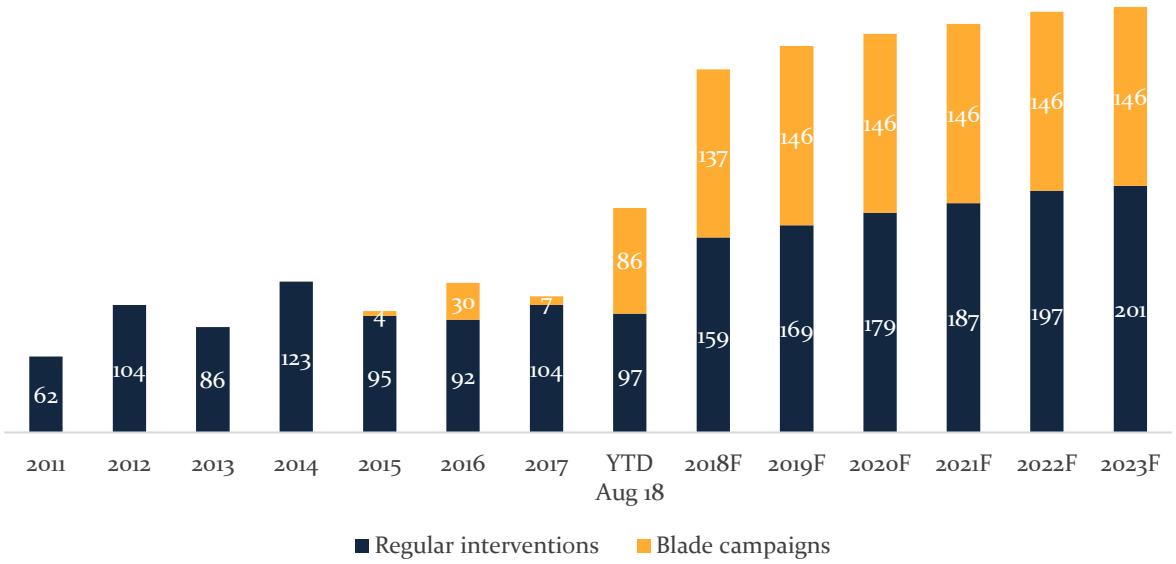

*(Source: ZITON)*

By tracking the age of installed WTGs, the forecast installation pipeline and the expected failure rate of WTGs (based on ZITON's proprietary data), it is possible to arrive at an estimate of the number of interventions required over the period to 2023. The forecast can be divided into regular interventions caused by normal wear and tear and blade campaigns. Blade campaigns are separate from normal wear and tear and caused by a newly discovered phenomenon called blade edge erosion, which necessitates an exchange or repair of the blades.

The total number of interventions requiring a jack-up vessel is expected to grow from 111 in 2017 to nearly 350 in 2023. A considerable part of the expected growth is derived from blade campaigns, which have come almost out of nowhere to account for nearly half of all interventions in the year to date August 2018 and are expected to remain at high levels until 2023. The need for regular major component replacements is however also forecast to grow steadily over the coming years on the back of an increasing, and ageing, installed base where over half of the existing WTGs, statistically, have yet to experience their first intervention. Based on the Company's experience, predictive maintenance activity on WTGs tends to increase as they come out of an OEM's warranty and become the full responsibility of a WFO or a financial investor with a direct economic interest in maximising each individual WTG's uptime and utilisation. The OEM warranty typically only stipulates a minimum uptime level for the wind farm as a whole, which reduce the incentive to conduct O&M interventions during the warranty period as long as the overall wind

farm is within the contractual level. As such, ZITON expects the number of regular interventions to grow at a CAGR of 12 per cent over the period 2017 to 2023.

Forecast scenarios for European O&M jack-up required interventions according to Management data and estimates:




*(Source: ZITON)*

As touched upon above, the cause of blade campaigns is a relatively recent discovery among participants in the offshore wind industry that offshore turbines are exposed to significantly tougher conditions than previously believed. A newly discovered phenomenon, called blade edge erosion, occurs when blades collide with salty rain and hail at high speeds, resulting in erosion of the leading edge of the blade which will ultimately necessitate repair. It is estimated that once the leading edge protection has worn off, the annual production of an affected WTG will fall by 1-3 per cent. Unless the issue is rectified, the total performance loss over time can be as high as 25 per cent.[18]

While the full extent of blade edge erosion among European WTGs is still unknown, Management does believe that it will result in considerable O&M assignments going forward, as illustrated in the above chart. This is supported by various press reports suggesting that all of Siemens Gamesa's 3.6-120 turbines may require blade exchanges as well as a number of MHI Vestas' WTGs. In total, Management estimate that in excess of 1,100 turbines are affected and that an estimated 75 per cent will require blade exchanges over the coming six years. This figure comes in addition to regular major component replacements arising from normal wear and tear.

The first so-called blade campaign, covering several hundred blades, has already been initiated on Siemens Gamesa's 3.6-120 WTGs at the Anholt wind farm in Denmark as well as at the London Array wind farm in the UK. ZITON has been engaged to carry out the O&M requirements at Anholt.

In addition to the above, there are a range of other factors which could potentially have an impact on the demand for jack-up interventions. Their impact is generally more difficult to estimate but they are included below for the sake of completeness:

[18] Based on Management estimates.

| *Positive impact on ZITON* | *Negative impact on ZITON* |
|---|---|
| + Significant market share gains by new OEMs (e.g. Chinese OEMs) leading to the deployment of hitherto untested offshore WTGs. | ÷ Improved quality due to increased focus of OEMs on the current installed base of WTGs. |
| + Extreme weather conditions causing significant damage to wind farms. | ÷ Radical innovation e.g. self-hoisting cranes limiting the need for jack-up services to replace main components. |

### 7.4.2 Forecast demand for O&M jack-up vessels

Based on their operational experience, Management expect a typical intervention to require between 7 and 13 vessel days while a blade exchange only require between 4 and 5 days. A jack-up vessel's efficiency (measured in interventions per year) also depends on the form of contract under which it operates as well as external factors such as proximity to the WTG and weather condition. A time charter contract,[19] where maintenance work can be anticipated and planned, will allow for approximately 50 regular interventions per year[20] or 90 blade exchanges. Under a framework or spot contract, on the other hand, failures are more unpredictable and often occur unexpectedly. As such, a vessel operating under a framework or spot contract can be expected to complete between 30 and 40 regular interventions per year or around 70 – 80 blades exchanges. Thus, depending on the form of contract under which a vessel operates, the projected number of interventions in 2018 equates to O&M demand for between three and five vessels covering regular interventions and approximately two vessels to manage the demand for blade campaigns, resulting in a total demand of between five and seven vessels. By 2023, this figure is forecast to grow to between six and nine vessels, where the growth is due to a growing need for regular interventions.

### 7.4.3 Market moving towards framework agreements

ZITON sees clear signs of the industry gradually converging on a model based on framework agreements rather than spot business and time charter contracts. This is principally based on the fact that currently, Siemens Gamesa is the only player in the industry with a sufficiently large installed base of WTGs to expect more than 50 interventions a year, which is the approximate point at which the economics of a time charter begin to compare favourably to those of a framework agreement. Smaller OEMs and WFOs have historically been required to enter the spot market as and when an intervention was required. As the supply situation begins to tighten it is expected that these players will increasingly seek to enter into framework agreements to secure the access to O&M jack-up vessels, as exemplified by recent moves by MHI Vestas, Vattenfall and Ørsted. Further rationale for moving from spot business to framework agreements is provided by the growing recognition of the importance of predictive O&M. In order to minimise unplanned outages and maximise cost efficiency, WFOs and OEMs have been increasingly shifting away from corrective O&M and towards condition and predictive O&M (including replacement of known wear components and routine surveys and inspections). The rationale behind this trend becomes evident when considering that a turbine outage can lead to revenue losses of EUR 5,500-12,500 per day, as illustrated below.

[19] Where a vessel is chartered for a longer period, usually 30 days or more.

[20] Based on an assumed 1-2 intervention per site per call. During substantial projects such as e.g. blade campaigns, this figure can be higher.

Illustrative cost of downtime:

| 3.6 MW | 6.0 MW | 8.0 MW |
|---|---|---|
| | | |
| EUR ~5,000<br><br>*per day*<br>*per turbine* | EUR ~9,300<br><br>*per day*<br>*per turbine* | EUR ~12,500<br><br>*per day*<br>*per turbine* |

*(Source: ZITON. Assuming a capacity factor of 42 per cent, depending on subsidies and market prices)*

The shift towards more predictive O&M is expected to lead to more work being carried out under framework agreements rather than on spot contracts. Under these circumstances, the choice of supplier is determined less by next availability and geographical proximity to the wind farm and more by the available vessels' degree of dedication to O&M and the range of dedicated O&M vessels. When assessed by these criteria, a dedicated O&M jack-up vessel is more likely to be favoured over a more expensive installation vessel or an inexpensive but inappropriately equipped general support vessel.

### 7.4.4 Breakdown of European O&M jack-up vessel demand

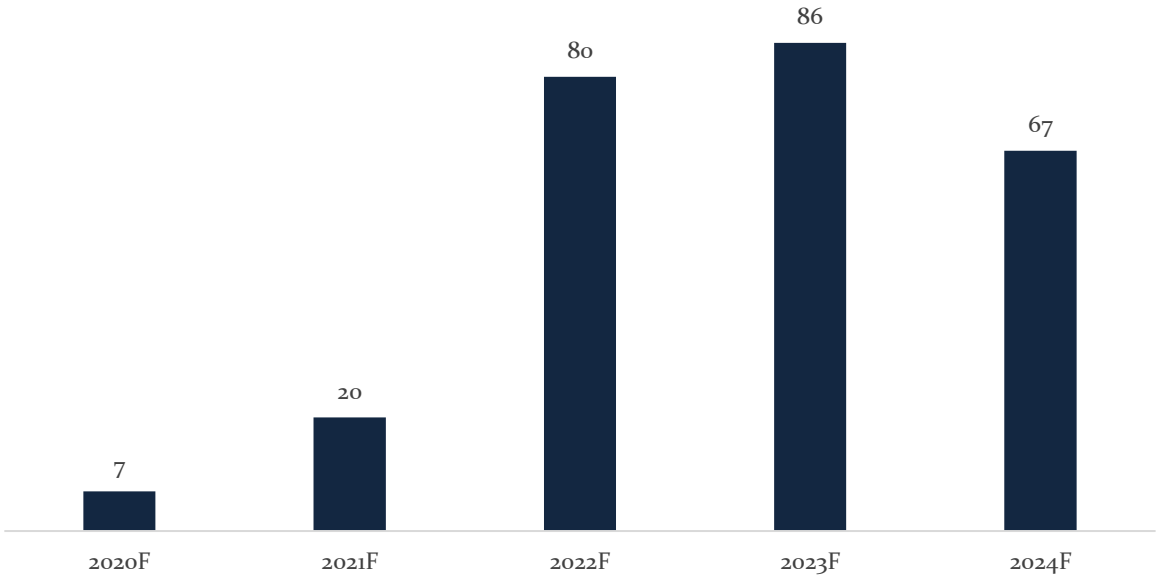
The demand side for O&M jack-up services is comprised by (i) OEMs who provide O&M services under warranty contracts (or subsequent O&M programmes entered into after the expiry of the initial warranty period) and (ii) WFOs who have elected to take over the service responsibility after the OEM warranty period has expired. Due to the prevalence of the initial five-year warranty period, demand for O&M jack-up services remains dominated by the two main OEMs (Siemens Gamesa and MHI Vestas) which together are projected by Management to account for 57 per cent of the O&M market in 2018. Siemens Gamesa is the largest OEM and is estimated by Management to account for some 44 per cent while the corresponding number for MHI Vestas is estimated by Management to 12 per cent. The WFOs Vattenfall, Ørsted and E.ON are becoming increasingly important and are predicted to increase their share of the O&M market from an by Management estimated 33 per cent in 2018 to 46 per cent in 2023.

Going forward, WFOs are expected to account for an increasing share of the O&M market, reflecting a greater propensity to assume full O&M responsibility after the expiry of a WTG's warranty period, motivated by the aim of reducing their reliance on OEMs and maintaining control over mission-critical operations in general and O&M in particular. According to Management, the three largest WFOs – Ørsted, Vattenfall and E.ON – which together own 51 per cent of the installed offshore WTGs in Europe, are all aiming to in-house 100 per cent of O&M services following expiry of the respective warranty periods. Management expects this trend, combined with a number of upcoming warranty expiries and growing competition in the OEM space, to result in a more fragmented demand picture going forward, in turn contributing to reduced customer concentration. ZITON's framework agreements with Ørsted and Vattenfall, signed in 2016, can be seen as one example of this increasing dispersion. Nevertheless, due to its historically leading role in the OEM market and the fact that a large portion of the capacity it has installed remains under warranty, Siemens Gamesa is expected to remain the largest contributor to demand for O&M services over the coming years.

### 7.4.5 Decommissioning

Finally, as the European offshore wind market matures, older WTGs will eventually reach the end of their useful life and will have to be decommissioned, a task which can be carried out by ZITON with the Group's current fleet. ZITON has already carried out a number met mast and turbine decommissionings and expects this area to become an increasingly large contributor to overall revenues as the offshore wind market continues to mature and turbines reach the end of their lifetime. Another aspect of the growing demand for decommissioning work is that it may help to alleviate some of the oversupply caused by installation vessels drifting in and out of the O&M market between installation assignments, which in turn will benefit ZITON.

Estimated number of decommissionings according to Management estimates, 202F-2024F:




*(Source: ZITON)*

## 7.5 Supply outlook for O&M jack-up vessels

### 7.5.1 Overview

In recent years the offshore wind market has seen significant investments in specialised installation jack-up vessels (designed to erect and install new WTGs), smaller crew transfer vessels, as well as in larger service operation vessels ("**SOVs**") which act as platforms for wind farm support operations. However, no player apart from ZITON has undertaken any meaningful investments in dedicated O&M jack-up vessels. As a consequence of this historical underinvestment, the entire European offshore wind industry is currently being served by only three dedicated O&M jack-up vessels. These are WIND, WIND SERVER and WIND PIONEER, all owned and operated by ZITON. SEA POWER, a dedicated O&M jack-up vessel which was in operation during the time of the Company's previous bond issue in 2015, exited the market a few years ago. APOLLO, GeoSea's new vessel, was previously expected to perform O&M assignments but it has been announced recently that the vessel will mainly be providing services to the oil and gas industry, with a particular focus on the installation and decommissioning of platform facilities. According to Management's knowledge, no new dedicated O&M jack-up vessel is under construction for the European market as at the time of this Prospectus. With only three dedicated O&M jack-up vessels operating in the market, the projected number of interventions from 2018 and onwards is expected to exceed the available dedicated O&M jack-up capacity, with excess demand expected to be served by installation vessels in between assignments.

Shown below is a list of jack-up vessels which conducted O&M assignments in the offshore wind industry in 2017 and YTD Aug 18, based on ZITON's market insight:

| Vessel owner | Vessel name | O&M contract | Maximum turbine capacity | Max water depth | Boom length | Crane capacity 15-25m |
|---|---|---|---|---|---|---|
| *Dedicated O&M jack-up vessels* | | | | | | |
| ZITON | WIND | Framework | 4 MW | 30 | 76 | 92 |
| | WIND PIONEER | Framework | 4 MW | 35 | 72 | 232 |
| | WIND SERVER | Time charter | 4 MW | 45 | 87 | 400 |
| *Installation jack-up vessels* | | | | | | |
| Fred Olsen Windcarrier | Bold Tern | No | 9.5 MW | 45 | 102 | 800 |
| | Brave Tern | No | 9.5 MW | 45 | 102 | 800 |
| GeoSea | Neptune | No | 5 MW | 52 | 85 | 600 |
| | Thor | No | 5 MW | 50 | 87 | 400 |
| MPI Offshore | MPI Enterprise | No | 9.5 MW | 45 | 110 | 1,000 |
| Seajacks | Seajacks Hydra | No | 4 MW | 41 | 75 | 400 |
| Van Oord | MPI Adventure | Yes | 9.5 MW | 40 | 100 | 1,000 |
| | MPI Resolution | No | 5 MW | 35 | 95 | 600 |

*(Source: ZITON)*

The non-dedicated O&M jack-up vessels shown in the table above are installation vessels which occasionally tender for O&M tasks in order to cover their fixed costs during times of low installation activity or when the vessel is too small to install the +6 MW turbines currently being installed. According to the Management's knowledge, the only installation vessel that currently operates under an O&M agreement is MPI Adventure, which was awarded an agreement with Siemens Gamesa in June 2018 to perform blade repairs at the wind farm London Array. ZITON's vessels did not compete for the contract as they were too small to have a full set of blades on deck as required for the London Array test set-up. Neither GeoSea nor Seajacks have, according to the Company's management, historically competed on price during levels of low installation activity. Seajacks typically utilises its vessels within the oil and gas industry rather than entering the O&M market, while GeoSea tends to use its smaller vessels for specific tasks under EPCI contracts. Owing to their size and cost of operation, an O&M assignment is typically not profitable for an installation vessel and taking on such assignments is therefore almost always a short-term solution.

There are certain important differences between a dedicated O&M supplier and a provider of installation vessels and for the reasons listed below, a customer will generally always prefer a dedicated O&M jack-up vessel – and its operator – over an installation vessel provider:

1. Dedicated O&M jack-ups will always be available for O&M assignments, without any risk of them becoming occupied on installation projects, which could last for six to nine months.

2. The range of dedicated O&M vessels provided by a dedicated provider such as ZITON results in a higher likelihood of a suitable vessel being available to carry out a particular task.

3. Dedicated O&M jack-ups are designed and built to conduct O&M tasks and do not require sophisticated features such as helicopter decks, additional deck space, etc., which is generally the case for installation jack-ups. This means that an O&M jack-up is typically less expensive to construct and maintain. Moreover, being lighter and smaller, O&M jack-ups consume less fuel and require a smaller crew to operate. All of these factors results in lower Capex and Opex for a dedicated O&M vessel and are reflected in the charter rate, which is considerably lower compared to an installation vessel.

4. The crew on board a dedicated O&M jack-up are specialised in carrying out O&M. This ensures efficient operations and reduces the time required on-site and consequently the cost of an intervention.

5. Installation vessels are generally owned by larger organisations scaled to execute complex, multi-month installation projects announced long before they are due to commence. By contrast, ZITON has a lean, agile organisation which is tailored to carry out O&M interventions, which are often requested on short notice and last from a few days to a few weeks. Often, installation companies will simply be too large and inflexible to be able to take on O&M work, and if they are, they may be unable to earn a satisfactory return given the organisational overhead and the higher Capex for an installation vessel.

6. Due to their lower weight and fewer and narrower legs, dedicated O&M jack-up vessels have less of an impact on the seabed surrounding a WTG compared to heavier installation vessels. Reducing the impact on the seabed helps preserve its integrity and limits the risk of the WTG eventually becoming inaccessible to any jack-up vessel due to seabed instability.

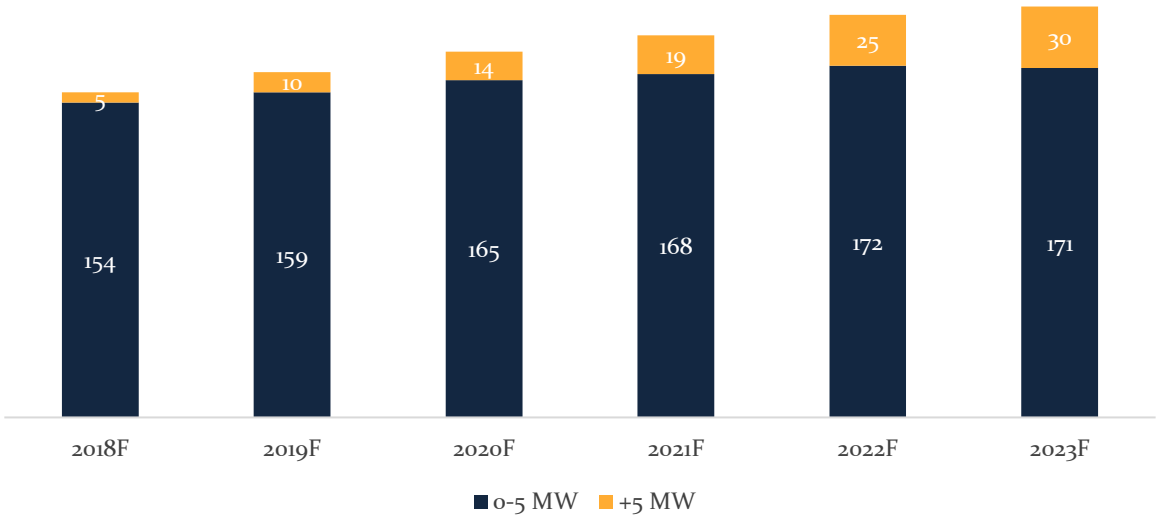
With customers displaying a clear preference for a dedicated O&M provider and projected demand for O&M interventions projected to exceed the available capacity going forward, as elaborated on in section 7.4, the risk of ZITON's fleet utilisation falling materially over the coming years is sharply reduced. Further de-risking is ensured by the fact that installation activity pertaining to 6-9.5 MW turbines is projected to remain high over the coming years, leaving medium- and large-sized installation vessels occupied and reducing the threat of them entering the O&M market for more than spontaneous short-term spells.

There are a number of smaller installation vessels that are unable to install WTGs beyond 5 MW with current specifications. These vessels are likely to become obsolete in the installation market and could potentially be modified and over time transition into the O&M market. Other alternatives would be to enter the fast growing Asian market, retire vessels or upgrade them in order to make them capable of installing larger turbines.

## 7.6 Demand outlook for larger O&M jack-up vessels

Technological innovation is currently driving a market-wide transition towards larger WTGs. Essentially all turbines installed in the year to date have a capacity of between 6 and 9.5 MW, twice that of the 3.6-4.0 MW turbines installed just a few years ago. Like any other WTG, these turbines will begin to fail and require component replacements. As seen in the chart below, the number of regular interventions accounted for by turbines in excess of 5 MW is by Management estimated to grow six-fold between 2018F and 2023F. This will eventually result in a need for O&M vessels that are sufficiently large – and crew that are sufficiently experienced – to service them. In addition to regular interventions, blade campaigns will drive a considerable increase in the number of interventions over the coming years (see section 7.4) and with a large O&M vessel the blade may be repaired offshore instead of transporting the blades onshore to be repaired. This will increase the efficiency with a reduced number of days per intervention and drive an even higher demand for a larger dedicated O&M jack-up vessel.

Estimated number of regular interventions per WTG size according to Management estimates, 2018F-2023F:




*(Source: ZITON)*

As at the time of this Prospectus, only installation vessels are sufficiently large to perform O&M on turbines with a capacity of 5 MW or more. However, operators of installation vessels are generally reluctant to sign long-term O&M agreements because these assignments are not sufficiently profitable to sustain their scaled-up organisations and the vessels' Capex and Opex levels. Moreover, installation companies do not offer a full-service solution that is comparable to ZITON's offering, which makes them even less relevant as counterparty to long-term O&M framework agreements. According to the Company's management, this supply/demand imbalance, coupled with the growing demand for blade exchanges, as elaborated on in section 4.4, offers an opportunity to enter the market with a dedicated O&M jack-up of sufficient size to serve +5 MW turbines. To address this opportunity ahead of any potential competitors, ZITON is evaluating various options to expand its fleet with a larger jack-up vessel, enabling the Group to grow with its customers and continue to offer a full-service solution to all their O&M needs.

It should be noted that although the demand for O&M services generated by the +5 MW turbines referred to in the section above is indeed expected to grow strongly over the coming years, the bulk of all regular interventions is still expected to be related to WTGs with capacity of up to 5 MW. As these turbines continue to age and be exposed to wear and tear, they will continue to require O&M services over their 20-year lifetime. The Company's management is confident that this segment alone will, *ceteris paribus*, ensure sufficient demand for ZITON's existing fleet to continue to operate at high utilisation rates over the coming years.

## 8. FINANCIAL INFORMATION

### 8.1 Annual accounts and interim reports

Certain key financial information about the Company and each of the Guarantors is set out in section 8.3 below, pursuant to the Company's and each of the Guarantors' audited annual financial statements as of 31 December 2017 (as described further below). In addition, section 8.3 contains summarised key financial information from the unaudited interim reports for the three previous quarters of 2018 on a consolidated basis for the Group.

The Company's audited annual consolidated financial statements as of 31 December 2017 and 2016, together with the auditor's reports for such financial statements, are attached as Appendix 3 and Appendix 4 (respectively). The financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. For audited financial statements and the auditor's reports for the years ended 31 December 2016 and 2017 for the Guarantors, please see Appendices 5 to 8. The financial statements for Jack-Up InvestCo 2 A/S have been prepared in accordance with Danish GAAP and the financial statements for Jack-Up InvestCo 3 Plc have been prepared in accordance with IFRS.

The Company's unaudited consolidated Q3 interim report for 2018 is attached hereto as Appendix 9, and the Guarantors' unaudited unconsolidated Q3 interim reports for 2018 are attached hereto as Appendices 10 and 11.

Please find below a table detailing where the abovementioned financial information may be found.[21]

| Financial reports | | | |
|---|---|---|---|
| | **Q3 2018** | **2017 (YE)** | **2016 (YE)** |
| **Ziton A/S** | *Appendix 9* | *Appendix 3* | *Appendix 4* |
| Income statement | Page 8 | Page 54 | Page 50 |
| Balance Sheet | Page 9 | Page 56 | Page 52 |
| Cash flow statement | Page 10 | Page 58 | Page 54 |
| Accounting policies and notes | Page 13 | Page 61 | Page 57 |
| **Jack-Up InvestCo 2 A/S** | *Appendix 10* | *Appendix 5* | *Appendix 6* |
| Income statement | Page 2 | Page 8 | Page 8 |
| Balance Sheet | Page 2 | Page 9 | Page 9 |
| Cash flow statement | Page 3 | N/A[22] | N/A[22] |
| Accounting policies and notes | N/A | Page 11 | Page 11 |
| **Jack-Up InvestCo 3 Plc** | *Appendix 11* | *Appendix 7* | *Appendix 8* |
| Income statement | Page 2 | Page 5 | Page 5 |
| Balance Sheet | Page 2 | Page 6 | Page 6 |
| Cash flow statement | Page 3 | Page 7 | Page 7 |
| Accounting policies and notes | N/A | Page 10 | Page 10 |

[21] Page numbering referring to page number in the relevant appended document.

[22] Not applicable for certain smaller entities (like Jack-Up InvestCo 2 A/S) cf. the Danish Financial Statements Act.

The annual financial statements (both as appended and the key financial information thereof provided in section 8.3 below) for the Company and Jack-Up InvestCo 2 A/S have been audited by BDO Statsautorisert Revisjonsaktieselskab, a member of *FSR – danske revisorer*, with Danish company no. (CVR) 20 22 26 70 and registered address Kystvejen 29, 8000 Aarhus C, Denmark, as stated in their independent auditor's reports included therein.

The annual financial statements (both as appended and the key financial information thereof provided in section 8.3 below) for Jack-Up InvestCo 3 Plc have been audited by BDO Malta, Certified Public Accountant and member of the *Accountancy Board, Malta*, with registered address Tower Gate Place, Tal-Qroqq Street, Msida MSD 1703, Malta, as stated in their independent auditor's reports included therein.

## 8.2 Alternative performance measures

To complement the key financial information presented in section 8.3 below, ZITON presents *Alternative Performance Measures* (APMs) according to the Directives of European Securities and Markets Authority (ESMA), being non-IFRS financial measures. Management uses such APMs in decision-taking and to evaluate the performance of the company. Below there are details of disclosures required by ESMA on definition, reconciliation and explanation of use for relevant APMs included in this Prospectus. For all APMs used in this Prospectus comparable figures for previous periods are shown, and all APMs are coherent meaning they are calculated using the same method as for previous periods.

| Alternative Performance Measure | Definition | Reconciliation | Explanation of use |
|---|---|---|---|
| EBITDA | EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, representing the operating profit/loss before deducting interest and taxes, amortisation and write-down of intangible assets and depreciation and write-down of tangible assets. | EBITDA is used as a financial measurement in the Company's audited annual financial statements and in the unaudited interim accounts presented in respect of the Company and each of the Guarantors, and measures the net income with interest, taxes, depreciation and amortisation added back. No adjustments are made compared to IFRS. | Management believes this measure enables an evaluation of the Group's operating profitability on a more variable cost basis as it excludes depreciation and amortisation expense related primarily to capital expenditures and acquisitions that occurred in the past, and it enables an evaluation of operating performance and ability to generate cash flow. |
| EBIT | EBIT is Earnings Before Interest, Tax, representing revenue less operating profit/loss, before deducting interest and taxes. | EBIT is used as a financial measurement in the Company's audited annual financial statements and in the unaudited interim accounts presented in respect of the Company and each of the Guarantors, and measures the operating profit after depreciation and amortisation. No adjustments are made compared to IFRS. | Management believes EBIT is a good measure for an evaluation of the Group's profitability and operating efficiency. |

## 8.3 Key financial information

### 8.3.1 Ziton A/S – audited financial information

| Income statement – Ziton A/S | | |
|---|---|---|
| | **2017** | **2016** |
| | **EUR'000** | **EUR'000** |
| **Revenue** | **33 227** | **29 042** |
| Project-related expenses | -1 281 | -1 161 |
| Operating expenses | -8 196 | -7 846 |
| **Gross profit** | **23 750** | **20 035** |
| Administrative expenses | -1 712 | -1 294 |
| Staff costs, office staff | -2 781 | -2 330 |
| **EBITDA** | **19 257** | **16 411** |
| Depreciation and amortisation | -7 930 | -7 775 |
| **EBIT** | **11 327** | **8 636** |
| Financial income | - | 954 |
| Financial expenses | -13 168 | -14 141 |
| **Income before tax** | **-1 841** | **-4 550** |
| Tax on profit (loss) | -1 143 | -1 254 |
| **Income for the year** | **-2 984** | **-5 804** |

| Balance sheet – Ziton A/S | | |
|---|---|---|
| | 2017 | 2016 |
| **ASSETS** | **EUR'000** | **EUR'000** |
| **Non-current assets** | | |
| Vessels, including fixtures & equipment | 154 517 | 161 313 |
| Intangible assets | 105 | - |
| Financial assets | 6 055 | 6 057 |
| Deferred tax assets | 334 | - |
| **Non-current assets** | **161 011** | **167 370** |
| **Current assets** | | |
| Inventories | 39 | - |
| Trade and other receivables | 3 928 | 4 454 |
| Cash and cash equivalents | 2 753 | 1 944 |
| **Current assets** | **6 720** | **6 398** |
| **Total assets** | **167 731** | **173 768** |

| | 2017 | 2016 |
|---|---|---|
| **EQUITY AND LIABILITIES** | **EUR'000** | **EUR'000** |
| **Equity** | | |
| Share capital | 11 093 | 11 093 |
| Reserves | 189 | 188 |
| Retained earnings | 3 517 | 9 838 |
| **Total equity attributable to shareholders of ZITON A/S** | **14 799** | **21 119** |
| Non-controlling interests | 19 044 | 15 705 |
| **Total equity** | **33 843** | **36 824** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Subordinated loans | 35 560 | 32 373 |
| Bank and bond loans | 85 596 | 90 919 |
| Deferred income tax liabilities | 4 029 | 2 441 |
| Provision for other liabilities | | 236 |
| **Total non-current liabilities** | **125 185** | **125 969** |
| **Current liabilities** | | |

| | | |
|---|---|---|
| Bank and bond loans | 5 492 | 7 590 |
| Trade and other payables | 2 008 | 2 762 |
| Provision for other liabilities | 1 203 | 623 |
| **Total current liabilities** | **8 703** | **10 975** |
| | | |
| **Total liabilities** | **133 888** | **136 944** |
| | | |
| **Total equity and liabilities** | **167 731** | **173 768** |

### 8.3.2 Jack-Up InvestCo 2 A/S – audited financial information

| Income statement – Jack-Up InvestCo 2 A/S | | |
|---|---|---|
| | **2017** | **2016** |
| | **DKK'000** | **DKK'000** |
| **Gross profit** | **57 424** | **61 480** |
| Depreciation | -17 278 | -17 119 |
| **Operating profit** | **40 146** | **44 361** |
| Financial income | 8 848 | 4 495 |
| Financial expenses | -42 283 | -42 063 |
| **Profit before tax** | **6 711** | **6 793** |
| Tax on profit | -5 305 | -7 181 |
| **Profit for the year** | **1 406** | **-388** |
| **Proposed distribution of profit** | | |
| Accumulated profit | 1 406 | -388 |
| **Total** | **1 406** | **-388** |

## Balance sheet – Jack-Up InvestCo 2 A/S

| ASSETS | 2017<br>DKK'000 | 2016<br>DKK'000 |
|---|---|---|
| Vessels | 433 534 | 446 454 |
| **Tangible fixed assets** | **433 534** | **446 454** |
| Intercompany receivables, associated companies | 127 131 | - |
| **Fixed asset investments** | **127 131** | **-** |
| **Fixed assets** | **560 665** | **446 454** |
| Intercompany receivables, associated companies | - | 75 151 |
| **Accounts receivable** | **-** | **75 151** |
| **Cash** | **24** | **32** |
| **Current assets** | **24** | **75 183** |
| **Assets** | **560 689** | **521 637** |

| EQUITY AND LIABILITIES | 2017<br>DKK'000 | 2016<br>DKK'000 |
|---|---|---|
| Share capital | 500 | 500 |
| Retained earnings | -5 123 | -6 530 |
| **Equity** | **-4 623** | **-6 030** |
| Deferred tax | 12 787 | 15 365 |
| Intercompany receivables, associated companies | 544 125 | 510 701 |
| **Long-term liabilities** | **556 912** | **526 066** |
| Trade payables | 26 | 167 |
| Joint tax contribution | 8 374 | - |
| Other liabilities | - | 1 434 |
| **Current liabilities** | **8 400** | **1 601** |
| **Liabilities** | **565 312** | **527 667** |
| **Equity and liabilities** | **560 689** | **521 637** |

### 8.3.3 Jack-Up InvestCo 3 Plc – audited financial information

| Income statement – Jack-Up InvestCo 3 Plc | | |
|---|---|---|
| | **2017** | **2016** |
| | **EUR** | **EUR** |
| Turnover | 15 677 032 | 15 128 611 |
| Cost of sales | - | - |
| **Gross profit** | **15 677 032** | **15 128 611** |
| Other income – compensation for loss of revenue | - | - |
| Administrative expenses | 3 413 999 | 3 418 979 |
| | **12 263 033** | **11 709 632** |
| Interest receivable | 2 599 867 | 1 008 651 |
| Financial costs | 5 960 201 | 5 457 140 |
| **Profit before taxation** | **8 902 700** | **7 261 143** |
| Taxation | 3 159 146 | 2 498 499 |
| **Profit for the year** | **5 743 554** | **4 762 644** |

| Balance sheet – Jack-Up InvestCo 3 Plc | | |
|---|---|---|
| | **2017** | **2016** |
| **ASSETS** | **EUR** | **EUR** |
| **Non-current assets** | | |
| Property, plant and equipment | 73 346 692 | 76 725 212 |
| **Total non-current assets** | **73 346 692** | **76 725 212** |
| **Current assets** | | |
| Trade and other receivables | 39 012 469 | 20 735 723 |
| Cash and cash equivalents | 21 009 | 56 793 |
| **Total current assets** | **39 033 478** | **20 792 517** |
| **Total Assets** | **112 380 170** | **97 517 729** |

| | **2017** | **2016** |
|---|---|---|
| **LIABILITIES** | **EUR** | **EUR** |
| **Current liabilities** | | |
| Trade and Other Payables | 11 533 | 11 666 |
| **Total current liabilities** | **11 533** | **11 666** |
| **Non-current liabilities** | | |
| Loans from related parties | 70 251 929 | 64 292 055 |
| Deferred tax liability | 4 029 327 | 1 799 250 |
| **Total non-current liabilities** | **74 281 256** | **66 091 305** |
| **Total liabilities** | **74 292 789** | **66 102 971** |
| **NET ASSETS** | **38 087 381** | **31 414 758** |
| **Issued Capital and reserves** | | |
| Share Capital | 28 001 200 | 28 001 200 |
| Retained Earnings | 10 086 181 | 3 413 558 |
| **TOTAL EQUITY** | **38 087 381** | **31 414 758** |

### 8.3.4 Unaudited consolidated interim figures for Ziton A/S

**INCOME STATEMENT**

| *EUR´000* | Q3 18 | Q3 17 | Change | YTD 18 | YTD 17 | Change |
|---|---|---|---|---|---|---|
| **Revenue** | **12 154** | **7 353** | **4 801** | **36 209** | **25 277** | **10 932** |
| OPEX and project-related expenses | -2 970 | -1 898 | -1 072 | -8 632 | -6 728 | -1 904 |
| SG&A | -1 128 | -1 076 | -52 | -3 493 | -3 586 | 93 |
| **EBITDA** | **8 056** | **4 379** | **3 677** | **24 084** | **14 963** | **9 121** |
| Depreciation | -1 973 | -1 997 | 24 | -5 869 | -5 935 | 66 |
| **EBIT** | **6 083** | **2 382** | **3 701** | **18 215** | **9 028** | **9 187** |
| Financials, net | -3 246 | -3 302 | 56 | -9 818 | -9 862 | 44 |
| **Income before tax** | **2 837** | **-920** | **3 757** | **8 397** | **-834** | **9 231** |

**BALANCE SHEET**

| *EUR´000* | Q3 18 | Q3 17 | Change | Q3 18 | Q4 17 | Change |
|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | |
| Vessel, including fixtures & equipment | 149 306 | 156 431 | -7 125 | 149 306 | 154 517 | -5 211 |
| Other non-current assets | 6 149 | 6 158 | -9 | 6 149 | 6 494 | -345 |
| **Non-current assets** | **155 455** | **162 589** | **-7 134** | **155 455** | **161 011** | **-5 556** |
| Trade and other receivables | 6 953 | 2 837 | 4 116 | 6 953 | 3 966 | 2 987 |
| Cash and cash equivalents | 14 048 | 4 847 | 9 201 | 14 048 | 2 754 | 11 294 |
| **Current assets** | **21 001** | **7 684** | **13 317** | **21 001** | **6 720** | **14 281** |
| **Total assets** | **176 456** | **170 273** | **6 183** | **176 456** | **167 731** | **8 725** |
| ***Equity and Liabilities*** | | | | | | |
| **Equity** | **39 252** | **34 505** | **4 747** | **39 252** | **33 844** | **5 408** |
| Subordinated loans | 38 701 | 35 249 | 3 452 | 38 701 | 35 560 | 3 141 |
| Bond loans | 88 347 | 93 781 | -5 434 | 88 347 | 90 923 | -2 576 |
| Bank loans and lease liabilities | 142 | 175 | -33 | 142 | 165 | -23 |
| Other liabilities | 10 014 | 6 563 | 3 451 | 10 014 | 7 239 | 2 775 |
| **Total liabilities** | **137 204** | **135 768** | **1 436** | **137 204** | **133 887** | **3 317** |
| **Total equity and liabilities** | **176 456** | **170 273** | **6 183** | **176 456** | **167 731** | **8 725** |

**CASH FLOWS**

| *EUR´000* | Q3 18 | Q3 17 | Change | YTD 18 | YTD 17 | Change |
|---|---|---|---|---|---|---|
| **EBITDA** | **8 056** | **4 379** | **3 677** | **24 084** | **14 963** | **9 121** |
| Working capital adjustments | 2 226 | 1 459 | 767 | -3 135 | 570 | -3 705 |
| Financial payments, net | -1 976 | -2 088 | 112 | -5 986 | -6 402 | 416 |
| Other adjustments | 799 | -416 | 1 215 | 359 | 147 | 212 |
| **Net cash flows from operating activities** | **9 105** | **3 334** | **5 771** | **15 322** | **9 278** | **6 044** |
| Investing activities | -689 | -248 | -441 | -1 026 | -1 263 | 237 |
| **Net cash flows after investing activities** | **8 416** | **3 086** | **5 330** | **14 296** | **8 015** | **6 281** |
| Financing activities | - | - | - | -3 001 | -2 500 | -501 |
| **Net cash flows after financing activities** | **8 416** | **3 086** | **5 330** | **11 295** | **5 515** | **5 780** |

### 8.3.5 Unaudited interim figures for Jack-Up InvestCo 2 A/S

**INCOME STATEMENT**

| *DKK'000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Revenue** | **14 051** | **14 244** | **42 875** | **43 550** |
| Operating expenses | -14 | - | -45 | -28 |
| **EBITDA** | **14 037** | **14 244** | **42 830** | **43 522** |
| Depreciation and amortisation | -5 326 | -4 363 | -15 964 | -13 015 |
| **EBIT** | **8 711** | **9 881** | **26 866** | **30 507** |
| Net Financial items | -7 128 | -8 225 | -22 064 | -25 521 |
| **Income before tax** | **1 583** | **1 656** | **4 802** | **4 986** |
| Tax on profit (loss) | -1 980 | -1 912 | -4 176 | -3 631 |
| **Income for the year** | **-397** | **-256** | **626** | **1 355** |

**BALANCE SHEET**

| *DKK'000* | Sep.18 | Sep.17 |
|---|---|---|
| **ASSETS** | | |
| ***Non-current assets*** | | |
| Vessels, including fixtures & equipment | 418 433 | 437 793 |
| Financial assets, Intercompany receivables | 161 220 | 113 306 |
| **Total non-current assets** | **579 654** | **551 099** |
| ***Current assets*** | | |
| Intercompany receivables and other receivables | 31 | - |
| Cash and cash equivalents | 24 | 35 |
| **Total current assets** | **55** | **35** |
| **Total assets** | **579 709** | **551 134** |
| **EQUITY AND LIABILITIES** | | |
| ***Equity*** | | |
| Share capital | 500 | 500 |
| Retained earnings | -4 497 | -5 175 |
| **Total equity** | **-3 997** | **-4 675** |
| **Liabilities** | | |
| ***Non-current liabilities*** | | |
| Deferred income tax liabilities | 16 963 | 19 486 |
| Intercompany payables | 566 190 | 536 279 |
| **Total non-current liabilities** | **583 153** | **555 765** |
| ***Current liabilities*** | | |
| Intercompany and other payables | 553 | 43 |
| **Total current liabilities** | **553** | **43** |
| **Total liabilities** | **583 706** | **555 808** |
| **Total equity and liabilities** | **579 709** | **551 133** |

### 8.3.6 Unaudited interim figures for Jack-Up InvestCo 3 Plc

**INCOME STATEMENT**

| *DKK'000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Revenue** | **23 526** | **29 046** | **78 728** | **88 340** |
| Operating expenses | -76 | -75 | -196 | -192 |
| **EBITDA** | **23 450** | **28 971** | **78 532** | **88 148** |
| Depreciation and amortisation | -6 290 | -6 343 | -18 651 | -18 810 |
| **EBIT** | **17 160** | **22 628** | **59 881** | **69 338** |
| Financial income | 8 282 | 5 218 | 22 705 | 13 452 |
| Financial expenses | -12 242 | -11 184 | -36 295 | -33 164 |
| **Income before tax** | **13 200** | **16 662** | **46 291** | **49 626** |
| Tax on profit (loss) | -2 397 | -5 838 | -10 261 | -17 376 |
| **Income for the year** | **10 803** | **10 824** | **36 030** | **32 250** |

**BALANCE SHEET**

| *DKK'000* | Sep.18 | Sep.17 |
|---|---|---|
| **ASSETS** | | |
| ***Non-current assets*** | | |
| Vessels, including fixtures & equipment | 528 236 | 552 195 |
| **Total non-current assets** | **528 236** | **552 195** |
| ***Current assets*** | | |
| Intercompany receivables and other receivables | 392 413 | 256 154 |
| Cash and cash equivalents | 104 | 185 |
| **Total current assets** | **392 517** | **256 340** |
| **Total assets** | **920 753** | **808 535** |
| **EQUITY AND LIABILITIES** | | |
| ***Equity*** | | |
| Share capital | 208 788 | 208 393 |
| Retained earnings | 111 268 | 57 667 |
| **Total equity** | **320 056** | **266 060** |
| **Liabilities** | | |
| ***Non-current liabilities*** | | |
| Deferred income tax liabilities | 40 315 | 30 773 |
| Intercompany payables | 560 336 | 511 656 |
| **Total non-current liabilities** | **600 651** | **542 429** |
| ***Current liabilities*** | | |
| Intercompany and other payables | 45 | 45 |
| **Total current liabilities** | **45** | **45** |
| **Total liabilities** | **600 697** | **542 474** |
| **Total equity and liabilities** | **920 753** | **808 535** |

## 8.4 Lack of material adverse changes

There have been no material adverse changes in the Group's financial or trading position since the date of the last published audited financial statements, being 31 December 2017, or the last published interim report, nor have there been material adverse changes in the prospects of the Company or the Guarantors since the date of their last published audited financial statements, being 31 December 2017, or the last published interim report, that are relevant to the evaluation of the Company's or the Guarantors' solvency.

## 8.5 Investments

### 8.5.1 Historical investments not covered by the latest annual accounts or interim reports

Neither the Company nor any of the Guarantors have made any new investments after the release of the 2018 Q3 report.

### 8.5.2 Principal future investments

Neither the Company nor any of the Guarantors have any principal investments that are in process or any future principal investments on which its management bodies have already made firm commitments.

# 9. THE COMPANY'S BOARD AND MANAGEMENT

## 9.1 *Board of Directors*

### 9.1.1 Overview

The Company's Board of Directors currently consists of the following persons:

| **Name** | **Position** |
|---|---|
| Vagn Lehd Møller | Chairman |
| Espen Bay Jørgensen | Board Member |
| Lars Thorsgaard Jensen | Board Member |
| Ove C. Eriksen | Board Member |
| Morten Melin | Board Member |
| Niels Ørskov Christensen | Board Member |

The Company's business address serves as c/o address in relation to the Board of Directors.

### 9.1.2 Information on the members of the Board of Directors of the Company

| | |
|---|---|
| **Vagn Lehd Møller**<br>Chairman of the board since 2011 | · *Current engagements:* Mr Møller is Chairman of the board of directors of ZITON A/S. He is also a member of the board of directors of Jack-Up InvestCo 3 Plc and Costamare Inc.<br>· *Previous engagements:* Mr Møller has worked his entire career in different positions at A.P. Møller-Maersk, most recently as Executive Vice President and Chief Operations Officer at Maersk Line. He has also held numerous positions as Chairman or member of the board of directors of a number of A.P. Møller-Maersk affiliated companies. Until recently, Mr Møller was also Chairman of the board of Scan Global Logistics A/S.<br>· *Education:* Studies within Management at CEDEP (European Center For Executive Development), INSEAD (The Business School for the World) and the University of Western Ontario. |
| **Esben Bay Jørgensen**<br>Member of the board since 2012 | · *Current engagements:* Mr Jørgensen is a founder, partner and member of the investment committee at BWB Partners. He serves as a member of the board of directors of ZITON A/S and four of the fund's other portfolio companies.<br>· *Previous engagements:* Prior to founding Odin Equity Partners in 2005 (later renamed to BWB Partners), Mr Jørgensen worked with the consultancy firm AlixPartners in London where he specialised in improving corporate financial and operational performance and executing corporate turnarounds. Before that, Mr Jørgensen spent some eight years with The Boston Consulting Group in the Stockholm, San Francisco and Copenhagen offices advising corporate clients and private equity firms on corporate strategy, M&A and operational improvements.<br>· *Education:* Master of Science in Economics and Business Administration from Copenhagen Business School, McGill University, Montreal and Università degli Studi di Siena, Italy. |

| | |
|---|---|
| **Lars Thorsgaard Jensen**<br>Member of the board since 2012 | · *Current engagements:* Mr Jensen is a Director at BWB Partners, a position he has held since 2010. He serves as a member of the board of directors of ZITON A/S and three of the fund's other portfolio companies.<br>· *Previous engagements:* Mr Jensen has a background within investment banking. He previously worked for six years as a Director at Carnegie Investment Banking in Copenhagen, advising Nordic companies on M&A and capital markets transactions. Prior to this he worked for two years at Morgan Stanley Investment Banking in London.<br>· *Education:* Master of Science in Management & Economics (cand. oecon) from Aarhus University. |
| **Ove C. Eriksen**<br>Member of the board since 2008 | · *Current engagements:* Mr Eriksen serves as a member of the board of directors of ZITON A/S.<br>· *Previous engagements:* Founded Dansk Bjergning og Bugsering A/S in 1987. Founded DBB Jack-up Services (later renamed ZITON) in 2007. Founded DBB ROV Services, a provider of underwater ROV services, in 2009. Acquired Svendborg Uddybning, a company that provides services within the dredging industry, in 2009.<br>· *Education:* Electrician. |
| **Morten Melin**<br>Member of the board since 2017 | · *Current engagements:* Mr Melin serves as Executive Vice President of Construction at Northland Power, an independent Canadian power producer.<br>· *Previous engagements:* Mr Melin has held a number of positions with both wind turbine manufacturers and utility organisations, most recently as Vice President EPC & Construction Management with DONG Energy Wind Power and as a member of the board of A2SEA A/S. Previously served as Vice President Project & Technology with Vestas Offshore.<br>· *Education:* BSc. Mechanical Engineering from the Engineering College of Aarhus (Aarhus Teknikum). Advanced Corporate Finance Programme from London Business School and Executive Leadership Development from INSEAD. |
| **Niels Ørskov Christensen**<br>Member of the board since 2016 | · *Current engagements:* Mr Ørskov Christensen serves as a Chairman of the Board of Director of Orskov Yard A/S and OY Finans ApS.<br>· *Previous engagements:* Mr Ørskov Christensen has worked his entire career in the shipyard industry, both as a naval architect and as CEO. He is a former chairman of the Danish Shipyard Industry Association (Skibsværftsforeningen – now Danske Maritime), a position he held for several years while also serving on the board of representatives of Danish Ship Finance (Danmarks Skibskreditfond).<br>· *Education:* Naval architect. |

### 9.1.3 The Guarantor's board of directors

JackUp InvestCo 2 A/S

| Name | Position |
|---|---|
| Vagn Lehd Møller | Chairman |
| Thorsten Henrik Jalk | Board Member |
| Ove Carsten Eriksen | Board Member |

JackUp InvestCo 3 Plc

| Name | Position |
|---|---|
| Carmelo Borg | Chairman |
| Vagn Lehd Moller | Board Member |
| Thorsten Henrik Jalk | Board Member |

The Guarantors' respective business addresses as set out in section 6 serves as c/o addresses in relation to each Guarantor's board of directors.

## 9.2 Management

The table below sets forth the Group's current executive management:

| Name | Position |
|---|---|
| Thorsten Jalk | CEO |
| Jens Michael Haurum | CFO |
| Rasmus Mühlebach | CLO |
| Bent Thambo Jensen | CCO |
| Mads Albér | COO |

The Company's business address serves as c/o address in relation to the management of the Group. The executive management consists of the following persons:

| | |
|---|---|
| **Thorsten Jalk**<br>Chief Executive Officer<br>Appointed CEO in 2011 | · Mr Jalk has over 15 years of experience from the offshore wind industry and held numerous high-level positions prior to becoming CEO of ZITON.<br>· *Previous engagements:* Mr Jalk has experience from being an owner and senior consultant at WayPoint Consult ApS in Denmark. During the period 2000 to 2011 Mr Jalk worked for A2SEA A/S where he held the following positions: Head of Service Solutions (2007-2011), Director of Marine Operations (2005-2007) and Logistics Manager (2000-2005). Mr Jalk served in the Danish Army between 1987 and 2000.<br>· *Education:* Graduated in 2010 with a Master in Transport and Maritime Management (MTMM) from the University of Southern Denmark. Executive Management programme from INSEAD. |
| **Jens Michael Haurum**<br>Chief Financial Officer | · *Previous engagements:* Mr Haurum was CFO at Borg Automotive A/S (2012-2015), Head of Group Finance and Investor Relations at BioMar Group A/S (2004-2012) and business development manager at ALTA A/S (2001-2004). Prior to this he held various positions in the financial services industry (1985-2001). |

| | |
|---|---|
| Appointed CFO in April 2015 | · *Education:* Mr Haurum holds a Graduate Diploma in Business Administration (Accounting) from Aarhus University, a Graduate Diploma in Business Administration (International Management) from Copenhagen Business School and Master of Business Administration from Henley Business School in the UK. |
| **Rasmus Mühlebach**<br>Chief Legal Officer<br>Appointed CLO in April 2015 | · Mr. Mühlebach joined the Group in June 2012 as Chief Financial Officer and was appointed Chief Legal Officer in April 2015.<br>· *Previous engagements:* Prior to joining ZITON, Mr Mühlebach held positions as Chief Financial Officer (2009-2012) and Business Developer (2008-2009) for NordEstate A/S as well as Project Developer for Real Gruppen (2007-2008). Since 2005 Mr Mühlebach is also the owner of Mühlebach Invest ApS which offers consulting services.<br>· *Education:* Mr Mühlebach graduated in 2007 with a Master of Science in Business Administration and Commercial Law and a Bachelor of Science in Economics and Corporate Law from the Aarhus School of Business (Aarhus University). |
| **Bent Thambo Jensen**<br>Chief Commercial Officer<br>Appointed CCO in September 2015 | · Mr Jensen joined the Group in September 2015 as Chief Commercial Officer.<br>· *Previous engagements:* Prior to joining ZITON, Mr Jensen held positions as Key Account Manager at A2SEA A/S (2011-2015), Sales and Marketing Manager at Statoil Gazelle A/S (2008-2011), Commercial Sales Manager at Siemens Wind Power (2007-2008) and regional manager for Energi Danmark A/S (2000-2007).<br>· *Education:* MA in Business, Language and Culture (cand. negot) from Odense University. |
| **Mads Albér**<br>Chief Operating Officer<br>Appointed COO in April 2015 | · *Previous engagements:* Prior to joining ZITON, Mr Albér worked as an Operations Manager at Fred. Olsen Windcarrier for almost one and a half years. He also worked at ZITON during the period October 2008 to August 2011 as Master Mariner (2009-2011) and HSEQ Manager (2008-2009). After graduating and before joining ZITON, Mr Albér held positions as SQE Manager (2008) and Marine Superintendent (2006-2008) for Clipper Group.<br>· *Education:* Mr Albér graduated from the University of Southern Denmark in 2006. He also holds a degree in navigation from Marstal Navigationsskole. |

## 9.3 Conflict of Interest etc.

There are no potential conflicts of interest between any duties to the Company or the Guarantors of the members of the administrative, management of supervisory bodies, and their private interests and/or other duties.

## 9.4 Corporate governance

The Board of Directors has the overall responsibility for the Company's control environment. The Board of Directors has established an audit committee consisting of the entire Board of Directors, being responsible for monitoring on an ongoing basis the internal control and risk management systems related to the financial reporting process. The Board of Directors approves the overall policies and procedures in key areas of financial reporting. The Company has implemented formalised processes for its internal and external financial reporting.

## 10. ADDITIONAL INFORMATION

### 10.1 Documents on display

For twelve months from the date of this Prospectus, the following documents (or copies thereof) may be physically inspected at the principal office of the Company at Bygholm Søpark 21 E, 8700 Horsens, Denmark (telephone number +45 87 44 44 00):

- Each of the Company's and the Guarantors' Memorandum and Articles of Association;
- The Company's audited consolidated annual accounts for 2016 and 2017, including the auditor's reports therein;
- The audited 2016 and 2017 annual accounts for the Guarantors, including the auditor's reports;
- The unaudited Q1, Q2 and Q3 2018 interim reports for the Group;
- The Guarantee; and
- The Intercreditor Agreement.

### 10.2 Statement regarding sources

This Prospectus contains information sourced from third parties, including without limitation, market data, industry forecasts and other information published by third parties. The Company confirms that when information in this Prospectus has been sourced from a third party it has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

The following publications have been cited in this Prospectus:

| Publisher/ Author | Title | Publishing date | URL | Date cited | Payable/ Free |
|---|---|---|---|---|---|
| Global Wind Energy Council | *Global Wind Statistics 2017* | 14 February 2018 | http://gwec.net/wp-content/uploads/vip/GWEC_PRstats2017_EN-003_FINAL.pdf | 26 October 2018 | Free |
| European Parliament | *Renewable Energy Directive (2009/28/EC)* | 23 April 2009 | https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32009L0028 | 26 October 2018 | Free |
| Wind Europe | *Wind energy in Europe: Outlook to 2020* | September 2017 | https://windeurope.org/about-wind/reports/wind-energy-in-europe-outlook-to-2020/#download | 26 October 2018 | Free |

| | | | | | | |
|---|---|---|---|---|---|---|
| Clean Energy Wire | *Offshore wind power in Germany - Power production at sea re-emerges as Energiewende cornerstone* | 4 May 2018 | https://www.cleanenergywire.org/dossiers/offshore-wind-power-germany | 26 2018 | October | Free |
| The Crown Estate (UK) | *Offshore wind operational report – January – December 2017* | April 2018 | https://www.thecrownestate.co.uk/media/2400/offshore-wind-operational-report_digital.pdf | 26 2018 | October | Free |
| Federal Ministry for Economic Affairs and Energy (Germany) | *A good piece of work – The Energy of the Future – Fourth "Energy Transition" Monitoring Report - Summary* | November 2015 | https://www.bmwi.de/Redaktion/EN/Publikationen/vierter-monitoring-bericht-energie-der-zukunft-kurzfassung.pdf?__blob=publicationFile&v=16 | 26 2018 | October | Free |

# 11. DEFINITIONS AND GLOSSARY OF TERMS

## 11.1 Definitions

In the Prospectus, the following terms and expressions have the meaning defined below:

| | |
|---|---|
| **Board or Board of Directors** | The Board of Directors of the Company |
| **Bond Issues** | The First Lien Bond Issue and the Second Lien Bond Issue |
| **Bonds** | The bonds issued under the First Lien Bond Issue and the Second Lien Bond Issue |
| **Bond Terms** | The First Lien Bond Terms and the Second Lien Bond Terms |
| **Bond Trustee** | Nordic Trustee AS |
| **Bondholders** | Holders of the Bonds |
| **Bondholders' meeting** | The supreme authority of the bondholders community in all matters relating to the Bonds |
| **Business Day** | Any day on which both the relevant CSD settlement system is open, and the relevant Bond currency settlement system is open |
| **BWB Partners** | BWB Partners II K/S with company registration number 35439889, being the equity fund indirectly owning the majority of the shares in the Issuer at the time of this Prospectus |
| **CAGR** | Compounded annual growth rate |
| **Capex** | Capital expenditure |
| **Company** | Ziton A/S |
| **CSD** | The central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA |
| **DKK** | Danish kroner, the lawful currency of Denmark |
| **DNV** | Det Norske Veritas |
| **EBIT** | Earnings Before Interest and Taxes |
| **EBITDA** | Earnings Before Interest, Taxes, Depreciation and Amortization |
| **EEA** | European Economic Area |
| **EPCI** | Engineering, Procurement, Construction and Installation |
| **EU** | European Union |
| **EUR** | Euro, the lawful currency currently shared by 22 of the European Union's member states |

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| **Finance Documents** | The finance documents in connection with the Bonds (as defined in each of the First Lien Bond Terms and the Second Lien Bond Terms) |
| **First Lien Bond Issue** | The Company's issuance of FRN senior secured EUR 125,000,000 callable bonds with maturity in 2021 and ISIN NO 0010832488 |
| **First Lien Bond Terms** | The bond terms containing the final terms and conditions in respect of the First Lien Bonds |
| **First Lien Bonds** | The bonds issued under the First Lien Bond Issue |
| **Forward-looking statements** | Statements relating to, without limitation, projections and expectations regarding the Group's future financial position, business strategy, plans and objectives |
| **FSA** | The Norwegian Financial Supervisory Authority |
| **Group** | The Company and its Subsidiaries |
| **Group Company** | Each company being part of the Group |
| **Guarantee** | The guarantee granted by each of the Guarantors in favour of the Security Agent under the Bond Issues, as set out in a guarantee document dated 10 October 2018, as further detailed in section 5.4 and set out in Appendix 12. |
| **Guarantors** | Jack-Up InvestCo 2 A/S and Jack-Up InvestCo 3 Plc |
| **HSEQ** | Health, safety, environment and quality |
| **Intercreditor Agreement** | The intercreditor agreement dated 2 October 2018 and entered into by, inter alia, the Company, the Guarantors, Spar Nord, the Bond Trustee and the Security Agent, in connection with the Bond Issues |
| **Intervention** | A maintenance visit to a WTG that requires the services of a jack-up vessel |
| **Issue Date** | The date of issuance of the Bonds, being 3 October 2018 |
| **Listing** | Listing of the Bonds on Oslo Børs |
| **Management** | The management of ZITON |
| **Manager** | Pareto Securities AB |
| **Member States** | The member states of the EEA which have implemented the Prospectus Directive |
| **MHI Vestas** | MHI Vestas Offshore Wind A/S |
| **MW** | Megawatt |
| **NOK** | Norwegian kroner, the lawful currency of Norway |
| **Nordic Yards** | Nordic Yards Holding Wismar GmbH |

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|---|---|
| **Norwegian Securities Trading Act** | Norwegian Act no. 75 of June 29, 2007 on securities trading |
| **O&M** | Operation and maintenance |
| **Obligors** | The Company and the Guarantors |
| **OEM** | Original equipment manufacturer |
| **Opex** | Operating expenditure |
| **Oslo Børs** | The Oslo Stock Exchange |
| **p.a.** | Per annum |
| **PenSam** | PenSam Liv forsikringsaktieselskab, a Danish insurance company |
| **Prospectus** | This prospectus, dated as stated herein |
| **Prospectus Directive** | Directive 2003/71/EC |
| **R&D** | Research and development |
| **Regulation S** | Regulation S under the U.S. Securities Act |
| **ROV** | Remote operated vehicle |
| **Second Lien Bond Issue** | The Company's issuance of FRN second secured EUR 25,000,000 callable PIK bonds with maturity in 2022 and ISIN NO 0010832512 |
| **Second Lien Bond Terms** | The bond terms containing the final terms and conditions in respect of the Second Lien Bonds |
| **Second Lien Bonds** | The bonds issued under the Second Lien Bond Issue |
| **Secured Creditors** | The Bondholders and Spar Nord |
| **Security Agent** | Nordic Trustee A/S |
| **Siemens Gamesa** | Siemens Gamesa Renewable Energy S.A |
| **Siemens Gamesa Contract** | The three-year time charter contract signed on 19 May 2014 between the Company and Siemens Gamesa concerning WIND SERVER, which commenced in March 2016 |
| **Spar Nord** | Spar Nord Bank A/S, as *Super Senior Creditor* under the Bonds and the Intercreditor Agreement |
| **SSA** | Site specific assessment |
| **Stamdata** | www.stamdata.com |
| **Subsidiary** | A company over which the Company has decisive influence |
| **Super Senior Obligations** | The Obligors obligations under, inter alia, the WCF loan agreement and any guarantee facility agreement entered into between the Obligors and Spar Nord |

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|---|---|
| **T/C** | Time charter, where a vessel is chartered for a longer period, usually 30 days or more |
| **Term Sheet** | The term sheet for the First Lien Bonds and the Second Lien Bonds (as applicable) |
| **U.S. Securities Act** | The United States Securities Act of 1933, as amended |
| **Vattenfall** | Vattenfall AB |
| **VPS** | VPS Holding ASA (the Norwegian Central Securities Depository) Biskop Gunnerus gate 14 A, P.O. box 4, N-0051 Oslo, Norway |
| **WCF** | The super senior working capital and guarantee facility as provided to the Company by Spar Nord, and any refinancing or replacements thereof, in which the nominal value of the working capital facility amount to maximum DKK 50 million |
| **WFO** | Wind farm owner |
| **WIND** | The offshore jack-up wind turbine O&M vessel J/U WIND with IMO 9107851 |
| **WIND PIONEER** | The offshore jack-up wind turbine O&M vessel J/U WIND PIONEER with IMO number 8660222 |
| **WIND SERVER** | The offshore jack-up wind turbine O&M vessel J/U WIND SERVER with IMO number 9670793 |
| **WTG** | Wind turbine generator |
| **ZITON** | The group which the Company forms part of |
| **Ørsted** | Ørsted A/S |

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Denmark

**Manager**
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Norway

**BOND TERMS**

**FOR**

# Ziton A/S FRN senior secured EUR 125,000,000 callable bonds 2018/2021

# ISIN NO 0010832488

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SCHEDULE 1 COMPLIANCE CERTIFICATE
SCHEDULE 2 RELEASE NOTICE – ESCROW ACCOUNT

**BOND TERMS between**

| | |
|---|---|
| ISSUER: | Ziton A/S, a company existing under the laws of Denmark with company registration number 246 20 417 and LEI-code 213800F2WOUKCYJYYX95; and |
| BOND TRUSTEE: | Nordic Trustee AS, a company existing under the laws of Norway with company registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85. |
| DATED: | 3 October 2018 |

These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.

## 1. INTERPRETATION

### 1.1 Definitions

The following terms will have the following meanings:

"**Additional Bonds**" means Bonds issued under a Tap Issue.

"**Adjusted Margin**" means the Initial Margin adjusted in accordance with Clause 9.2 (*Margin Step-Down*).

"**Advanced/Deferred Purchase Agreements**" means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment in the normal course of business with credit periods which are normal for the relevant type of project contracts, or (b) any other trade credit incurred in the ordinary course of business.

"**Affiliate**" means, in relation to any person:

(a) any person which is a Subsidiary of that person;

(b) any person who has Decisive Influence over that person (directly or indirectly); and

(c) any person which is a Subsidiary of an entity who has Decisive Influence (directly or indirectly) over that person.

"**Annual Financial Statements**" means the audited consolidated annual financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

"**Assignments of Insurances**" means assignments of the Issuer's and the Guarantors' entitlements under the insurances related to the Vessels (other than third party liability insurances), including the New Vessel Insurance Assignment (if and when granted).

"**Attachment**" means each of the attachments to these Bond Terms.

"**Bond Terms**" means these terms and conditions, including all Attachments which shall form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

"**Bond Trustee**" means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

"**Bond Trustee Fee Agreement**" means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for its obligations relating to the Bonds.

"**Bondholder**" means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders' rights*).

"**Bondholders' Meeting**" means a meeting of Bondholders as set out in Clause 15 (*Bondholders' Decisions*).

"**Bonds**" means the debt instruments issued by the Issuer pursuant to these Bond Terms, including any Additional Bonds.

"**Business Day**" means a day on which both the relevant CSD settlement system is open, and which is a TARGET-Day.

"**Business Day Convention**" means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following)*.

"**BWB Equity Partners**" means BWB Partners II K/S with company registration number 35439889) (being the equity fund indirectly owning the majority of the shares in the Issuer) and any successor equity fund structure owing such shares provided that a majority of the legal persons (i.e. the partners in the fund) controlling the fund remain unchanged.

"**BWC**" means Blue Water Capital, owner of 50 per cent of the shares in Jack-Up InvestCo 3 (prior to the purchase of such shares by the Issuer and Jack-Up InvestCo 2 as provided for in Clause 2.3).

"**Call Option**" has the meaning given to it in Clause 10.2 (*Voluntary early redemption – Call Option*).

"**Call Option Repayment Date**" means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 (*Voluntary early redemption – Call Option*), or a date

agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

"**Capacity Utilisation**" means the weighted average utilisation rate calculated as revenue during the quarter divided by full utilisation at an aggregate day rate of EUR 135,000 for the Vessels (excluding any New Vessel).

"**Cash Equivalent Investments**" means, in respect of the Group, and at any time, (i) immediately available funds at bank or postal accounts, (ii) any investment in marketable debt obligations issued by the Issuer or by any other party, and (iii) any investment in investment funds which invest substantially all their assets in securities of the types described in paragraph (ii) above, however, for the avoidance of doubt, any undrawn and available amounts under the Super Senior Working Capital Facility shall not be considered Cash Equivalent Investments.

"**Cash Report**" means a report prepared by the Issuer evidencing the Liquidity balance of the Group as per the relevant Liquidity Testing Date.

"**Cash Sweep**" has the meaning ascribed to such term in Clause 10.6 (*Mandatory prepayment – Cash Sweep*).

"**Cash Sweep Event**" means if the Group, according to the relevant Cash Report delivered pursuant to Clause 12.3 paragraph (b), holds Liquidity in excess of EUR 7,500,000 as per the relevant Liquidity Testing Date.

"**Cash Sweep Prepayment Amount**" means the amount of Liquidity in excess of EUR 7,500,000 on the relevant Liquidity Testing Date, as evidenced by the relevant Cash Report, rounded down to multiples of EUR 100.

"**Cash Sweep Prepayment Date**" means any settlement date for a Cash Sweep, as set out in Clause 10.6 (*Mandatory prepayment – Cash Sweep*).

"**Change of Control Event**" means the occurrence of an event or series of events whereby one or more persons, not being BWB Equity Partners or an Affiliate thereof, acting together, acquire Decisive Influence over the Issuer.

"**CIBOR**" means the Copenhagen Interbank Offered Rate.

"**Client Cancellation**" means an event where either or both of the Issuer and Siemens Gamesa Renewable Energy cancels the Siemens Gamesa Contract due to a breach of the Issuer, and such a cancellation does not result in the Issuer receiving the remaining 80 per cent. of the outstanding contract value of the Siemens Gamesa Contract.

"**Co-Investor Loan**" means the subordinated loan to the Issuer from a co-investor of BWB Equity Partners in the approximate amount of EUR 37,800,000 as per 30 June 2018, of which EUR 17,000,000 is to be repaid with parts of the loan proceeds while the remainder will mature after the Maturity Date.

"**CSD**" means the central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA (VPS).

"**Compliance Certificate**" means a statement substantially in the form as set out in Attachment 1 hereto.

"**Decisive Influence**" means (a) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

"**Default Notice**" means a written notice to the Issuer as described in Clause 14.2 (*Acceleration of the Bonds*).

"**Default Repayment Date**" means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

"**EBITDA**" means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s):

(a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;

(b) before deducting any net financial items;

(c) before taking into account any extraordinary items which are not in line with the ordinary course of business, provided that such items are not in excess of an amount equal to ten (10) per cent. of EBITDA in the Reference Period;

(d) before taking into account any Transaction Costs (including any costs relating to the refinancing and the Existing Bond and the partial repayment of the Co-Investor Loan) and any transaction costs relating to any acquisition of any New Vessel;

(e) not including any accrued interest owing to any member of the Group;

(f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis);

(g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;

(h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

(i) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and

(j) after adding back any amount attributable to the amortisation, depreciation, depletion or depletion of assets of members of the Group.

"**Equity**" means share capital and any other capital that in accordance with applicable accounting standards would be shown in the Issuer's consolidated Financial Reports as equity of the Group.

"**Equity Capital Raising**" means a minimum EUR 50,000,000 contribution in the form of Equity or Subordinated Loans raised after the Issue Date, excluding any capital raised for the purpose of financing the purchase of a New Vessel.

"**Equity Clawback**" shall have the meaning ascribed to such term in Clause 10.3 (*Voluntary early redemption – Equity Clawback*).

"**Equity Clawback Repayment Date**" means the settlement date for an Equity Clawback, as set out in Clause 10.3 (*Voluntary early redemption – Equity Clawback*).

"**Equity Listing Event**" means an initial public offering of shares in the Issuer, after which such shares shall be quoted, listed, traded or otherwise admitted to trading on a regulated market or unregulated market.

"**Escrow Account**" means a bank account pledged and blocked on first priority as security for the Issuer's obligations under the Finance Documents.

"**Escrow Account Pledge**" means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

"**Event of Default**" means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

"**Exchanges**" means the Oslo Stock Exchange and Frankfurt Open Market.

"**Existing Bond**" means the Senior Secured Callable Bond Issue with ISIN NO 0010751332.

"**Finance Documents**" means these Bond Terms, the Bond Trustee Fee Agreement, the Intercreditor Agreement, any Transaction Security Document, any Security Agent Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed (including acceptance credit and any overdraft facility);

(b) any bond, note, debenture, loan stock or other similar instrument;

(c) the amount of any liability in respect of any lease, hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(d) receivables sold or discounted (other than any receivables sold on a non-recourse basis);

(e) any sale and lease-back transaction, or similar transaction which is treated as indebtedness under IFRS;

(f) any liability under a deferred purchase agreement where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price, including without limitation currency or interest rate swaps, caps or collar transactions (and, when calculating the value of the transaction, only the marked-to-market value shall be taken into account);

(h) any amounts raised under any other transactions having the commercial effect of a borrowing or raising of money, (including any forward sale or purchase agreement);

(i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any underlying liability; and

(j) (without double counting) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any of the items referred to above.

"**Financial Reports**" means the Annual Financial Statements and the Interim Accounts.

"**Financial Support**" means any loans, guarantees, Security or other financial assistance (whether actual or contingent).

"**First Call Date**" means the Interest Payment Date falling in April 2020.

"**GAAP**" means:

(a) prior to listing of the Bonds pursuant to Clause 4 (*Admission to listing*); generally accepted accounting practices and principles in the country in which the Issuer is incorporated including, if applicable, the International Financial Reporting Standards ("**IFRS**") and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time; and

(b) following listing of the Bonds pursuant to Clause 4 (*Admission to listing*); IFRS.

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**Group Company**" means any person which is a member of the Group.

"**Guarantees**" means unconditional and irrevocable on-demand guarantees issued by each of the Guarantors in relation to the Finance Documents, with payment by the Guarantors to be made within fourteen (14) Business Days of any demand, including the New Vessel Guarantee (if and when established).

"**Guarantor**" means each of:

(a) Jack-Up InvestCo 3 Plc ("**Jack-Up InvestCo 3**"), with company registration no. C 57037, incorporated in the Republic of Malta;

(b) Jack-Up InvestCo 2 A/S ("**Jack-Up InvestCo 2**"), with company registration no. 34589801, incorporated in Denmark; and

(c) any New Vessel SPV (if established).

"**Incurrence Test**" shall have the meaning ascribed to such term in Clause 13.15 (*Financial Covenants and Incurrence Test*).

"**Initial Bond Issue**" means the aggregate Nominal Amount of all Bonds issued on the Issue Date.

"**Initial Nominal Amount**" means the nominal amount of each Bond as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

"**Insolvent**" means that a person:

(a) is unable or admits inability to pay its debts as they fall due;

(b) suspends making payments on any of its debts generally; or

(c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its center of main interest as such term is understood pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (as amended).

"**Instalments**" has the meaning ascribed to such term in Clause 10.1 (*Redemption of Bonds*).

"**Intercompany Loan**" means any loan between Group companies, where any Intercompany Loan in excess of EUR 1,000,000 under which an Obligor is a debtor shall be fully subordinated to the Obligors' obligations under the Finance Documents and have no acceleration rights, as further set out in the terms of the relevant Intercompany Loan Agreement and pursuant to a Intercompany Loan Subordination Statement made in favour of the Bond Trustee (on behalf of the bondholders).

"**Intercompany Loan Agreement**" means any loan agreement in respect of Intercompany Loans.

"**Intercompany Loans Subordination Undertaking**" means an undertaking from relevant persons with respect to subordination of payments under any Intercompany Loans to the Obligors' obligations under the Finance Documents, including subordination of acceleration rights.

"**Intercreditor Agreement**" means an agreement entered into on 3 October 2018 between, amongst others, the Obligors, the Bond Trustee (representing the Bondholders under the Bonds and the Second Lien Bond) and the Super Senior Creditors.

"**Interest Payment Date**" means the last day of each Interest Period, the first Interest Payment Date being 3 January 2018 and the last Interest Payment Date being the Maturity Date.

"**Interest Period**" means, subject to adjustment in accordance with the Business Day Convention, the period between 3 January, 3 April, 3 July and 3 October each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

"**Interest Rate**" means the percentage rate per annum which is the aggregate of the Reference Rate for the relevant Interest Period plus the applicable Margin.

"**Interest Quotation Day**" means, in relation to any period for which Interest Rate is to be determined, the day falling two (2) Business Days before the first day of the relevant Interest Period.

"**Interim Accounts**" means the unaudited consolidated quarterly financial statements of the Issuer for the quarterly period ending on each 31 March, 30 June, 30 September and 31 December in each year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors.

"**ISIN**" means International Securities Identification Number, being the identification number of the Bonds.

"**Issue Date**" means 3 October 2018.

"**Issuer**" means the company designated as such in the preamble to these Bond Terms.

"**Issuer's Bonds**" means any Bonds which are owned by the Issuer or any Affiliate of the Issuer.

"**Legal Reservations**" means (a) the matters which are set out as qualifications or reservations as to matters of law of general application in the legal opinions provided for in Clause 6.1, (b) general principles of insolvency, reorganisation and other laws limiting creditors' rights generally as regards matters not covered under such legal opinions, and (c) statutory time barring of claims.

"**Liquidity**" means, at any time and in each case free and clear of all Security, the aggregate amount of unrestricted and freely available cash of the Group in accordance with the Financial Reports (excluding cash proceeds retrieved upon the occurrence of Mandatory Prepayment Events):

(a) plus Cash Equivalent Investments on hand by any member of the Group;

(b) minus any amount of utilised loans under the Super Senior Working Capital Facility;

(c) minus any amount of cash and cash equivalents on the Retention Account;

(d) minus any cash on blocked accounts or which by way of agreement or otherwise are not available for utilisation by the entire Group;

(e) minus any amount which is overdue for payment with more than fourteen (14) days in connection with supply of assets or services;

(f) minus the amount of any Equity Capital Raising to cure any covenant breach pursuant to the Super Senior Working Capital Facility, which has been made to the Group during the last twelve (12) months;

(g) minus any cash in a New Vessel SPV; and

(h) minus the amount of any proceeds raised during the last twelve (12) months in connection with an Equity Capital Raising which are not used to prepay the Bonds.

"**Liquidity Testing Date**" means 30 June and 31 December each year.

"**Make Whole Amount**" means an amount equal to the sum of:

(a) 103.45 per cent. of the Outstanding Nominal Amount; and

(b) the remaining interest payments of the Bonds (excluding accrued but unpaid interest up to the relevant redemption date) up to and including the First Call Date (assuming that the Interest Rate for the period from the relevant record date to the First Call Date will be equal to the Interest Rate in effect on the date on which the Call Option notice is given to the bondholders).

"**Manager**" means Pareto Securities AB.

"**Mandatory Prepayment**" shall have the meaning ascribed to such term pursuant to Clause 10.5 (*Mandatory prepayment – Mandatory Prepayment Event*).

"**Mandatory Prepayment Date**" means any settlement date for a Mandatory Prepayment pursuant to Clause 10.5 (*Mandatory prepayment – Mandatory Prepayment Event*).

"**Mandatory Prepayment Event**" means if (save for in connection with a Permitted Group Reorganisation):

(a) WIND SERVER is sold or disposed of;

(b) a Client Cancellation of the Siemens Gamesa Contract occurs;

(c) the Issuer ceases to own directly or indirectly all the outstanding shares and/or voting capital of Jack- Up InvestCo 3 (following the purchase of shares from BWC);

(d) there is an actual or constructive total loss of WIND SERVER;

(e) there is an actual or constructive total loss of WIND or WIND PIONEER;

(f) WIND, WIND PIONEER or any New Vessel, are sold or disposed of;

(g) any shares in Jack-Up InvestCo 2 are sold or disposed of; or

(h) the Siemens Gamesa Contract is cancelled by the client and the Issuer, or a Subsidiary thereof, receives 80 per cent of the revenues for the remaining life of the Siemens Gamesa Contract.

"**Margin**" means (as applicable):

(a) 6.90 per cent. (the "**Initial Margin**"); or

(b) the Adjusted Margin.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the ability of the Issuer to perform and comply with its payment obligations under any of the Finance Documents; or

(b) the validity or enforceability of any of the Finance Documents.

"**Maturity Date**" means 3 October 2021, adjusted according to the Business Day Convention.

"**Maximum Issue Amount**" shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).]

"**Mortgages**" means the mortgages over each of the Vessels including all relevant equipment being legally part of the Vessels (including the cranes) under the applicable law where the Vessels are registered, including the New Vessel Mortgage (if and when granted).

"**Net Interest Bearing Debt**" means the aggregate interest bearing debt less cash and cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time (for the avoidance of doubt, excluding any, guarantees, counter indemnities in respect of bank guarantees, Subordinated Loans and interest bearing debt borrowed from any Group Company) subject to the adjustments set out Clause 13.15 (c).

"**New Vessel**" means any fully constructed offshore jack-up wind turbine O&M vessel purchased or otherwise acquired to be utilised in the ordinary course of business.

"**New Vessel Guarantee**" means an unconditional and irrevocable on-demand guarantee issued by any New Vessel SPV in relation to the Finance Documents, pursuant to which payment shall be made within fourteen (14) Business Days of any demand.

"**New Vessel Insurance Assignment**" means an assignment of the Issuer's or (if established) the New Vessel SPV's entitlements under the insurances related to the New Vessel (other than third party liability insurances).

"**New Vessel Mortgage**" means a mortgage over the New Vessel (granted by the Issuer or the New Vessel SPV) including all relevant equipment being legally part of the New Vessel (including the cranes) under the applicable law where the New Vessel is registered.

"**New Vessel Share Pledge**" means a pledge granted by the Issuer over 100 per cent. of the shares in the New Vessel SPV, together with, inter alia, letters of resignation (effective upon

an Event of Default) from the current board members and covenants to obtain such from future board members, and other relevant documentation to ensure due perfection of the abovementioned pledge (each to the extent permissible under applicable law).

"**New Vessel SPV**" means a special purposes vehicle established to purchase or otherwise acquire a New Vessel.

"**Nominal Amount**" means the Initial Nominal Amount (less the aggregate amount by which each Bond has been partially redeemed, if any, pursuant to Clause 10 (*Redemption and repurchase of Bonds*)) or any other amount following a split of Bonds pursuant to Clause 16.2, paragraph (j).

"**Obligor**" means the Issuer and any Guarantor(s).

"**Outstanding Bonds**" means any Bonds not redeemed or otherwise discharged.

"**Outstanding Nominal Amount**" means the Nominal Amount of the Outstanding Bonds

"**Overdue Amount**" means any amount required to be paid by an Obligor under any of the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

"**Partial Payment**" means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

"**Paying Agent**" means Pareto Securities AS, being appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

"**Payment Date**" means any Interest Payment Date or any Repayment Date.

"**Permitted Debt**" means any Financial Indebtedness:

(a) incurred under the Bonds and the Second Lien Bonds;

(b) arising under the Super Senior Working Capital Facility.

(c) arising under Intercompany Loans and customary intra-group cash pool arrangements only involving the Issuer and the Guarantors;

(d) arising under any guarantee issued by a Group Company in the ordinary course of business;

(e) arising under a foreign exchange transaction or commodity derivatives for spot or forward delivery entered into in connection with protection against fluctuation in currency rates or prices where the exposure arises in the ordinary course of business or in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

(f) arising under any interest rate hedging transactions in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

(g) incurred by the Issuer as Subordinated Loans;

(h) incurred under Advanced/Deferred Purchase Agreements;

(i) of the Group under any guarantee issued by a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

(j) incurred as a result of a Tap Issue, meets the Incurrence Test on a pro forma basis and is applied towards financing the purchase of a New Vessel.

(k) before any purchase of a New Vessel, incurred under any leasing obligations for a Temporary Chartered Vessel in a maximum amount of EUR 17,500,000 provided that a minimum Capacity Utilisation of 70 per cent. for the Vessels has been obtained during the most recent Reference Period;

(l) until the Conditions Precedent for Disbursement have been fulfilled, any Existing Bond;

(m) arising under financial leasing and credit card debt in the ordinary course of business, in an aggregate amount of EUR 1,500,000; and

(n) incurred in connection with the redemption of the Bonds in order to fully refinance the Bonds and provided that a call notice has been published and further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of the Bonds (taking into account the rules and regulations of the CSD), for the purpose of securing, inter alia, the redemption of the Bonds.

"**Permitted Group Reorganisation**" means a potential reorganisation of the Group for commercial and/or tax benefits where after the Issuer becomes the direct owner of WIND SERVER and/or WIND PIONEER and/or a New Vessel and the relevant Guarantor(s) are dissolved.

"**Permitted Security**" means any Security:

(a) granted under the Finance Documents for the Secured Debt;

(b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advanced/Deferred Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);

(c) rising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including group cash pool arrangements;

(d) provided for hedging transactions set out in item (e) or (f) of the definition Permitted Debt;

(e) relating to any Temporary Chartered Vessel, provided that no Security may be granted;

(f) until the conditions precedent set out in Clause 6.1 (b) have been fulfilled, the existing Security for the Existing Bond;

(g) of the Group under any guarantee issued by a Group Company or a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

(h) provided for financial leasing and credit card debt set out in item (m) of the definition Permitted Debt; and

(i) provided as security for obligations pursuant to any of items (b) and (j) of the definition of Permitted Debt.

"**Reference Date**" means the final date of a Reference Period for an Incurrence Test.

"**Reference Period**" means each period of twelve (12) consecutive calendar months.

"**Reference Rate**" shall mean EURIBOR (European Interbank Offered Rate) being;

(a) the applicable percentage rate per annum displayed on Reuters screen EURIBOR01 (or through another system or website replacing it) as of or around 11.00 a.m. (Brussels time) on the Interest Quotation Day for the offering of deposits in Euro and for a period comparable to the relevant Interest Period; or,

(b) if no screen rate is available for the relevant Interest Period;

  (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under paragraph (a) above; or

  (ii) a rate for deposits in the Bond Currency for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or

(c) if no quotation is available under paragraph (b), the interest rate which according to the reasonable assessment of the Bond Trustee and the Issuer best reflects the interest rate for deposits in the Bond Currency offered for the relevant Interest Period.

In each case, if any such rate is below zero, the Reference Rate will be deemed to be zero.

"**Relevant Jurisdiction**" means the country in which the Bonds are issued, being Norway.

"**Relevant Record Date**" means the date on which a Bondholder's ownership of Bonds shall be recorded in the CSD as follows:

(a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time;

(b) for the purpose of casting a vote in a Bondholders' Meeting, the date falling on the immediate preceding Business Day to the date of that Bondholders' Meeting being held, or another date as accepted by the Bond Trustee; and

(c) for the purpose of casting a vote in a Written Resolution:

(i) the date falling three (3) Business Days after the Summons have been published; or,

(ii) if the requisite majority in the opinion of the Bond Trustee has been reached prior to the date set out in paragraph (i) above, on the date falling on the immediate Business Day prior to the date on which the Bond Trustee declares that the Written Resolution has been passed with the requisite majority.

"**Repayment Date**" means any date for payment of Instalments in accordance with Clause 10.1 (*Redemption of Bonds*), any Call Option Repayment Date, any Mandatory Prepayment Date, any Cash Sweep Prepayment Date, the Equity Clawback Repayment Date, the Default Repayment Date, the Tax Event Repayment Date or the Maturity Date.

"**Retention Account**" means the Issuer's bank account to be applied for prepositioning of payments in respect of interest payments and Instalments in accordance with Clauses 9.2 (*Payment of interest*) and 10.1 (*Redemption of Bonds*) respectively.

"**Retention Account Pledge**" means a pledge over the Issuer's claim against the bank in which the Retention Account is held for the amount from time to time standing to the credit of the Issuer on the Retention Account.

"**Secured Creditors**" has the meaning given to such term in the Intercreditor Agreement.

"**Secured Debt**" means the payment obligations of the Obligors under the Finance Documents, the Super Senior Finance Documents and the documents defined as "Finance Documents" under the Second Lien Bond.

"**Secured Obligations**" means all present and future obligations and liabilities of the Issuer under the Finance Documents and the other Secured Debt in accordance with the terms of the Intercreditor Agreement.

"**Secured Parties**" means the Security Agent and the Bond Trustee on behalf of itself and the Bondholders and the other Secured Creditors as defined in the Intercreditor Agreement.

"**Securities Trading Act**" means the Securities Trading Act of 2007 no.75 of the Relevant Jurisdiction.

"**Security**" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Agent**" means Nordic Trustee A/S or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.

"**Security Agent Agreement**" means any agreement whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

"**Second Lien Bonds**" means second ranking PIK bonds issued by the Issuer with ISIN NO 0010832512.

"**Share Pledges**" means:

(a) pledges granted by the Issuer and Jack-Up InvestCo 2 over 100 per cent of the shares in Jack-Up InvestCo 3 (the "**Share Pledge A**");

(b) a pledge granted by the Issuer over 100 per cent of the shares in Jack-Up InvestCo 2 (the "**Share Pledge B**"),

together with, inter alia, letters of resignation (effective upon an Event of Default) from the current board members and covenants to obtain such from future board members, and other relevant documentation to ensure due perfection of the abovementioned pledges (each to the extent permissible under applicable law).

"**Siemens Gamesa Contract**" means the three year time charter contract signed on 19 May 2014 between the Issuer and Siemens Gamesa Renewable Energy concerning WIND SERVER commenced on 14 March 2016.

"**Siemens Gamesa Contract Assignment**" means an assignment of or other security interest in the rights and entitlements of the Issuer under the Siemens Gamesa Contract (including all earnings payable and security granted by Siemens Gamesa thereunder), to the extent Siemens Gamesa consents thereto.

"**Subordinated Capital**" means the sum of (i) Equity, (ii) any Subordinated Loans and (iii) the Second Lien Bonds.

"**Subordinated Capital Ratio**" means the ratio of Subordinated Capital to Total Assets.

"**Subordinated Loans**" means (i) any loan from a creditor which is not a group company to the Issuer and/or a Guarantor as the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Bond Issue, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or amortisation dates or instalment dates which occur after the Maturity Date, (c) according to its terms yield only payment-in-kind for any interest exceeding CIBOR (3 months, floor at 0.00 per cent. to apply) plus 2 per cent. Annually and (ii) the Co-Investor Loan.

"**Subsidiary**" means a company over which another company has Decisive Influence.

"**Summons**" means the call for a Bondholders' Meeting or a Written Resolution as the case may be.

"**Super Senior Finance Documents**" means the agreement for the Super Senior Working Capital Facility, any guarantee facility agreement entered into between the Super Senior Creditors and the Issuer or any Guarantor relating to performance guarantees in its ordinary course of business, the Security Documents and the Intercreditor Agreement.

"**Super Senior Working Capital Facility**" means the working capital provided to the Issuer under the Super Senior Working Capital Facility Agreement and a guarantee facility (in Danish: "*garantiramme*"), and any refinancing or replacements thereof, subject to the following limitations:

(i) The nominal value of the working capital facility shall amount to maximum DKK 50,000,000; and

(ii) The guarantee facility may only include performance guarantees in respect of the ordinary course of business of the Issuer and/or the Guarantors.

"**Super Senior Creditors**" means the finance parties under the Super Senior Finance Documents.

"**Tap Issue**" shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination, ISIN and tenor).*

"**Tap Issue Addendum**" shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination, ISIN and tenor).*

"**TARGET Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in euro.

"**Tax Event Repayment Date**" means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).

"**Temporary Chartered Vessel**" means a fully operational vessel chartered or assumed on bareboat by the Group from an external party prior to a purchase of a New Vessel.

"**Total Assets**" means the aggregate amount which in accordance with the applicable accounting standards would be shown in the Issuer's Financial Reports as the total assets.

"**Transaction Costs**" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (i) the Bonds and (ii) the listing of the Bonds in accordance with Clause 4 (*Admission to listing*).

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means, collectively, the Escrow Account Pledge and all of the documents which shall be executed or delivered pursuant to Clause 2.5 (*Transaction Security*) expressed to create any Security by the relevant grantor thereof in respect of the Issuer's obligations under any of the Finance Documents.

"**Vessels**" means:

(a) "WIND", the offshore jack-up wind turbine O&M vessel with IMO no. 9107851;

(b) "WIND SERVER", the offshore jack-up wind turbine O&M vessel with IMO no. 9670793;

(c) "WIND PIONEER", the offshore jack-up wind turbine O&M vessel with IMO no. 8660222; and

(d) Any New Vessel.

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds and a Voting Bond shall mean any single one of those Bonds.

"**Written Resolution**" means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

**1.2 Construction**

In these Bond Terms, unless the context otherwise requires:

(a) headings are for ease of reference only;

(b) words denoting the singular number will include the plural and vice versa;

(c) references to Clauses are references to the Clauses of these Bond Terms;

(d) references to a time are references to Central European time unless otherwise stated;

(e) references to a provision of "**law**" is a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;

(f) references to a "**regulation**" includes any regulation, rule, official directive, request or guideline by any official body;

(g) references to a "**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organization, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;

(h) references to Bonds being "**redeemed**" means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;

(i) references to Bonds being "**purchased**" or "**repurchased**" by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer's purchase of Bonds*),

(j) references to persons "**acting in concert**" shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and

(k) an Event of Default is "**continuing**" if it has not been remedied or waived.

## 2. THE BONDS

### 2.1 Amount, denomination and ISIN of the Bonds

(a) The Issuer has resolved to issue a series of Bonds in the maximum amount of EUR 125,000,000 (the "**Maximum Issue Amount**"). The Bonds may be issued on different issue dates and the Initial Bond Issue will be in the amount of EUR 100,000,000. The Issuer may, provided that the conditions set out in Clause 6.3 (*Tap Issues*) are met, at one or more occasions issue Additional Bonds (each a "**Tap Issue**") until the Nominal Amount of all Additional Bonds equals in aggregate the Maximum Issue Amount less the Initial Bond Issue. Each Tap Issue will be subject to identical terms as the Bonds issued pursuant to the Initial Bond Issue in all respects as set out in these Bond Terms, except that Additional Bonds may be issued at a different price than for the Initial Bond Issue and which may be below or above the Nominal Amount. The Bond Trustee shall prepare an addendum to these Bond Terms evidencing the terms of each Tap Issue (a "**Tap Issue Addendum**").

(b) The Bonds are denominated in Euro (EUR), being the single currency of the participating member states in accordance with the legislation of the European Community relating to Economic and Monetary Union.

(c) The Initial Nominal Amount of each Bond is EUR 1.

(d) The ISIN of the Bonds is NO 0010832488. All Bonds issued under the same ISIN will have identical terms and conditions as set out in these Bond Terms.

### 2.2 Tenor of the Bonds

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

### 2.3 Use of proceeds

(a) The Issuer will use the net proceeds from the Initial Bond Issue for:

(i) refinancing of the Existing Bond, including redemption costs;

(ii) partial repayment of the Co-investor Loan;

(iii) financing the purchase of BWC's shares in Jack-Up InvestCo 3;

(iv) payment of Transaction Costs; and

(v) general corporate purposes of the Group.

(b) The Issuer will use the net proceeds from the issuance of any Additional Bonds for partial financing of the purchase of a New Vessel and payment of Transaction Costs.

### 2.4 Status of the Bonds

The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank pari passu between themselves and will rank at least pari passu with all other senior debt

obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

**2.5 Transaction Security**

(a) As Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent within the times agreed in Clause 6 (*Conditions for disbursement*):

(i) In respect of the Initial Bond Issue:

(A) the Escrow Account Pledge;

(B) the Retention Account Pledge;

(C) the Share Pledges;

(D) the Assignments of Insurances;

(E) the Pledge of Intercompany Loans;

(F) the Mortgages;

(G) the Siemens Gamesa Contract Assignment; and

(H) the Guarantees.

(ii) In respect of any Tap Issue:

(A) the New Vessel Share Pledge;

(B) the New Vessel Insurance Assignment;

(C) the New Vessel Mortgage; and

(D) the New Vessel Guarantee.

(b) The Security (other than the Escrow Account Pledge) shall be shared between the Trustee (on behalf of the Bondholders) and the Super Senior Creditors in accordance with the terms of the Intercreditor Agreement. Nordic Trustee A/S will act as security agent on behalf of all of the Secured Creditors, both in respect of this Security and any additional security.

(c) The Intercreditor Agreement includes waterfall provisions where after, with respect to any proceeds from assets under the shared Security including the proceeds upon enforcement (including distressed disposals) of the shared Security, i) the payment obligations under the Super Senior Finance Documents shall rank above the payment obligations under the Finance Documents, while ii) the payment obligations under the finance documents for the Second Lien Bond (as defined in the bond terms for the Second Lien Bond) shall rank below the payment obligations under the Super Senior Finance Documents and the Finance Documents.

## 3. THE BONDHOLDERS

### 3.1 Bond Terms binding on all Bondholders

(a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.

(b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

### 3.2 Limitation of rights of action

(a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures, or take other action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms.

(b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

### 3.3 Bondholders' rights

(a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.

(b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 (*Bondholders' rights*) and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

## 4. ADMISSION TO LISTING

(a) The Issuer shall procure that the Bonds, including any Additional Bonds:

(i) are listed at the corporate bond list on Oslo Stock Exchange no later than 60 calendar days after the Issue Date (and in case of any Additional Bonds, the Tap Issue Date), and use its best endeavours to complete such listing within 30 calendar days after the Issue Date (and in case of any Additional Bonds, the Tap Issue Date); and

(ii) are listed at the Frankfurt Open Market as soon as reasonably possible after the Issue Date (and in case of any Additional Bonds, the Tap Issue Date).

(b) The Issuer shall take all measures required to ensure that the Bonds, once listed on the Exchanges, continue being listed on the Exchanges for as long as any Bond is outstanding (however, taking into account the rules and regulations of these markets and the Paying Agent (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

## 5. REGISTRATION OF THE BONDS

### 5.1 Registration in the CSD

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

### 5.2 Obligation to ensure correct registration

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

### 5.3 Country of issuance

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

## 6. CONDITIONS FOR DISBURSEMENT

### 6.1 Conditions precedent for disbursement to the Issuer

(a) Payment of the net proceeds from the Initial Bond Issue to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) these Bond Terms duly executed by all parties hereto;

(ii) the Intercreditor Agreement duly executed by all parties thereto;

(iii) copies of all necessary corporate resolutions of the Issuer to issue the Bonds and execute the Finance Documents to which it is a party;

(iv) a copy of a power of attorney (unless included in the corporate resolutions) from the Issuer to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer;

(v) copies of the Issuer's articles of association and of a full extract from the relevant company register in respect of the Issuer evidencing that the Issuer is validly existing;

(vi) the Escrow Account Pledge duly executed by all parties thereto and perfected in accordance with applicable law;

(vii) the Bond Trustee Fee Agreement duly executed by the parties thereto;

(viii) The Security Agent Fee Agreement duly executed by the parties thereto; and

(ix) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).

(b) The net proceeds from the Initial Bond Issue (on the Escrow Account) will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) a duly executed release notice from the Issuer, as set out in Schedule 2;

(ii) unless delivered under this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*) paragraph (a) as pre-settlement conditions precedent:

(A) copies of all necessary corporate resolutions of each Obligor required to provide the Transaction Security and execute the Finance Documents to which it is a party;

(B) a copy of a power of attorney (unless included in the relevant corporate resolutions) from each Obligor to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the relevant Obligor; and

(C) copies of each Obligor's articles of association and of a full extract from the relevant company register in respect of each Obligor evidencing that the Obligors are validly existing

(iii) the Transaction Security Documents duly executed by all parties thereto and evidence of the establishment and perfection of the Transaction Security set out in subsection (i) of Clause 2.5 paragraph (a) (and any insurance covering such Transaction Security);

(iv) copies of any Intercompany Loan Agreements, together with the Intercompany Loans Subordination Undertaking;

(v) evidence of discharge and release of all security and guarantees granted as security for the Issuer's obligations under the Existing Bond in connection with the full repayment and redemption of the Existing Bond; and

(vi) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Obligors and the legality, validity and enforceability of the Finance Documents (unless delivered under this Clause 6.1 (Conditions precedent for disbursement to the Issuer) paragraph (a) as pre-settlement conditions precedent).

(c) The net proceeds from any Tap Issue (on the Escrow Account) will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) copies of the Issuer's and, if relevant, the New Vessel SPV's articles of association and of a full extract from the relevant company register in respect of the New Vessel SPV evidencing that the New Vessel SPV is validly existing;

(ii) copies of all necessary corporate resolutions of the Issuer and, if relevant, the New Vessel SPV required to provide the Transaction Security and execute the Finance Documents to which it is a party;

(iii) a copy of a power of attorney (unless included in the relevant corporate resolutions) from the Issuer and, if relevant, the New Vessel SPV to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the New Vessel SPV;

(iv) the Intercreditor Agreement duly amended, to the extent relevant;

(v) the Transaction Security Documents duly executed by all parties thereto and evidence that the Transaction Security set out in subsection (ii) of Clause 2.5 paragraph (a) (and any insurance covering such Transaction Security) has been or will be perfected in connection with the disbursement;

(vi) evidence that the proceeds of the Tap Issue has been or will be applied in accordance with Clause 2.5 (Use of proceeds); and

(vii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Obligors and the legality, validity and enforceability of the Finance Documents.

(d) The Bond Trustee, acting in its reasonable discretion, may, regarding this Clause 6.1 (*Conditions precedent for disbursement to the Issuer*), waive the requirements for documentation, or decide in its discretion that delivery of certain documents shall be made subject to an agreed closing procedure between the Bond Trustee and the Issuer.

### 6.2 Distribution

Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee's confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee's discretion or waived by the Bond Trustee pursuant to paragraph (d) of Clause 6.1 above.

### 6.3 Tap Issues

The Issuer may issue Additional Bonds if:

(a) the Bond Trustee has executed a Tap Issue Addendum;

(b) the representations and warranties contained in Clause 7 (*Representations and Warranties*) of these Bond Terms are true and correct in all material respects and repeated by the Issuer as at the date of issuance of such Additional Bonds; and

(c) the Issuer meets the restrictions set out in Clause 13.13 (*Capex restriction*) and the Incurrence Test on a testing date no later than 60 days preceding disbursement, tested pro forma including the new Financial Indebtedness incurred as a result of issuing such Additional Bonds.

## 7. REPRESENTATIONS AND WARRANTIES

The Issuer makes the representations and warranties set out in this Clause 7 (*Representations and warranties*), in respect of itself and in respect of each Obligor to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

(a) at the date of these Bond Terms;

(b) at the Issue Date;

(c) on each date of disbursement of proceeds from the Escrow Account; and

(d) at the date of issuance of any Additional Bonds.

### 7.1 Status

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

### 7.2 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

### 7.3 Valid, binding and enforceable obligations

Unless provided for in the Legal Reservations, these Bond Terms and each other Finance Document to which an Obligor is a party constitutes (or will constitute, when executed by the

respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

**7.4 Non-conflict with other obligations**

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

**7.5 No Event of Default**

(i) No Event of Default exists or is likely to result from the making of any drawdown under these Bond Terms or the entry into, the performance of, or any transaction contemplated by, any Finance Document.

(ii) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

**7.6 Authorizations and consents**

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

(i) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Terms or any other Finance Document to which it is a party; and

(ii) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

**7.7 Litigation**

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

**7.8 Financial Reports**

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

**7.9 No Material Adverse Effect**

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

**7.10 No misleading information**

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

**7.11 No withholdings**

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under these Bond Terms.

**7.12 Pari passu ranking**

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4.

**7.13 Security**

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

## 8. PAYMENTS IN RESPECT OF THE BONDS

**8.1 Covenant to pay**

(a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.

(b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.

(c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.

(d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the

payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary have been set out for such payment in the relevant Finance Document.

**8.2 Default interest**

(a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus an additional three (3) per cent. per annum.

(b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 (*Default interest*) will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.

**8.3 Partial Payments**

(a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:

(i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);

(ii) secondly, towards accrued interest due but unpaid; and

(iii) thirdly, towards any principal amount due but unpaid.

(b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;

(i) the Bond Trustee has served a Default Notice in accordance with Clause 14.2 (*Acceleration of the Bonds*), or

(ii) as a result of a resolution according to Clause 15 (*Bondholders' decisions*).

**8.4 Taxation**

(a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.

(b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

(i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and

(ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

(c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

**8.5 Currency**

(a) All amounts payable under the Finance Documents shall be payable in the denomination of the Bonds set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*). If, however, the denomination differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.

(b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within five (5) Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

**8.6 Set-off and counterclaims**

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

## 9. INTEREST

**9.1 Calculation of interest**

(a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.

(b) Interest will accrue on the Nominal Amount of any Additional Bond for each Interest Period starting with the Interest Period commencing on the Interest Payment Date immediately prior to the issuance of the Additional Bonds (or, if the date of the issuance is not an Interest Payment Date and there is no Interest Payment Date prior to such date of issuance, starting with the Interest Period commencing on the Issue Date).

(c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee, who will notify the Issuer and the Paying Agent and, if the Bonds are listed, the Exchange, of the new Interest Rate and the actual number of calendar days for the next Interest Period

**9.2 Margin Step-Down**

(a) The Initial Margin shall, provided the Maintenance Test is satisfied, be adjusted downwards by 100 basis points (the "**Adjusted Margin**") following an Equity Capital Raising and an Equity Listing Event having occurred provided the ratio of Net Interest Bearing Debt to EBITDA (for this purpose excluding the Second Lien Bonds) is less than 4.00.

(b) The Adjusted Margin shall apply from (but excluding) the first Interest Payment Date occurring after the above criteria are all met.

(c) The Initial Margin shall be reinstated with effect from the next Interest Payment Date if the test criteria for adjustment are no longer met.

**9.3 Payment of interest**

(a) Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

(b) The Issuer shall on a monthly basis on any day during the last five (5) Business Days of each month transfer an amount equal to one third (1/3) of the next interest payment due to the Retention Account.

**10. REDEMPTION AND REPURCHASE OF BONDS**

**10.1 Redemption of Bonds**

(a) The Bonds shall be redeemed by the Issuer in the following instalments (the "**Instalments**"):

| | | |
|---|---|---|
| (i) | the date falling six (6) months after the Issue Date: | EUR 2,500,000 |
| (ii) | the date falling twelve (12) months after the Issue Date: | EUR 2,500,000 |
| (iii) | the date falling eighteen (18) months after the Issue Date: | EUR 2,500,000 |
| (iv) | the date falling twenty four (24) months after the Issue Date: | EUR 2,500,000 |

(b) Instalment payments will be made by redemption of Outstanding Bonds in accordance with the applicable regulations of the CSD.

(c) The Issuer shall on a monthly basis on any day during the last five (5) Business Days of each month transfer an amount equal to one sixth (1/6) of the next Instalment due to the Retention Account.

(d) Any remaining Outstanding Bonds will be redeemed in full on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

**10.2 Voluntary early redemption - Call Option**

(a) The Issuer may redeem all but not only some of the Outstanding Bonds (the "**Call Option**") on any Business Day from and including:

(i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;

(ii) the First Call Date to, but not including, the Interest Payment Date in October 2020 at a price equal to 103.00 per cent. of the Outstanding Nominal Amount;

(iii) the Interest Payment Date in October 2020 to, but not including, the Interest Payment Date in April 2021 at a price equal to 102.00 per cent. of the Outstanding Nominal Amount;

(iv) the Interest Payment Date in April 2021 to, but not including, the Interest Payment Date in July 2021 at a price equal to 101.00 per cent. of the Outstanding Nominal Amount; and

(v) the Interest Payment Date in July 2021 to, but not including, the Maturity Date at a price equal to 100.50 per cent. of the Outstanding Nominal Amount.

(b) Any redemption of Bonds pursuant to Clause 10.2 (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.

(c) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee and the Bondholders at least ten (10), but not more than twenty (20), Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall publish the Make Whole Amount to the Bondholders as soon as possible and at the latest within three (3) Business Days from the date of the notice.

**10.3 Voluntary early redemption – Equity Clawback**

(a) The Issuer may at one occasion, in connection with an Equity Listing Event, redeem up to thirty (30) per cent. of the Outstanding Bonds (the "**Equity Clawback**"), at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable on the date of the Equity Clawback Repayment Date (however if such date falls before or until the First Call Date at 103.00 per cent) on the redeemed Bonds.

(b) The Equity Clawback may solely be carried out in an aggregate amount not exceeding the net cash proceeds received by the Issuer as a result of the relevant Equity Listing Event.

(c) The settlement date for the Equity Clawback (the "**Equity Clawback Repayment Date**") shall occur on an Interest Payment Date within 180 days after the relevant Equity Listing Event.

(d) Any Equity Clawback repayment will be carried out by redemption of Outstanding Bonds in accordance with the applicable regulations of the CSD.

**10.4 Early redemption option due to a tax event**

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4

(*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least twenty (20) Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

**10.5 Mandatory prepayment – Mandatory Prepayment Event**

(a) Upon the occurrence of a Mandatory Prepayment Event, the Issuer shall redeem (the "**Mandatory Prepayment**"):

(i) Upon the occurrence of an event as listed in paragraphs (a) to (c) of the definition of "Mandatory Prepayment Event"; 100 per cent of the Outstanding Bonds at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable on the date of the occurrence of the relevant Mandatory Prepayment Event;

(ii) Upon the occurrence of an event as listed in paragraph (d) of the definition of "Mandatory Prepayment Event"; 100 per cent of the Outstanding Bonds at 100 per cent of the Nominal Amount for each redeemed Bond;

(iii) Upon the occurrence of an event as listed in paragraphs (e) to (h) of the definition of "Mandatory Prepayment Event"; a portion of the Outstanding Bonds shall be redeemed at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable on the date of the occurrence of the relevant Mandatory Prepayment Event (however if such event falls before or until the First Call Date at 103.00 per cent) by applying all net proceeds retrieved from the relevant Mandatory Prepayment Event.

(b) The Mandatory Prepayment shall be carried out as soon as possible upon the Issuer's receipt of proceeds from the relevant Mandatory Prepayment Event (including insurance proceeds upon actual or constructive loss), however no later than 180 days after the relevant Mandatory Prepayment Event occurred.

(c) If Bonds are redeemed according to this Clause 10.5 (*Mandatory prepayment – Mandatory Prepayment Event*), the entire amount on the Escrow Account and the Retention Account, together with any amounts received as damages payments under any insurance proceeds may be applied to prepay the Bonds.

(d) Any Mandatory Prepayment made pursuant to subsection (iii) of Clause 10.5 (a) will be used for redemption of Outstanding Bonds in accordance with the applicable regulations of the CSD.

**10.6 Mandatory prepayment – Cash Sweep**

(a) Upon the occurrence of a Cash Sweep Event, the Issuer shall redeem Outstanding Bonds (the "**Cash Sweep**") in an amount equal to the Cash Sweep Prepayment

Amount, together with interest accrued on each redeemed Bond and a premium of 2 per cent. of the Nominal Amount for each redeemed Bond.

(b) The Cash Sweep shall be carried out by the Issuer on the Interest Payment Date falling immediately after the relevant Liquidity Testing Date, or if such Interest Payment Date is not a Business Day, the next Business Day (the "**Cash Sweep Prepayment Date**").

(c) The Issuer shall give written notice of the Cash Sweep to the Bond Trustee and the Bondholders at least ten (10) Business Days prior to the relevant Cash Sweep Prepayment Date.

(d) If a Cash Sweep Prepayment Amount is less than EUR 100,000 such amount shall be transferred to the Retention Account pending redemption to be carried out when the accumulated Cash Sweep Prepayment Amount exceeds EUR 100,000.

(e) The Issuer shall not be required to conduct any Cash Sweeps following an Equity Listing Event where the Equity Claw Back has been utilized in full pursuant to Clause 10.3 (*Voluntary early redemption – Equity Clawback*).

(f) Any Cash Sweep will be used for redemption of Outstanding Bonds in accordance with the applicable regulations of the CSD.

## 11. PURCHASE AND TRANSFER OF BONDS

### 11.1 Issuer's purchase of Bonds

The Issuer may purchase and hold Bonds and such Bonds may be retained or sold (but not cancelled except in connection with a full redemption of the Outstanding Bonds) in the Issuer's sole discretion.

### 11.2 Restrictions

(a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

(b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

## 12. INFORMATION UNDERTAKINGS

### 12.1 Financial Reports

(a) The Issuer shall prepare Annual Financial Statements in the English language and make them available on its website as soon as they become available, and not later than 120 days after the end of the financial year.

(b) The Issuer shall prepare Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period.

**12.2 Requirements as to Financial Reports**

(a) The Issuer shall supply to the Bond Trustee, in connection with the publication of its Interim Accounts pursuant to Clause 12.1 (b) (*Financial Reports*), a Compliance Certificate with a copy of the Interim Accounts attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer or the chief financial officer of the Issuer, certifying inter alia that the Interim Accounts are fairly representing its financial condition as at the date of those financial statements and setting out (in reasonable detail) computations evidencing compliance with Cause 13.16 (*Financial Covenants and Incurrence Test*) as at such date.

(b) The Issuer shall procure that the Financial Reports delivered pursuant to Clause 12.1 (*Financial Reports*) are prepared using GAAP consistently applied.

(c) When the Bonds have been listed on the Oslo Stock Exchange, the reports referred to under 12.1 above shall be prepared in accordance with IFRS and made available in accordance with the rules and regulations of Oslo Stock Exchange (as amended from time to time).

**12.3 Information: Miscellaneous**

The Issuer shall:

(a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;

(b) starting from the first anniversary of the Issue Date, prepare and make available to the Bond Trustee a Cash Report no later than twenty (20) Business Days before the second Interest Payment Date following after the relevant Liquidity Testing Date;

(c) promptly notify the Bond Trustee when the Issuer is or becomes aware of (i) the occurrence of a Change of Control Event, (ii) an Equity Listing Event, (iii) an Equity Clawback or (iv) a Margin Step-Down, and shall provide the Bond Trustee with such further information as the Bond Trustee may request (acting reasonably) following receipt of such notice;

(d) keep the latest version of the Bond Terms available on the website of the Group;

(e) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);

(f) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;

(g) send a copy to the Bond Trustee of its notices to the Exchanges;

(h) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;

(i) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and

(j) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

## 13. GENERAL AND FINANCIAL UNDERTAKINGS

The Issuer undertakes to (and shall, where applicable, procure that the other Group Companies will) comply with the undertakings set forth in this Clause 13 (*General and financial Undertakings*).

### 13.1 Authorisations

The Issuer shall, and shall procure that each other Group Company will, in all material respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out from time to time if a failure to do so would have Material Adverse Effect.

### 13.2 Compliance with laws

The Issuer shall, and shall procure that each other Group Company will, comply in all material respects with all laws and regulations to which it may be subject from time to time, if failure so to comply would have a Material Adverse Effect.

### 13.3 Continuation of business

The Issuer shall procure that no material change is made to the general nature of the business from that carried on by the Group at the Issue Date if such change would have a Material Adverse Effect.

### 13.4 Mergers and de-mergers

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, carry out:

(i) any merger or other business combination or corporate reorganisation involving the consolidation of assets and obligations of the Issuer or any other Group Company with any other person other than with a Group Company; or

(ii) any demerger or other corporate reorganisation having the same or equivalent effect as a demerger involving the Issuer and any Group Company;

if such merger, demerger, combination or reorganisation would have a Material Adverse Effect.

(b) Paragraph (a) above does not apply to any Permitted Group Reorganisation.

**13.5 Financial Indebtedness**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, incur any additional Financial Indebtedness or maintain or prolong any existing Financial Indebtedness.

(b) Paragraph (a) above shall not prohibit any Group Company to incur, maintain or prolong any Permitted Debt.

**13.6 Negative pledge**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, create or allow to subsist, retain, provide, prolong or renew any Security over any of its/their assets (whether present or future).

(b) Paragraph (a) above does not apply to (i) any Permitted Security or (ii) any existing security in relation to indebtedness held by an entity acquired by a Group Company however so that such security may not be prolonged or renewed.

**13.7 Financial support**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, be a creditor in respect of any Financial Support to or for the benefit of any person (including other Group Companies).

(b) Paragraph (a) above does not apply to Financial Support granted (i) in connection with Permitted Debt or (ii) to New Vessel SPVs as permitted under Clause 13.13 (*Capex restriction*).

**13.8 Related party transactions**

Without limiting Clause 13.2 (*Compliance with laws*), the Issuer shall, and shall procure that each other Obligor will, conduct all business transactions with any Affiliate (excluding other Group Companies) on an arm's length basis.

**13.9 Distributions**

(a) The Issuer shall not (unless replaced by Subordinated Capital in an equivalent amount), and shall procure that no other Group Company will:

(i) pay any dividend on its shares (other than loans, dividends and group contributions to the Issuer or another Group Company);

(ii) repurchase any of its own shares;

(iii) redeem its share capital or other restricted equity with repayment to shareholders;

(iv) grant any loans (other than to the Issuer or a wholly-owned Subsidiary of the Issuer);

(v) make any other similar distribution or transfers of value to the direct or indirect shareholder of the Issuer, or any Affiliates of the Issuer (other than to the Issuer or a Subsidiary of the Issuer); or

(vi) repay the Co-Investor Loan in parts or full, however this shall not prohibit the initial repayment of EUR 17,000,000 and payment of CIBOR plus two (2) per cent. annual cash interest on the Co-Investor Loan.

(b) Notwithstanding paragraph (a) of this Clause 13.9 (*Distributions*), a Restricted Payment may be made by the Issuer, if at the time of the payment:

(i) the Incurrence Test is fulfilled (calculated on a proforma basis including the relevant Restricted Payment);

(ii) the Equity Claw Back has been utilized in full;

(iii) an Equity Listing Event has occurred; and

(iv) if, at the time of the payment, the aggregate amount of all Restricted Payments of the Group in any fiscal year (including the Restricted Payment in question) does not exceed 25 per cent of the Group's consolidated net profit for the previous fiscal year.

**13.10 Clean down period – Senior Working Capital Facility**

The Issuer shall procure that during each calendar year (commencing in 2018) there shall be a period of five (5) consecutive days during which the amount outstanding under the Super Senior Working Capital Facility, less cash and cash equivalents of the Group, amounts to zero (0) or less, and not less than six (6) months shall elapse between two such periods.

**13.11 Vessel covenants**

(a) The Issuer shall, and shall procure that each other Group Company will (as applicable), have each Vessel classified and maintained in a class notation acceptable to the Bond Trustee (acting reasonably) with a reputable classification society.

(b) The Issuer shall, and shall procure that each other Group Company will (as applicable), maintain the registration of each Vessel in its name with a reputable ship registry (which shall include the Danish International Ship Register) or such other flag as consented to in writing by the Bond Trustee.

(c) The Issuer shall, and shall procure that each other Group Company will (as applicable), procure that each Vessel is kept in good and safe condition and state of repair consistent with prudent ownership and industry standard.

(d) The Issuer shall, and shall procure that each other Group Company will (as applicable), does not effect a sale or transfer of any Vessel without redemption of the Outstanding Bonds as provided for in Clause 10.5 (Mandatory Prepayment) (however this shall not prohibit a Permitted Group Reorganisation).

(e) The Issuer shall, and shall procure that each other Group Company will (as applicable), at all times comply in all material respects with any mandatory applicable national or international law, regulation, convention or treaty in a jurisdiction which an Obligor conducts business or any of Vessels will be operating.

**13.12 Maintenance and insurances**

(a) The Issuer shall at all times provide for reasonable and satisfactory maintenance of insurances of the Vessels and all relevant equipment related thereto.

(b) The Issuer shall procure that the Vessels are adequately insured against risks related to hull & machinery, war risk and hull & freight interest at least to the full value of Vessels and at least 120 per cent of the outstanding amount under the Finance Documents, and a third party liability insurance as per industry standards, as well as mortgagee interest insurance and loss of hire and any additional insurance required under any law or charter contracts.

(c) The insurances and loss payable clause shall be in accordance with the Norwegian Marine Insurance Plan or other insurances with no less favourable terms.

**13.13 Capex restriction**

The Issuer shall not (and procure that no other Group Company or New Vessel SPV) make or commit to enter into any new build contract for a new vessel or purchases or otherwise acquires a New Vessel unless (a) such capital expenditures are limited to EUR 2,000,000 per annum from the Issue Date to the Maturity Date or (b) all of the following conditions are met:

(i) Any Financial Indebtedness raised for purchase of a New Vessel is limited to Financial Indebtedness as defined under clause (j) under the definition of Permitted Debt;

(ii) Security for the New Vessel is granted as stipulated under subsection (ii) of Clause 2.5 paragraph (a);

(iii) A minimum of 40 per cent. of the purchase price for such New Vessel is financed with new Equity or additional Subordinated Loans (not being the Co-Investor Loan);

(iv) A minimum Capacity Utilisation for the Vessels of 70 per cent. has been obtained during the most recent Reference Period;

(v) Funding from the Issuer is limited to EUR 45,000,000; and

(vi) The Incurrence Test is met on a pro forma basis excluding any Cash Equivalent Investments injected by the Issuer or any Subsidiary (not being the New Vessel SPV); or

(vii) any construction project relating to a New Vessel or any purchase or otherwise acquisition of a New Vessel that is conducted by a New Vessel SPV on a non-recourse basis (i.e. no guarantees extended or security granted from any part of

the Group, including the Issuer) and fully funded by capital raised in an Equity Capital Raising; or

(viii) is acquired as a Temporary Chartered Vessel, provided that no New Vessel has been purchased or otherwise acquired as set out in paragraphs (i) to (vi) above (for the avoidance of doubt; such Temporary Chartered Vessel may be subsequently acquired).

**13.14 Liquidity Investments**

The Issuer shall ensure that the Group's freely available cash is not invested in instruments not qualifying as Cash Equivalent Investments, however this shall not restrict the use of cash for business purposes or according to the provisions of these Bond Terms.

**13.15 Financial Covenants and Incurrence Test**

(a) *Maintenance test (on Subordinated Capital Ratio)*

The Issuer shall at all times maintain a Subordinated Capital Ratio of minimum 30.0 per cent. in the first twelve (12) months from the Issue Date, to increase by 2.5 percentage points each subsequent year, to be tested quarterly on the basis of the Interim Report for such period and reported by delivery of a Compliance Certificate to the Bond Trustee no later than 60 days following the last day of the relevant financial quarter.

(b) *Incurrence Test*

The Incurrence Test is met if:

(i) the ratio of Net Interest Bearing Debt to EBITDA is not greater than:

(A) 5.00 from the Issue Date until 31 December 2018;

(B) 4.50 from 1 January 2019 until 31 December 2019;

(C) 4.00 from 1 January 2020 until the Maturity Date;

(ii) the Subordinated Capital Ratio exceeds 30.0 per cent. (to increase by 2.5 percentage points annually, the first increase to occur twelve (12) months after the Issue Date) on a *pro forma* basis; and

(iii) no Event of Default is continuing or would occur upon the incurrence.

(c) *Testing*

The calculation of the ratio of Net Interest Bearing Debt to EBITDA and Subordinated Capital Ratio shall be made as per a testing date determined by the Issuer, falling no more than two (2) months prior to the incurrence of the new Financial Indebtedness or making of a Restricted Payment.

The Net Interest Bearing Debt and Subordinated Capital Ratio shall be measured on the relevant testing date so determined, but include the new Financial Indebtedness provided it is

an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt). EBITDA and Total Assets shall be calculated as set out below.

The figures for EBITDA for the Reference Period ending on the last day of the period covered by the most recent Financial Report, and the figures for Total Assets and Subordinated Capital on the Reference Date, shall be used for the Incurrence Test, but adjusted so that:

(i) entities acquired or disposed of by the Group during the Reference Period, or after the end of the Reference Period but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the EBITDA for the entire Reference Period;

(ii) any entity to be acquired with the proceeds from new Financial Indebtedness shall be included, pro forma, in the EBITDA for the entire Reference Period, and shall be included in the calculation of Total Assets;

(iii) any entities acquired or disposed of by the Group after the Reference Date but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the calculation of Total Assets;

(iv) any Subordinated Capital acquired by the Group after the Reference Date but before the relevant testing date, or to be acquired in connection with the New Financial Indebtedness, shall be included pro forma in the calculation of the Subordinated Capital Ratio;

(v) in the calculation of the Net Interest Bearing Debt and Subordinated Capital Ratio, the purchase price under any call-option to purchase a Temporary Chartered Vessel shall be excluded. In respect of any put-option to purchase a Temporary Chartered Vessel the purchase price shall be included less any amount that the Issuer is entitled to settle in shares, and be substituted with the payment amount under any walk-away option available for the Issuer with respect to any balance calculation in respect of a Temporary Chartered Vessel.

**13.16 Permitted Group Reorganisation**

(a) The Issuer is entitled to implement a Permitted Group Reorganisation, and the Bond Trustee shall cooperate in this respect by releasing Security Documents as provided for below.

(b) The Issuer shall, at latest at the completion of a Permitted Group Reorganisation, execute new Finance Documents for the proper replacement of the Mortgages and Assignments of Insurances provided by the Obligors that are to be dissolved as part of such reorganisation, upon which the original documents pertaining thereto shall be released by the Security Agent as instructed by the Bond Trustee. A Permitted Group Reorganisation cannot be completed prior to the Trustee having received legal opinions satisfactory to the Bond Trustee with respect to the legality, validity and enforceability of the new Finance Documents provided.

(c) The Guarantees and the Share Pledges relating to such Obligors shall be cancelled.

## 14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS

### 14.1 Events of Default

Each of the events or circumstances set out in this Clause 14.1 shall constitute an Event of Default:

(a) *Non-payment*

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

(i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within five (5) Business Days following the original due date; or

(ii) in the discretion of the Bond Trustee, the Obligor has substantiated that it is likely that such payment will be made in full within five (5) Business Days following the original due date.

*(b) Breach of other obligations*

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within twenty (20) Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

*(c) Misrepresentation*

Any representation, warranty or statement (including statements in Compliance Certificates) made under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made, unless the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within twenty (20) Business Days of the earlier of the Bond Trustee giving notice to the Issuer or the Issuer becoming aware of such misrepresentation.

*(d) Cross default*

If for any Group Company:

(i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described), or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds a total of EUR 1,000,000 (or the equivalent thereof in any other currency).

*(e) Insolvency and insolvency proceedings*

Any Obligor:

(i) is Insolvent; or

(ii) is object of any corporate action or any legal proceedings is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganization; or

(B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its obligations under these Bond Terms; or

(C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph 14.1 (d) (*Cross default*) above; or

(E) for (A) – (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company,

however this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within twenty (20) Business Days of commencement.

*(f) Creditor's process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor having an aggregate value exceeding the threshold amount set out in paragraph 14.1 (d) (*Cross default*) above and is not discharged within twenty (20) Business Days.

*(g) Unlawfulness*

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

(i) the ability of such Obligor to perform its obligations under these Bond Terms; or

(ii) the ability of the Bond Trustee or any Security Agent to exercise any material right or power vested to it under the Finance Documents.

**14.2 Acceleration of the Bonds**

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a Default Notice:

(a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or

(b) exercise (or direct the Security Agent to exercise) any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

**14.3 Bondholders' instructions**

The Bond Trustee shall serve a Default Notice pursuant to Clause 14.2 (*Acceleration of the Bonds*) if:

(a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or

(b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

**14.4 Calculation of claim**

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable at the following dates (and regardless of the Default Repayment Date set out in the Default Notice):

(i) for any Event of Default arising out of a breach of Clause 14.1 (*Events of Default*) paragraph (a) (*Non-payment*), the claim will be calculated at the price applicable at the date when such Event of Default occurred; and

(ii) for any other Event of Default, the claim will be calculated at the price applicable at the date when the Default Notice was served by the Bond Trustee,

provided however that until the First Call Date the applicable premium shall be 103% of the Outstanding Amount.

## 15. BONDHOLDERS' DECISIONS

### 15.1 Authority of the Bondholders' Meeting

(a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

(b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

(c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

(d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.

(e) At least 20 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.

(f) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (g) below.

(g) Save for:

(i) any amendments or waivers which can be made without resolution pursuant to Clause 17.1 (*Procedure for amendments and waivers*) paragraph (a), section (i) and (ii); and

(ii) a change of the listing of the Bonds to another exchange(s) located in the EEA, which (for the avoidance of doubt) may be resolved by simple majority of the Voting Bonds,

a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of any provisions of these Bond Terms, including a change of Issuer and change of Bond Trustee.

### 15.2 Procedure for arranging a Bondholders' Meeting

(a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:

(i) the Issuer;

(ii) Bondholders representing at least 1/10 of the Voting Bonds;

(iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or

(iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

(b) If the Bond Trustee has not convened a Bondholders' Meeting within ten (10) Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the re-questing party may itself call the Bondholders' Meeting.

(c) Summons to a Bondholders' Meeting must be sent no later than ten (10) Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).

(d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

(e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.

(f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).

(g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").

(h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each

Representative has the right to be accompanied by an advisor. In case of dispute or doubt with regard to whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.

(i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.

(j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.

(k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).

(l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

**15.3 Voting rules**

(a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.

(b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.

(c) For the purposes of this Clause 15 (*Bondholders' decisions*), a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.

(d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

**15.4 Repeated Bondholders' Meeting**

(a) Even if the necessary quorum set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within ten (10) Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.

(b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exemption that the quorum requirements set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.

(c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

**15.5 Written Resolutions**

(a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

(b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.

(c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.

(d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholder's Meeting*), Clause 15.3 (*Voting Rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:

(i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or

(ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5 (*Written Resolution*),

shall not apply to a Written Resolution.

(e) The Summons for a Written Resolution shall include:

(i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and

(ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority (the "**Voting Period**"), such Voting Period to be at least three (3) Business Days but not more than fifteen (15) Business Days from the date of the Summons, provided however that the Voting Period for a Written Resolution summoned pursuant to Clause 15.4 (*Repeated Bondholders' Meeting*) shall be at least ten (10) Business Days but not more than fifteen (15) Business Days from the date of the Summons.

(f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.

(g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or paragraph (f) of Clause 15.1 (*Authority of Bondholders' Meeting*) has been achieved, based on the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution may also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.

(h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being achieved.

(i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (d) to (f) of Clause 15.1(*Authority of Bondholders' Meeting*).

## 16. THE BOND TRUSTEE

### 16.1 Power to represent the Bondholders

(a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.

(b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the

Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

(c) The Bond Trustee is appointed as agent and representative (in Danish: *fuldmægtig og repræsentant*) for the Bondholders pursuant to Chapter 4 of the Danish Capital Markets Act (in Danish: *kapitalmarkedsloven*) (as amended, supplemented and/or replaced from time to time) under and in connection with the Bonds.

**16.2 The duties and authority of the Bond Trustee**

(a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.

(b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.

(c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.

(d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.

(e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.

(f) The Bond Trustee will ensure that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.

(g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

(h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:

(i) complying with instructions of the Bondholders; or

(ii) taking any action at its own initiative,

will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

(i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.

(j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal amount in order to facilitate partial redemptions, restructuring of the Bonds or other situations.

**16.3 Equality and conflicts of interest**

(a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

(b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

**16.4 Expenses, liability and indemnity**

(a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.

(b) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.

(c) The Bond Trustee shall not be considered to have acted negligently in:

(i) acting in accordance with advice from or opinions of reputable external experts; or

(ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders.

(b) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.

(c) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Fee Agreement.

(d) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any of the Finance Documents which the Bond Trustee reasonably believes may constitute or lead to a breach of any of the Finance Documents or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.

(e) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to any Obligors, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee (or the Security Agent) in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds.

(f) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

### 16.5 Replacement of the Bond Trustee

(a) The Bond Trustee may be replaced according to the procedures set out in Clause 15 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.

(b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5 (*Replacement of the Bond Trustee*), initiated by the retiring Bond Trustee.

(c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5 (*Replacement of the Bond Trustee*).The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.

(d) The change of Bond Trustee's shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.

(e) Upon change of Bond Trustee the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

### 16.6 Security Agent

(a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents. The Security Agent has on the date hereof been appointed pursuant to the Intercreditor Agreement and replacement hereof, including in case of insolvency, shall follow the provisions of the Intercreditor Agreement.

(b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.

(c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

(d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.

(e) The provisions set out in Clause 16.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

## 17. AMENDMENTS AND WAIVERS

### 17.1 Procedure for amendments and waivers

(a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:

(i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes; or

(ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or

(iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).

(b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

### 17.2 Authority with respect to documentation

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

### 17.3 Notification of amendments or waivers

The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17 (*Amendments and waivers*), setting out the date from which the amendment or waiver will be effective, unless such notice obviously is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.

## 18. MISCELLANEOUS

### 18.1 Limitation of claims

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

### 18.2 Access to information

(a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.

(b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.

(c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

### 18.3 Notices, contact information

Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

(a) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).

(b) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter, e-mail or fax. Any such notice or communication will be deemed to be given or made as follows:

(i) if by letter, when delivered at the address of the relevant party;

(ii) if by e-mail, when received; and

(iii) if by fax, when received.

(c) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

(d) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):

(i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;

(ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and

(iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

**18.4 Defeasance**

(a) Subject to paragraph (b) below and provided that:

(i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the Maturity Date (including, to the extent applicable, any premium payable upon exercise of the Call Option), and always subject to paragraph (c) below (the "**Defeasance Amount**") is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the "**Defeasance Account**");

(ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the "**Defeasance Pledge"**); and

(iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,

then;

(A) the Issuer will be relieved from its obligations under Clause 12.2 (*Requirements as to Financial Reports*) paragraph (a), Clause 12.3 (*Information: Miscellaneous*) and Clause 13 (*General and financial undertakings*);

(B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and

(C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.

(b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.

(c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems required.

A defeasance established according to this Clause 18.4 may not be reversed.

## 19. GOVERNING LAW AND JURISDICTION

### 19.1 Governing law

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

### 19.2 Main jurisdiction

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

### 19.3 Alternative jurisdiction

Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

(a) to commence proceedings against the Issuer or any other Obligor or any of their respective assets in any court in any jurisdiction; and

(b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

-----000-----

These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

**The Issuer:**

**ZITON A/S**

.....

By:

Position:

**As Bond Trustee:**

**NORDIC TRUSTE AS**

.....

By: Morten S. Bredesen

Position: P.F

**As Security Agent:**

**NORDIC TRUSTEE A/S**

.....

By:

Position:

These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

**The Issuer:**

**ZITON A/S**

.....

By: JENS M. HAUGEN

Position: CFO

**As Bond Trustee:**

**NORDIC TRUSTE AS**

.....

By:

Position:

**As Security Agent:**

**NORDIC TRUSTEE A/S** NT

.....

By: JACOB ARENANDER

Position: CEO

## SCHEDULE 1
## COMPLIANCE CERTIFICATE

[date]

**Ziton A/S FRN senior secured EUR 125,000,000 callable bonds 2018/2021 ISIN NO 0010832488**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements as to Financial Reports*) of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Statements to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [●].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate and there has been no material adverse change to the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you. Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

The Financial Covenants set out in Clause 13.15 (*Financial Covenants and Incurrence Test*) are met, please see the calculations and figures in respect of the ratios attached hereto.

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

NX

_____

*Name of authorised person*

*Enclosure: Financial Statements; [and any other written documentation]*

## SCHEDULE 2
## RELEASE NOTICE – ESCROW ACCOUNT

[date]

Dear Sirs,

**Ziton A/S FRN senior secured EUR 125,000,000 callable bonds 2018/2021 ISIN NO 0010832488**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw an amount of [currency and amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, and (ii) we repeat the representations and warranties set out in the Bond Terms as being still true and accurate in all material respects at the date hereof.

Yours faithfully,

NX

_____

Name of authorized person

Enclosure: [copy of any written documentation evidencing the use of funds]

**BOND TERMS**

**FOR**

# Ziton A/S FRN second secured EUR 25,000,000 callable PIK bonds 2018/2022

## ISIN NO 0010832512

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SCHEDULE 1 COMPLIANCE CERTIFICATE
SCHEDULE 2 RELEASE NOTICE – ESCROW ACCOUNT

**BOND TERMS between**

| | |
|---|---|
| ISSUER: | Ziton A/S, a company existing under the laws of Denmark with company registration number 246 20 417 and LEI-code 213800F2WOUKCYJYYX95; and |
| BOND TRUSTEE: | Nordic Trustee AS, a company existing under the laws of Norway with company registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85. |
| DATED: | 3 October 2018 |

These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.

## 1. INTERPRETATION

### 1.1 Definitions

The following terms will have the following meanings:

"**Additional Security**" means collectively the New Vessel Share Pledge, the New Vessel Insurance Assignment, the New Vessel Mortgage and the New Vessel Guarantee.

"**Advanced/Deferred Purchase Agreements**" means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment in the normal course of business with credit periods which are normal for the relevant type of project contracts, or (b) any other trade credit incurred in the ordinary course of business.

"**Affiliate**" means, in relation to any person:

(a) any person which is a Subsidiary of that person;

(b) any person who has Decisive Influence over that person (directly or indirectly); and

(c) any person which is a Subsidiary of an entity who has Decisive Influence (directly or indirectly) over that person.

"**Annual Financial Statements**" means the audited consolidated annual financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

"**Assignments of Insurances**" means assignments of the Issuer's and the Guarantors' entitlements under the insurances related to the Vessels (other than third party liability insurances), including the New Vessel Insurance Assignment (if and when granted).

"**Attachment**" means each of the attachments to these Bond Terms.

"**Bond Terms**" means these terms and conditions, including all Attachments which shall form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

"**Bond Trustee**" means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

"**Bond Trustee Fee Agreement**" means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for its obligations relating to the Bonds.

"**Bondholder**" means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders' rights*).

"**Bondholders' Meeting**" means a meeting of Bondholders as set out in Clause 15 (*Bondholders' Decisions*).

"**Bond Issue**" means the aggregate Nominal Amount of all Bonds.

"**Bonds**" means the debt instruments issued by the Issuer pursuant to these Bond Terms, including PIK Bonds.

"**Business Day**" means a day on which both the relevant CSD settlement system is open, and which is a TARGET-Day.

"**Business Day Convention**" means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following)*.

"**BWB Equity Partners**" means BWB Partners II K/S with company registration number 35439889) (being the equity fund indirectly owning the majority of the shares in the Issuer) and any successor equity fund structure owing such shares provided that a majority of the legal persons (i.e. the partners in the fund) controlling the fund remain unchanged.

"**BWC**" means Blue Water Capital, owner of 50 per cent of the shares in Jack-Up InvestCo 3 (prior to the purchase of such shares by the Issuer and Jack-Up InvestCo 2 as provided for in Clause 2.3).

"**Call Option**" has the meaning given to it in Clause 10.2 (*Voluntary early redemption – Call Option*).

"**Call Option Repayment Date**" means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 (*Voluntary early redemption – Call Option*) and the Optional Call determined by the Issuer pursuant to Clause 10.4 (*Mandatory repurchase due to a Put Option Event – Optional Call*), or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

"**Capacity Utilisation**" means the weighted average utilisation rate calculated as revenue during the quarter divided by full utilisation at an aggregate day rate of EUR 135,000 for the Vessels (excluding any New Vessel).

"**Cash Equivalent Investments**" means, in respect of the Group, and at any time, (i) immediately available funds at bank or postal accounts, (ii) any investment in marketable debt obligations issued by the Issuer or by any other party, and (iii) any investment in investment funds which invest substantially all their assets in securities of the types described in paragraph (ii) above, however, for the avoidance of doubt, any undrawn and available amounts under the Super Senior Working Capital Facility shall not be considered Cash Equivalent Investments.

"**Cash Report**" means a report prepared by the Issuer evidencing the Liquidity balance of the Group as per the relevant Liquidity Testing Date.

"**Change of Control Event**" means the occurrence of an event or series of events whereby one or more persons, not being BWB Equity Partners or an Affiliate thereof, acting together, acquire Decisive Influence over the Issuer.

"**CIBOR**" means the Copenhagen Interbank Offered Rate.

"**Client Cancellation**" means an event where either or both of the Issuer and Siemens Gamesa Renewable Energy cancels the Siemens Gamesa Contract due to a breach of the Issuer, and such a cancellation does not result in the Issuer receiving the remaining 80 per cent. of the outstanding contract value of the Siemens Gamesa Contract.

"**Co-Investor Loan**" means the subordinated loan to the Issuer from a co-investor of BWB Equity Partners in the approximate amount of EUR 37,800,000 as per 30 June 2018, of which EUR 17,000,000 is to be repaid with parts of the loan proceeds while the remainder will mature after the Maturity Date.

"**CSD**" means the central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA (VPS).

"**Compliance Certificate**" means a statement substantially in the form as set out in Attachment 1 hereto.

"**Decisive Influence**" means (a) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

"**Default Notice**" means a written notice to the Issuer as described in Clause 14.2 (*Acceleration of the Bonds*).

"**Default Repayment Date**" means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

"**EBITDA**" means, in respect of the Reference Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s):

(a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;

(b) before deducting any net financial items;

(c) before taking into account any extraordinary items which are not in line with the ordinary course of business, provided that such items are not in excess of an amount equal to ten (10) per cent. of EBITDA in the Reference Period;

(d) before taking into account any Transaction Costs (including any costs relating to the refinancing and the Existing Bond and the partial repayment of the Co-Investor Loan) and any transaction costs relating to any acquisition of any New Vessel;

(e) not including any accrued interest owing to any member of the Group;

(f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis);

(g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;

(h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

(i) plus or minus the Group's share of the profits or losses of entities which are not part of the Group; and

(j) after adding back any amount attributable to the amortisation, depreciation, depletion or depletion of assets of members of the Group.

"**Equity**" means share capital and any other capital that in accordance with applicable accounting standards would be shown in the Issuer's consolidated Financial Reports as equity of the Group.

"**Equity Capital Raising**" means a minimum EUR 50,000,000 contribution in the form of Equity or Subordinated Loans raised after the Issue Date, excluding any capital raised for the purpose of financing the purchase of a New Vessel.

"**Equity Clawback**" shall have the meaning ascribed to such term in Clause 10.3 (*Voluntary early redemption – Equity Clawback*).

"**Equity Clawback Repayment Date**" means the settlement date for an Equity Clawback, as set out in Clause 10.3 (*Voluntary early redemption – Equity Clawback*).

"**Equity Listing Event**" means an initial public offering of shares in the Issuer, after which such shares shall be quoted, listed, traded or otherwise admitted to trading on a regulated market or unregulated market.

"**Escrow Account**" means a bank account pledged and blocked on first priority as security for the Issuer's obligations under the Finance Documents.

"**Escrow Account Pledge**" means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

"**Event of Default**" means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

"**Exchanges**" means the Oslo Stock Exchange and Frankfurt Open Market.

"**Existing Bond**" means the Senior Secured Callable Bond Issue with ISIN NO 0010751332.

"**Finance Documents**" means these Bond Terms, the Bond Trustee Fee Agreement, the Intercreditor Agreement, any Transaction Security Document, any Security Agent Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed (including acceptance credit and any overdraft facility);

(b) any bond, note, debenture, loan stock or other similar instrument;

(c) the amount of any liability in respect of any lease, hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(d) receivables sold or discounted (other than any receivables sold on a non-recourse basis);

(e) any sale and lease-back transaction, or similar transaction which is treated as indebtedness under IFRS;

(f) any liability under a deferred purchase agreement where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price, including without limitation currency or interest rate swaps, caps or collar transactions (and, when calculating the value of the transaction, only the marked-to-market value shall be taken into account);

(h) any amounts raised under any other transactions having the commercial effect of a borrowing or raising of money, (including any forward sale or purchase agreement);

(i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any underlying liability; and

(j) (without double counting) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any of the items referred to above.

"**Financial Reports**" means the Annual Financial Statements and the Interim Accounts.

"**Financial Support**" means any loans, guarantees, Security or other financial assistance (whether actual or contingent).

"**First Call Date**" means the Interest Payment Date falling in April 2020.

"**First Lien Bonds**" means the bonds in the maximum nominal amount of EUR 125,000,000 issued by the Issuer with ISIN NO0010832488.

"**GAAP**" means generally accepted accounting practices and principles in the country in which the Issuer is incorporated including, if applicable, the International Financial Reporting Standards ("**IFRS**") and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time, but IFRS following listing of the Bonds pursuant to Clause 4 (*Admission to listing*).

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**Group Company**" means any person which is a member of the Group.

"**Guarantees**" means unconditional and irrevocable on-demand guarantees issued by each of the Guarantors in relation to the Finance Documents, with payment by the Guarantors to be made within fourteen (14) Business Days of any demand, including the New Vessel Guarantee (if and when established).

"**Guarantor**" means each of:

(a) Jack-Up InvestCo 3 Plc ("**Jack-Up InvestCo 3**"), with company registration no. C 57037, incorporated in the Republic of Malta;

(b) Jack-Up InvestCo 2 A/S ("**Jack-Up InvestCo 2**"), with company registration no. 34589801, incorporated in Denmark; and

(c) any New Vessel SPV (if established).

"**Incurrence Test**" shall have the meaning ascribed to such term in Clause 13.15 (*Financial Covenants and Incurrence Test*).

"**Initial Nominal Amount**" means the nominal amount of each Bond as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

"**Insolvent**" means that a person:

(a) is unable or admits inability to pay its debts as they fall due;

(b) suspends making payments on any of its debts generally; or

(c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its center of main interest as such term is understood pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (as amended).

"**Instalments**" has the meaning ascribed to such term in Clause 10.1 (*Redemption of Bonds*).

"**Intercompany Loan**" means any loan between Group companies, where any Intercompany Loan in excess of EUR 1,000,000 under which an Obligor is a debtor shall be fully subordinated to the Obligors' obligations under the Finance Documents and have no acceleration rights, as further set out in the terms of the relevant Intercompany Loan Agreement and pursuant to a Intercompany Loan Subordination Statement made in favour of the Bond Trustee (on behalf of the bondholders).

"**Intercompany Loan Agreement**" means any loan agreement in respect of Intercompany Loans.

"**Intercompany Loans Subordination Undertaking**" means an undertaking from relevant persons with respect to subordination of payments under any Intercompany Loans to the Obligors' obligations under the Finance Documents, including subordination of acceleration rights.

"**Intercreditor Agreement**" means an agreement entered into on 3 October 2018 between, amongst others, the Obligors, the Bond Trustee (representing the Bondholders under the Bonds and the Second Lien Bond) and the Super Senior Creditors.

"**Interest Payment Date**" means the last day of each Interest Period, the first Interest Payment Date being 3 January 2018 and the last Interest Payment Date being the Maturity Date, where the interest shall be settled by the issue of PIK Bonds to the Bondholders (and thus be accumulated and added to the Bond Issue).

"**Interest Period**" means, subject to adjustment in accordance with the Business Day Convention, the period between 3 January, 3 April, 3 July and 3 October each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

"**Interest Rate**" means the percentage rate per annum which is the aggregate of the Reference Rate for the relevant Interest Period plus the applicable Margin. The Interest Rate shall be payable in kind by issuance of PIK Bonds.

"**Interest Quotation Day**" means, in relation to any period for which Interest Rate is to be determined, the day falling two (2) Business Days before the first day of the relevant Interest Period.

"**Interim Accounts**" means the unaudited consolidated quarterly financial statements of the Issuer for the quarterly period ending on each 31 March, 30 June, 30 September and 31 December in each year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors.

"**ISIN**" means International Securities Identification Number, being the identification number of the Bonds.

"**Issue Date**" means 3 October 2018 for the initial Bond Issue.

"**Issuer**" means the company designated as such in the preamble to these Bond Terms.

"**Issuer's Bonds**" means any Bonds which are owned by the Issuer or any Affiliate of the Issuer.

"**Legal Reservations**" means (a) the matters which are set out as qualifications or reservations as to matters of law of general application in the legal opinions provided for in Clause 6.1, (b) general principles of insolvency, reorganisation and other laws limiting creditors' rights generally as regards matters not covered under such legal opinions, and (c) statutory time barring of claims.

"**Liquidity**" means, at any time and in each case free and clear of all Security, the aggregate amount of unrestricted and freely available cash of the Group in accordance with the Financial Reports (excluding cash proceeds retrieved upon the occurrence of Mandatory Prepayment Events):

(a) plus Cash Equivalent Investments on hand by any member of the Group;

(b) minus any amount of utilised loans under the Super Senior Working Capital Facility;

(c) minus any amount of cash and cash equivalents on the Retention Account;

(d) minus any cash on blocked accounts or which by way of agreement or otherwise are not available for utilisation by the entire Group;

(e) minus any amount which is overdue for payment with more than fourteen (14) days in connection with supply of assets or services;

(f) minus the amount of any Equity Capital Raising to cure any covenant breach pursuant to the Super Senior Working Capital Facility, which has been made to the Group during the last twelve (12) months;

(g) minus any cash in a New Vessel SPV; and

(h) minus the amount of any proceeds raised during the last twelve (12) months in connection with an Equity Capital Raising which are not used to prepay the Bonds.

"**Liquidity Testing Date**" means 30 June and 31 December each year.

"**Make Whole Amount**" means an amount equal to the sum of:

(a) 105.93 per cent. of the Outstanding Nominal Amount; and

(b) the remaining interest payments of the Bonds (excluding accrued but unpaid interest up to the relevant redemption date) up to and including the First Call Date (assuming that

the Interest Rate for the period from the relevant record date to the First Call Date will be equal to the Interest Rate in effect on the date on which the Call Option notice is given to the bondholders).

"**Manager**" means Pareto Securities AB.

"**Mandatory Prepayment**" shall have the meaning ascribed to such term pursuant to Clause 10.6 (*Mandatory prepayment – Mandatory Prepayment Event*).

"**Mandatory Prepayment Date**" means any settlement date for a Mandatory Prepayment pursuant to Clause 10.6 (*Mandatory prepayment – Mandatory Prepayment Event*).

"**Mandatory Prepayment Event**" means if (save for in connection with a Permitted Group Reorganisation):

(a) WIND SERVER is sold or disposed of;

(b) a Client Cancellation of the Siemens Gamesa Contract occurs;

(c) the Issuer ceases to own directly or indirectly all the outstanding shares and/or voting capital of Jack- Up InvestCo 3 (following the purchase of shares from BWC);

(d) there is an actual or constructive total loss of WIND SERVER;

(e) there is an actual or constructive total loss of WIND or WIND PIONEER;

(f) WIND, WIND PIONEER or any New Vessel, are sold or disposed of;

(g) any shares in Jack-Up InvestCo 2 are sold or disposed of; or

(h) the Siemens Gamesa Contract is cancelled by the client and the Issuer, or a Subsidiary thereof, receives 80 per cent of the revenues for the remaining life of the Siemens Gamesa Contract.

"**Margin**" means 11.85 per cent. per annum.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the ability of the Issuer to perform and comply with its payment obligations under any of the Finance Documents; or

(b) the validity or enforceability of any of the Finance Documents.

"**Maturity Date**" means 3 April 2022, adjusted according to the Business Day Convention.

"**Mortgages**" means the mortgages over each of the Vessels including all relevant equipment being legally part of the Vessels (including the cranes) under the applicable law where the Vessels are registered, including the New Vessel Mortgage (if and when granted).

"**Net Interest Bearing Debt**" means the aggregate interest bearing debt less cash and cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time (for the avoidance of doubt, excluding any, guarantees, counter indemnities in respect of bank guarantees, Subordinated Loans and interest bearing debt borrowed from any Group Company) subject to the adjustments set out Clause 13.15 (c).

"**New Vessel**" means any fully constructed offshore jack-up wind turbine O&M vessel purchased or otherwise acquired to be utilised in the ordinary course of business.

"**New Vessel Guarantee**" means an unconditional and irrevocable on-demand guarantee issued by any New Vessel SPV in relation to the Finance Documents, pursuant to which payment shall be made within fourteen (14) Business Days of any demand.

"**New Vessel Insurance Assignment**" means an assignment of the Issuer's or (if established) the New Vessel SPV's entitlements under the insurances related to the New Vessel (other than third party liability insurances).

"**New Vessel Mortgage**" means a mortgage over the New Vessel (granted by the Issuer or the New Vessel SPV) including all relevant equipment being legally part of the New Vessel (including the cranes) under the applicable law where the New Vessel is registered.

"**New Vessel Share Pledge**" means a pledge granted by the Issuer over 100 per cent. of the shares in the New Vessel SPV, together with, inter alia, letters of resignation (effective upon an Event of Default) from the current board members and covenants to obtain such from future board members, and other relevant documentation to ensure due perfection of the abovementioned pledge (each to the extent permissible under applicable law).

"**New Vessel SPV**" means a special purposes vehicle established to purchase or otherwise acquire a New Vessel.

"**Nominal Amount**" means the Initial Nominal Amount (less the aggregate amount by which each Bond has been partially redeemed, if any, pursuant to Clause 10 (*Redemption and repurchase of Bonds*)) or any other amount following a split of Bonds pursuant to Clause 16.2, paragraph (j).

"**Obligor**" means the Issuer and any Guarantor(s).

"**Optional Call**" has the meaning given to it in Clause 10.4 (*Mandatory repurchase due to a Put Option Event – optional call*).

"**Outstanding Bonds**" means any Bonds not redeemed or otherwise discharged.

"**Outstanding Nominal Amount**" means the Nominal Amount of the Outstanding Bonds

"**Overdue Amount**" means any amount required to be paid by an Obligor under any of the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

"**Partial Payment**" means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

"**Paying Agent**" means Pareto Securities AS, being appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

"**Payment Date**" means any Interest Payment Date or any Repayment Date.

"**Permitted Debt**" means any Financial Indebtedness:

(a) incurred under the Bonds and the First Lien Bonds;

(b) arising under the Super Senior Working Capital Facility.

(c) arising under Intercompany Loans and customary intra-group cash pool arrangements only involving the Issuer and the Guarantors;

(d) arising under any guarantee issued by a Group Company in the ordinary course of business;

(e) arising under a foreign exchange transaction or commodity derivatives for spot or forward delivery entered into in connection with protection against fluctuation in currency rates or prices where the exposure arises in the ordinary course of business or in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

(f) arising under any interest rate hedging transactions in respect of payments to be made under the Secured Debt, but not any transaction for investment or speculative purposes;

(g) incurred by the Issuer as Subordinated Loans;

(h) incurred under Advanced/Deferred Purchase Agreements;

(i) of the Group under any guarantee issued by a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

(j) incurred as a result of a Tap Issue, meets the Incurrence Test on a pro forma basis and is applied towards financing the purchase of a New Vessel.

(k) before any purchase of a New Vessel, incurred under any leasing obligations for a Temporary Chartered Vessel in a maximum amount of EUR 17,500,000 provided that a minimum Capacity Utilisation of 70 per cent. for the Vessels has been obtained during the most recent Reference Period;

(l) until the Conditions Precedent for Disbursement have been fulfilled, any Existing Bond;

(m) arising under financial leasing and credit card debt in the ordinary course of business, in an aggregate amount of EUR 1,500,000; and

(n) incurred in connection with the redemption of the Bonds in order to fully refinance the Bonds and provided that a call notice has been published and further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of

the Bonds (taking into account the rules and regulations of the CSD), for the purpose of securing, inter alia, the redemption of the Bonds.

"**Permitted Group Reorganisation**" means a potential reorganisation of the Group for commercial and/or tax benefits where after the Issuer becomes the direct owner of WIND SERVER and/or WIND PIONEER and/or a New Vessel and the relevant Guarantor(s) are dissolved.

"**Permitted Security**" means any Security:

(a) granted under the Finance Documents for the Secured Debt;

(b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advanced/Deferred Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);

(c) rising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including group cash pool arrangements;

(d) provided for hedging transactions set out in item (e) or (f) of the definition Permitted Debt;

(e) relating to any Temporary Chartered Vessel, provided that no Security may be granted;

(f) until the conditions precedent set out in Clause 6.1 (b) have been fulfilled, the existing Security for the Existing Bond;

(g) of the Group under any guarantee issued by a Group Company or a bank or other guarantee provider under a guarantee facility or separate guarantee, in the ordinary course of the Group's business;

(h) provided for financial leasing and credit card debt set out in item (m) of the definition Permitted Debt; and

(i) provided as security for obligations pursuant to any of items (b) and (j) of the definition of Permitted Debt.

"**PIK Bonds**" means the Bonds to be issued subsequently on each Interest Payment Date as settlement for Interest Payments.

"**Put Option**" shall have the meaning ascribed to such term in Clause 10.4 (*Mandatory repurchase due to a Put Option Event – Optional Call*).

"**Put Option Repayment Date**" means the settlement date for the Put Option Event pursuant to Clause 10.4 (*Mandatory repurchase due to a Put Option Event – Optional Call*).

"**Reference Date**" means the final date of a Reference Period for an Incurrence Test.

"**Reference Period**" means each period of twelve (12) consecutive calendar months.

"**Reference Rate**" shall mean EURIBOR (European Interbank Offered Rate) being;

(a) the applicable percentage rate per annum displayed on Reuters screen EURIBOR01 (or through another system or website replacing it) as of or around 11.00 a.m. (Brussels time) on the Interest Quotation Day for the offering of deposits in Euro and for a period comparable to the relevant Interest Period; or,

(b) if no screen rate is available for the relevant Interest Period;

    (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under paragraph (a) above; or

    (ii) a rate for deposits in the Bond Currency for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or

(c) if no quotation is available under paragraph (b), the interest rate which according to the reasonable assessment of the Bond Trustee and the Issuer best reflects the interest rate for deposits in the Bond Currency offered for the relevant Interest Period.

In each case, if any such rate is below zero, the Reference Rate will be deemed to be zero.

"**Relevant Jurisdiction**" means the country in which the Bonds are issued, being Norway.

"**Relevant Record Date**" means the date on which a Bondholder's ownership of Bonds shall be recorded in the CSD as follows:

(a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time;

(b) for the purpose of casting a vote in a Bondholders' Meeting, the date falling on the immediate preceding Business Day to the date of that Bondholders' Meeting being held, or another date as accepted by the Bond Trustee; and

(c) for the purpose of casting a vote in a Written Resolution:

    (i) the date falling three (3) Business Days after the Summons have been published; or,

    (ii) if the requisite majority in the opinion of the Bond Trustee has been reached prior to the date set out in paragraph (i) above, on the date falling on the immediate Business Day prior to the date on which the Bond Trustee declares that the Written Resolution has been passed with the requisite majority.

"**Repayment Date**" means any Call Option Repayment Date, any Mandatory Prepayment Date, the Put Option Repayment Date, the Equity Clawback Repayment Date, the Default Repayment Date, the Tax Event Repayment Date or the Maturity Date.

"**Retention Account**" means the Issuer's bank account to be applied for prepositioning of payments in respect of interest payments and Instalments in accordance with Clauses 9.2 (*Payment of interest*) and 10.1 (*Redemption of Bonds*) respectively.

"**Retention Account Pledge**" means a pledge over the Issuer's claim against the bank in which the Retention Account is held for the amount from time to time standing to the credit of the Issuer on the Retention Account.

"**Secured Creditors**" has the meaning given to such term in the Intercreditor Agreement.

"**Secured Debt**" means the payment obligations of the Obligors under the Finance Documents, the Super Senior Finance Documents and the documents defined as "Finance Documents" under the First Lien Bond.

"**Secured Obligations**" means all present and future obligations and liabilities of the Issuer under the Finance Documents and the other Secured Debt in accordance with the terms of the Intercreditor Agreement.

"**Secured Parties**" means the Security Agent and the Bond Trustee on behalf of itself and the Bondholders and the other Secured Creditors as defined in the Intercreditor Agreement.

"**Securities Trading Act**" means the Securities Trading Act of 2007 no.75 of the Relevant Jurisdiction.

"**Security**" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Agent**" means Nordic Trustee A/S or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.

"**Security Agent Agreement**" means any agreement whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

"**Share Pledges**" means:

(a) pledges granted by the Issuer and Jack-Up InvestCo 2 over 100 per cent of the shares in Jack-Up InvestCo 3 (the "**Share Pledge A**");

(b) a pledge granted by the Issuer over 100 per cent of the shares in Jack-Up InvestCo 2 (the "**Share Pledge B**"),

together with, inter alia, letters of resignation (effective upon an Event of Default) from the current board members and covenants to obtain such from future board members, and other relevant documentation to ensure due perfection of the abovementioned pledges (each to the extent permissible under applicable law).

"**Siemens Gamesa Contract**" means the three year time charter contract signed on 19 May 2014 between the Issuer and Siemens Gamesa Renewable Energy concerning WIND SERVER commenced on 14 March 2016.

"**Siemens Gamesa Contract Assignment**" means an assignment of or other security interest in the rights and entitlements of the Issuer under the Siemens Gamesa Contract (including all earnings payable and security granted by Siemens Gamesa thereunder), to the extent Siemens Gamesa consents thereto.

"**Subordinated Capital**" means the sum of (i) Equity, (ii) any Subordinated Loans and (iii) the Bonds.

"**Subordinated Capital Ratio**" means the ratio of Subordinated Capital to Total Assets.

"**Subordinated Loans**" means (i) any loan from a creditor which is not a group company to the Issuer and/or a Guarantor as the debtor, if such loan (a) according to its terms and pursuant to a subordination agreement on terms and conditions satisfactory to the Trustee, is subordinated to the obligations of the Issuer under the Bond Issue, (b) according to its terms have a final redemption date or, when applicable, early redemption dates or amortisation dates or instalment dates which occur after the Maturity Date, (c) according to its terms yield only payment-in-kind for any interest exceeding CIBOR (3 months, floor at 0.00 per cent. to apply) plus 2 per cent. Annually and (ii) the Co-Investor Loan.

"**Subsidiary**" means a company over which another company has Decisive Influence.

"**Summons**" means the call for a Bondholders' Meeting or a Written Resolution as the case may be.

"**Super Senior Finance Documents**" means the agreement for the Super Senior Working Capital Facility, any guarantee facility agreement entered into between the Super Senior Creditors and the Issuer or any Guarantor relating to performance guarantees in its ordinary course of business, the Security Documents and the Intercreditor Agreement.

"**Super Senior Working Capital Facility**" means the working capital provided to the Issuer under the Super Senior Working Capital Facility Agreement and a guarantee facility (in Danish: "*garantiramme*"), and any refinancing or replacements thereof, subject to the following limitations:

(i) The nominal value of the working capital facility shall amount to maximum DKK 50,000,000; and

(ii) The guarantee facility may only include performance guarantees in respect of the ordinary course of business of the Issuer and/or the Guarantors.

"**Super Senior Creditors**" means the finance parties under the Super Senior Finance Documents.

"**TARGET Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in euro.

"**Tax Event Repayment Date**" means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.5 (*Early redemption option due to a tax event*).

"**Temporary Chartered Vessel**" means a fully operational vessel chartered or assumed on bareboat by the Group from an external party prior to a purchase of a New Vessel.

"**Total Assets**" means the aggregate amount which in accordance with the applicable accounting standards would be shown in the Issuer's Financial Reports as the total assets.

"**Transaction Costs**" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (i) the Bonds and (ii) the listing of the Bonds in accordance with Clause 4 (*Admission to listing*).

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means, collectively, the Escrow Account Pledge and all of the documents which shall be executed or delivered pursuant to Clause 2.5 (*Transaction Security*) expressed to create any Security by the relevant grantor thereof in respect of the Issuer's obligations under any of the Finance Documents.

"**Vessels**" means:

(a) "WIND", the offshore jack-up wind turbine O&M vessel with IMO no. 9107851;

(b) "WIND SERVER", the offshore jack-up wind turbine O&M vessel with IMO no. 9670793;

(c) "WIND PIONEER", the offshore jack-up wind turbine O&M vessel with IMO no. 8660222; and

(d) Any New Vessel.

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds and a Voting Bond shall mean any single one of those Bonds.

"**Written Resolution**" means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

### 1.2 Construction

In these Bond Terms, unless the context otherwise requires:

(a) headings are for ease of reference only;

(b) words denoting the singular number will include the plural and vice versa;

(c) references to Clauses are references to the Clauses of these Bond Terms;

(d) references to a time are references to Central European time unless otherwise stated;

(e) references to a provision of "**law**" is a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;

(f) references to a "**regulation**" includes any regulation, rule, official directive, request or guideline by any official body;

(g) references to a "**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organization, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;

(h) references to Bonds being "**redeemed**" means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;

(i) references to Bonds being "**purchased**" or "**repurchased**" by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer's purchase of Bonds*),

(j) references to persons "**acting in concert**" shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and

(k) an Event of Default is "**continuing**" if it has not been remedied or waived.

## 2. THE BONDS

### 2.1 Amount, denomination and ISIN of the Bonds

(a) The Issuer has resolved to issue a series of Bonds in the amount of up to EUR 25,000,000.

(b) The Bonds are denominated in Euro (EUR), being the single currency of the participating member states in accordance with the legislation of the European Community relating to Economic and Monetary Union.

(c) The Initial Nominal Amount of each Bond is EUR 1.

(d) The ISIN of the Bonds is NO 0010832512. All Bonds issued under the same ISIN will have identical terms and conditions as set out in these Bond Terms.

### 2.2 Tenor of the Bonds

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

### 2.3 Use of proceeds

The Issuer will use the net proceeds from the Bond Issue for:

(a) refinancing of the Existing Bond, including redemption costs;

(b) partial repayment of the Co-investor Loan;

(c) financing the purchase of BWC's shares in Jack-Up InvestCo 3;

(d) payment of Transaction Costs; and

(e) general corporate purposes of the Group.

**2.4 Status of the Bonds**

The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank pari passu between themselves and will rank at least pari passu with all other senior debt obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

**2.5 Transaction Security**

(a) As Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent within the times agreed in Clause 6 (*Conditions for disbursement*):

(i) the Escrow Account Pledge;

(ii) the Retention Account Pledge;

(iii) the Share Pledges;

(iv) the Assignments of Insurances;

(v) the Pledge of Intercompany Loans;

(vi) the Mortgages;

(vii) the Siemens Gamesa Contract Assignment; and

(viii) the Guarantees.

(b) The Transaction Security shall be expanded to include the Additional Security following a "Tap Issue" pursuant to and as defined under the bond terms of the First Lien Bonds, in accordance with Clause 13.17 (*Additional Security*).

(c) The Security (other than the Escrow Account Pledge) shall be shared between the Trustee (on behalf of the Bondholders) and the Super Senior Creditors in accordance with the terms of the Intercreditor Agreement. Nordic Trustee A/S will act as security agent on behalf of all of the Secured Creditors, both in respect of this Security and any additional security.

(d) The Intercreditor Agreement includes waterfall provisions where after, with respect to any proceeds from assets under the shared Security including the proceeds upon enforcement (including distressed disposals) of the shared Security, i) the payment obligations under the Super Senior Finance Documents shall rank above the payment obligations under the finance documents for the First Lien Bond (as defined in the bond terms for the First Lien Bonds), while ii) the payment obligations in respect of

the Bonds under the Finance Documents shall rank below the payment obligations under the Super Senior Finance Documents and finance documents for the First Lien Bond.

## 3. THE BONDHOLDERS

### 3.1 Bond Terms binding on all Bondholders

(a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.

(b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

### 3.2 Limitation of rights of action

(a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures, or take other action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.

(b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

### 3.3 Bondholders' rights

(a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.

(b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 (*Bondholders' rights*) and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

## 4. ADMISSION TO LISTING

(a) The Issuer shall procure that the Bonds, including any Additional Bonds:

(i) are listed at the corporate bond list on Oslo Stock Exchange no later than 60 calendar days after the Issue Date (and in case of any Additional Bonds, the Tap Issue Date), and use its best endeavours to complete such listing within 30 calendar days after the Issue Date (and in case of any Additional Bonds, the Tap Issue Date); and

(ii) are listed at the Frankfurt Open Market as soon as reasonably possible after the Issue Date (and in case of any Additional Bonds, the Tap Issue Date).

(b) The Issuer shall take all measures required to ensure that the Bonds, once listed on the Exchanges, continue being listed on the Exchanges for as long as any Bond is outstanding (however, taking into account the rules and regulations of these markets and the Paying Agent (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

## 5. REGISTRATION OF THE BONDS

### 5.1 Registration in the CSD

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

### 5.2 Obligation to ensure correct registration

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

### 5.3 Country of issuance

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

## 6. CONDITIONS FOR DISBURSEMENT

### 6.1 Conditions precedent for disbursement to the Issuer

(a) Payment of the net proceeds from the Bond Issue to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) these Bond Terms duly executed by all parties hereto;

(ii) the Intercreditor Agreement duly executed by all parties thereto;

(iii) copies of all necessary corporate resolutions of the Issuer to issue the Bonds and execute the Finance Documents to which it is a party;

(iv) a copy of a power of attorney (unless included in the corporate resolutions) from the Issuer to relevant individuals for their execution of the Finance Documents

to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer;

(v) copies of the Issuer's articles of association and of a full extract from the relevant company register in respect of the Issuer evidencing that the Issuer is validly existing;

(vi) the Escrow Account Pledge duly executed by all parties thereto and perfected in accordance with applicable law;

(vii) the Bond Trustee Fee Agreement duly executed by the parties thereto;

(viii) The Security Agent Fee Agreement duly executed by the parties thereto; and

(ix) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).

(b) The net proceeds from the Bond Issue (on the Escrow Account) will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) a duly executed release notice from the Issuer, as set out in Schedule 2;

(ii) unless delivered under this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*) paragraph (a) as pre-settlement conditions precedent:

(A) copies of all necessary corporate resolutions of each Obligor required to provide the Transaction Security and execute the Finance Documents to which it is a party;

(B) a copy of a power of attorney (unless included in the relevant corporate resolutions) from each Obligor to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the relevant Obligor; and

(C) copies of each Obligor's articles of association and of a full extract from the relevant company register in respect of each Obligor evidencing that the Obligors are validly existing

(iii) the relevant Transaction Security Documents duly executed by all parties thereto and evidence of the establishment and perfection of the Transaction Security set out in Clause 2.5 paragraph (a) (and any insurance covering such Transaction Security);

(iv) copies of any Intercompany Loan Agreements, together with the Intercompany Loans Subordination Undertaking;

(v) evidence that the Conditions Precedent for Disbursement of the First Lien Bond are all met and that disbursement of the First Lien Bonds will occur simultaneous to disbursement of the net proceeds from the Bonds.

(vi) evidence of discharge and release of all security and guarantees granted as security for the Issuer's obligations under the Existing Bond in connection with the full repayment and redemption of the Existing Bond; and

(vii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Obligors and the legality, validity and enforceability of the Finance Documents (unless delivered under this Clause 6.1 (Conditions precedent for disbursement to the Issuer) paragraph (a) as pre-settlement conditions precedent).

(c) The Bond Trustee, acting in its reasonable discretion, may, regarding this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*), waive the requirements for documentation, or decide in its discretion that delivery of certain documents shall be made subject to an agreed closing procedure between the Bond Trustee and the Issuer.

### 6.2 Distribution

Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee's confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee's discretion or waived by the Bond Trustee pursuant to paragraph (c) of Clause 6.1 above.

## 7. REPRESENTATIONS AND WARRANTIES

The Issuer makes the representations and warranties set out in this Clause 7 (*Representations and warranties*), in respect of itself and in respect of each Obligor to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

(a) at the date of these Bond Terms;

(b) at the Issue Date; and

(c) on each date of disbursement of proceeds from the Escrow Account.

### 7.1 Status

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

### 7.2 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Terms and any other Finance

Document to which it is a party and the transactions contemplated by those Finance Documents.

**7.3 Valid, binding and enforceable obligations**

Unless provided for in the Legal Reservations, these Bond Terms and each other Finance Document to which an Obligor is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

**7.4 Non-conflict with other obligations**

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

**7.5 No Event of Default**

(i) No Event of Default exists or is likely to result from the making of any drawdown under these Bond Terms or the entry into, the performance of, or any transaction contemplated by, any Finance Document.

(ii) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

**7.6 Authorizations and consents**

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

(i) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Terms or any other Finance Document to which it is a party; and

(ii) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

**7.7 Litigation**

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

**7.8 Financial Reports**

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

**7.9 No Material Adverse Effect**

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

**7.10 No misleading information**

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

**7.11 No withholdings**

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under these Bond Terms.

**7.12 Pari passu ranking**

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4.

**7.13 Security**

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

## 8. PAYMENTS IN RESPECT OF THE BONDS

**8.1 Covenant to pay**

(a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.

(b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.

(c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have

been made once the amount has been credited to the bank account nominated by the Bondholder in question.

(d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary have been set out for such payment in the relevant Finance Document.

**8.2 Default interest**

(a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus an additional three (3) per cent. per annum.

(b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 (*Default interest*) will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.

**8.3 Partial Payments**

(a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:

(i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);

(ii) secondly, towards accrued interest due but unpaid; and

(iii) thirdly, towards any principal amount due but unpaid.

(b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;

(i) the Bond Trustee has served a Default Notice in accordance with Clause 14.2 (*Acceleration of the Bonds*), or

(ii) as a result of a resolution according to Clause 15 (*Bondholders' decisions*).

**8.4 Taxation**

(a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.

(b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

(i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and

(ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

(c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

**8.5 Currency**

(a) All amounts payable under the Finance Documents shall be payable in the denomination of the Bonds set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*). If, however, the denomination differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.

(b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within five (5) Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

**8.6 Set-off and counterclaims**

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

**9. INTEREST**

**9.1 Calculation of interest**

(a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.

(b) Interest will accrue on the Nominal Amount of any Additional Bond for each Interest Period starting with the Interest Period commencing on the Interest Payment Date immediately prior to the issuance of the Additional Bonds (or, if the date of the issuance is not an Interest Payment Date and there is no Interest Payment Date prior to such date of issuance, starting with the Interest Period commencing on the Issue Date).

(c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days

basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee, who will notify the Issuer and the Paying Agent and, if the Bonds are listed, the Exchange, of the new Interest Rate and the actual number of calendar days for the next Interest Period.

**9.2 Payment of interest – issuance of PIK Bonds**

(a) Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

(b) The interest due on each Interest Payment Date shall be payable by issuance of PIK Bonds to the Bondholders for the calculated amount, to be settled in VPS. The PIK Bonds will carry interest from the forthcoming Interest Period.

(c) The interest due on each Repayment Date on the Bonds to be redeemed shall be payable in cash.

## 10. REDEMPTION AND REPURCHASE OF BONDS

**10.1 Redemption of Bonds**

The Outstanding Bonds (including PIK Bonds) will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

**10.2 Voluntary early redemption - Call Option**

(a) The Issuer may redeem all but not only some of the Outstanding Bonds (the "**Call Option**") on any Business Day from and including:

(i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;

(ii) the First Call Date to, but not including, the Interest Payment Date in October 2020 at a price equal to 103.00 per cent. of the Outstanding Nominal Amount;

(iii) the Interest Payment Date in October 2020 to, but not including, the Interest Payment Date in April 2021 at a price equal to 102.00 per cent. of the Outstanding Nominal Amount;

(iv) the Interest Payment Date in April 2021 to, but not including, the Interest Payment Date in July 2021 at a price equal to 101.00 per cent. of the Outstanding Nominal Amount; and

(v) the Interest Payment Date in July 2021 to, but not including, the Maturity Date at a price equal to 100.50 per cent. of the Outstanding Nominal Amount.

(b) Any redemption of Bonds pursuant to Clause 10.2 (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.

(c) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee and the Bondholders at least ten (10), but not more than twenty (20), Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall publish the Make Whole Amount to the Bondholders as soon as possible and at the latest within three (3) Business Days from the date of the notice.

**10.3 Voluntary early redemption – Equity Clawback**

(a) The Issuer may at one occasion, in connection with an Equity Listing Event, redeem the Outstanding Bonds (the "**Equity Clawback**"), at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable on the date of the Equity Clawback Repayment Date (however if such date falls before or until the First Call Date at 103.00 per cent) on the redeemed Bonds.

(b) The Equity Clawback may solely be carried out in an aggregate amount not exceeding the net cash proceeds received by the Issuer as a result of the relevant Equity Listing Event.

(c) The settlement date for the Equity Clawback (the "**Equity Clawback Repayment Date**") shall occur on an Interest Payment Date within 180 days after the relevant Equity Listing Event.

**10.4 Mandatory repurchase due to a Put Option Event – Optional Call**

(a) Upon the occurrence of a Change of Control Event, each Bondholder will have the right (the "**Put Option**") to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount.

(b) The Put Option must be exercised within 60 calendar days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Change of Control Event has occurred pursuant to Clause 12.3 (c) (the "**Exercise Period**"). Once notified, the Bondholders' right to exercise the Put Option is irrevocable and will not be affected by any subsequent events related to the Issuer.

(c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the twentieth ($20^{th}$) Business Day after the end of the Exercise Period. However, the settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date.

(d) The Issuer have a right of redemption of all Outstanding Bonds at a price equal to 104 per cent. of the Nominal Amount during the Exercise Period (the "**Optional Call**"). The Call Option must be exercised by notice to the Bond Trustee and the Bondholders. Such notice is irrevocable and shall specify the Call Option Repayment Date, which is to occur within twenty (20) Business Days after the end of the Exercise Period. However, the settlement of the Optional Call will be based on each Bondholders holding of Bonds at the applicable Call Option Repayment Date.

**10.5 Early redemption option due to a tax event**

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least twenty (20) Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

**10.6 Mandatory prepayment – Mandatory Prepayment Event**

(a) Upon the occurrence of a Mandatory Prepayment Event, the Issuer shall redeem (the "**Mandatory Prepayment**"):

(i) Upon the occurrence of an event as listed in paragraphs (a) to (c) of the definition of "Mandatory Prepayment Event"; 100 per cent of the Outstanding Bonds at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable on the date of the occurrence of the relevant Mandatory Prepayment Event;

(ii) Upon the occurrence of an event as listed in paragraph (d) of the definition of "Mandatory Prepayment Event"; 100 per cent of the Outstanding Bonds at 100 per cent of the Nominal Amount for each redeemed Bond;

(iii) Upon the occurrence of an event as listed in paragraphs (e) to (h) of the definition of "Mandatory Prepayment Event"; a portion of the Outstanding Bonds shall be redeemed at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable on the date of the occurrence of the relevant Mandatory Prepayment Event (however if such event falls before or until the First Call Date at 103.00 per cent) by applying all net proceeds retrieved from the relevant Mandatory Prepayment Event which remains after full redemption of the First Lien Bonds.

(b) The Mandatory Prepayment shall be carried out as soon as possible upon the Issuer's receipt of proceeds from the relevant Mandatory Prepayment Event (including insurance proceeds upon actual or constructive loss), however no later than 180 days after the relevant Mandatory Prepayment Event occurred.

(c) If Bonds are redeemed according to this Clause 10.5 (*Mandatory prepayment – Mandatory Prepayment Event*), the entire amount on the Escrow Account and the Retention Account, together with any amounts received as damages payments under any insurance proceeds may be applied to prepay the Bonds.

(d) Any Mandatory Prepayment made pursuant to subsection (iii) of Clause 10.5 (a) will be used for redemption of Outstanding Bonds in accordance with the applicable regulations of the CSD.

## 11. PURCHASE AND TRANSFER OF BONDS

### 11.1 Issuer's purchase of Bonds

The Issuer may purchase and hold Bonds and such Bonds may be retained or sold (but not cancelled except in connection with a full redemption of the Outstanding Bonds) in the Issuer's sole discretion.

### 11.2 Restrictions

(a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

(b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

## 12. INFORMATION UNDERTAKINGS

### 12.1 Financial Reports

(a) The Issuer shall prepare Annual Financial Statements in the English language and make them available on its website as soon as they become available, and not later than 120 days after the end of the financial year.

(b) The Issuer shall prepare Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period.

### 12.2 Requirements as to Financial Reports

(a) The Issuer shall supply to the Bond Trustee, in connection with the publication of its Interim Accounts pursuant to Clause 12.1 (b) (*Financial Reports*), a Compliance Certificate with a copy of the Interim Accounts attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer or the chief financial officer of the Issuer, certifying inter alia that the Interim Accounts are fairly representing its financial condition as at the date of those financial statements and setting out (in reasonable detail) computations evidencing compliance with Cause 13.16 (*Financial Covenants and Incurrence Test*) as at such date.

(b) The Issuer shall procure that the Financial Reports delivered pursuant to Clause 12.1 (*Financial Reports*) are prepared using GAAP consistently applied.

(c) When the Bonds have been listed on the Oslo Stock Exchange, the reports referred to under 12.1 above shall be prepared in accordance with IFRS and made available in accordance with the rules and regulations of Oslo Stock Exchange (as amended from time to time).

### 12.3 Information: Miscellaneous

The Issuer shall:

(a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;

(b) starting from the first anniversary of the Issue Date, prepare and make available to the Bond Trustee a Cash Report no later than twenty (20) Business Days before the second Interest Payment Date following after the relevant Liquidity Testing Date;

(c) promptly notify the Bond Trustee when the Issuer is or becomes aware of (i) the occurrence of a Change of Control Event, (ii) an Equity Listing Event or (iii) an Equity Clawback, and shall provide the Bond Trustee with such further information as the Bond Trustee may request (acting reasonably) following receipt of such notice;

(d) keep the latest version of the Bond Terms available on the website of the Group;

(e) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);

(f) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;

(g) send a copy to the Bond Trustee of its notices to the Exchanges;

(h) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;

(i) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and

(j) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

## 13. GENERAL AND FINANCIAL UNDERTAKINGS

The Issuer undertakes to (and shall, where applicable, procure that the other Group Companies will) comply with the undertakings set forth in this Clause 13 (*General and financial Undertakings*).

### 13.1 Authorisations

The Issuer shall, and shall procure that each other Group Company will, in all material respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out from time to time if a failure to do so would have Material Adverse Effect.

**13.2 Compliance with laws**

The Issuer shall, and shall procure that each other Group Company will, comply in all material respects with all laws and regulations to which it may be subject from time to time, if failure so to comply would have a Material Adverse Effect.

**13.3 Continuation of business**

The Issuer shall procure that no material change is made to the general nature of the business from that carried on by the Group at the Issue Date if such change would have a Material Adverse Effect.

**13.4 Mergers and de-mergers**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, carry out:

(i) any merger or other business combination or corporate reorganisation involving the consolidation of assets and obligations of the Issuer or any other Group Company with any other person other than with a Group Company; or

(ii) any demerger or other corporate reorganisation having the same or equivalent effect as a demerger involving the Issuer and any Group Company;

if such merger, demerger, combination or reorganisation would have a Material Adverse Effect.

(b) Paragraph (a) above does not apply to any Permitted Group Reorganisation.

**13.5 Financial Indebtedness**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, incur any additional Financial Indebtedness or maintain or prolong any existing Financial Indebtedness.

(b) Paragraph (a) above shall not prohibit any Group Company to incur, maintain or prolong any Permitted Debt.

**13.6 Negative pledge**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, create or allow to subsist, retain, provide, prolong or renew any Security over any of its/their assets (whether present or future).

(b) Paragraph (a) above does not apply to (i) any Permitted Security or (ii) any existing security in relation to indebtedness held by an entity acquired by a Group Company however so that such security may not be prolonged or renewed.

**13.7 Financial support**

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, be a creditor in respect of any Financial Support to or for the benefit of any person (including other Group Companies).

(b) Paragraph (a) above does not apply to Financial Support granted (i) in connection with Permitted Debt or (ii) to New Vessel SPVs as permitted under Clause 13.13 (*Capex restriction*).

**13.8 Related party transactions**

Without limiting Clause 13.2 (*Compliance with laws*), the Issuer shall, and shall procure that each other Obligor will, conduct all business transactions with any Affiliate (excluding other Group Companies) on an arm's length basis.

**13.9 Distributions**

(a) The Issuer shall not (unless replaced by Subordinated Capital in an equivalent amount), and shall procure that no other Group Company will:

(i) pay any dividend on its shares (other than loans, dividends and group contributions to the Issuer or another Group Company);

(ii) repurchase any of its own shares;

(iii) redeem its share capital or other restricted equity with repayment to shareholders;

(iv) grant any loans (other than to the Issuer or a wholly-owned Subsidiary of the Issuer);

(v) make any other similar distribution or transfers of value to the direct or indirect shareholder of the Issuer, or any Affiliates of the Issuer (other than to the Issuer or a Subsidiary of the Issuer); or

(vi) repay the Co-Investor Loan in parts or full, however this shall not prohibit the initial repayment of EUR 17,000,000 and payment of CIBOR plus two (2) per cent. annual cash interest on the Co-Investor Loan.

(b) Notwithstanding paragraph (a) of this Clause 13.9 (*Distributions*), a Restricted Payment may be made by the Issuer, if at the time of the payment:

(i) the Incurrence Test is fulfilled (calculated on a proforma basis including the relevant Restricted Payment);

(ii) the Equity Claw Back has been utilized in full;

(iii) an Equity Listing Event has occurred; and

(iv) if, at the time of the payment, the aggregate amount of all Restricted Payments of the Group in any fiscal year (including the Restricted Payment in question) does not exceed 25 per cent of the Group's consolidated net profit for the previous fiscal year.

**13.10 Clean down period – Senior Working Capital Facility**

The Issuer shall procure that during each calendar year (commencing in 2018) there shall be a period of five (5) consecutive days during which the amount outstanding under the Super Senior Working Capital Facility, less cash and cash equivalents of the Group, amounts to zero (0) or less, and not less than six (6) months shall elapse between two such periods.

**13.11 Vessel covenants**

(a) The Issuer shall, and shall procure that each other Group Company will (as applicable), have each Vessel classified and maintained in a class notation acceptable to the Bond Trustee (acting reasonably) with a reputable classification society.

(b) The Issuer shall, and shall procure that each other Group Company will (as applicable), maintain the registration of each Vessel in its name with a reputable ship registry (which shall include the Danish International Ship Register) or such other flag as consented to in writing by the Bond Trustee.

(c) The Issuer shall, and shall procure that each other Group Company will (as applicable), procure that each Vessel is kept in good and safe condition and state of repair consistent with prudent ownership and industry standard.

(d) The Issuer shall, and shall procure that each other Group Company will (as applicable), does not effect a sale or transfer of any Vessel without redemption of the Outstanding Bonds as provided for in Clause 10.5 (Mandatory Prepayment) (however this shall not prohibit a Permitted Group Reorganisation).

(e) The Issuer shall, and shall procure that each other Group Company will (as applicable), at all times comply in all material respects with any mandatory applicable national or international law, regulation, convention or treaty in a jurisdiction which an Obligor conducts business or any of Vessels will be operating.

**13.12 Maintenance and insurances**

(a) The Issuer shall at all times provide for reasonable and satisfactory maintenance of insurances of the Vessels and all relevant equipment related thereto.

(b) The Issuer shall procure that the Vessels are adequately insured against risks related to hull & machinery, war risk and hull & freight interest at least to the full value of Vessels and at least 120 per cent of the outstanding amount under the Finance Documents, and a third party liability insurance as per industry standards, as well as mortgagee interest insurance and loss of hire and any additional insurance required under any law or charter contracts.

(c) The insurances and loss payable clause shall be in accordance with the Norwegian Marine Insurance Plan or other insurances with no less favourable terms.

**13.13 Capex restriction**

The Issuer shall not (and procure that no other Group Company or New Vessel SPV) make or commit to enter into any new build contract for a new vessel or purchases or otherwise

acquires a New Vessel unless (a) such capital expenditures are limited to EUR 2,000,000 per annum from the Issue Date to the Maturity Date or (b) all of the following conditions are met:

(i) Any Financial Indebtedness raised for purchase of a New Vessel is limited to Financial Indebtedness as defined under clause (j) under the definition of Permitted Debt;

(ii) Security for the New Vessel is granted as stipulated under subsection (ii) of Clause 2.5 paragraph (a);

(iii) A minimum of 40 per cent. of the purchase price for such New Vessel is financed with new Equity or additional Subordinated Loans (not being the Co-Investor Loan);

(iv) A minimum Capacity Utilisation for the Vessels of 70 per cent. has been obtained during the most recent Reference Period;

(v) Funding from the Issuer is limited to EUR 45,000,000; and

(vi) The Incurrence Test is met on a pro forma basis excluding any Cash Equivalent Investments injected by the Issuer or any Subsidiary (not being the New Vessel SPV); or

(vii) any construction project relating to a New Vessel or any purchase or otherwise acquisition of a New Vessel that is conducted by a New Vessel SPV on a non-recourse basis (i.e. no guarantees extended or security granted from any part of the Group, including the Issuer) and fully funded by capital raised in an Equity Capital Raising; or

(viii) is acquired as a Temporary Chartered Vessel, provided that no New Vessel has been purchased or otherwise acquired as set out in paragraphs (i) to (vi) above (for the avoidance of doubt; such Temporary Chartered Vessel may be subsequently acquired).

### 13.14 Liquidity Investments

The Issuer shall ensure that the Group's freely available cash is not invested in instruments not qualifying as Cash Equivalent Investments, however this shall not restrict the use of cash for business purposes or according to the provisions of these Bond Terms.

### 13.15 Financial Covenants and Incurrence Test

(a) *Maintenance test (on Subordinated Capital Ratio)*

The Issuer shall at all times maintain a Subordinated Capital Ratio of minimum 30.0 per cent. in the first twelve (12) months from the Issue Date, to increase by 2.5 percentage points each subsequent year, to be tested quarterly on the basis of the Interim Report for such period and reported by delivery of a Compliance Certificate to the Bond Trustee no later than 60 days following the last day of the relevant financial quarter.

(b) *Incurrence Test*

The Incurrence Test is met if:

(i) the ratio of Net Interest Bearing Debt to EBITDA is not greater than:

(A) 5.00 from the Issue Date until 31 December 2018;

(B) 4.50 from 1 January 2019 until 31 December 2019;

(C) 4.00 from 1 January 2020 until the Maturity Date;

(ii) the Subordinated Capital Ratio exceeds 30.0 per cent. (to increase by 2.5 percentage points annually, the first increase to occur twelve (12) months after the Issue Date) on a *pro forma* basis; and

(iii) no Event of Default is continuing or would occur upon the incurrence.

(c) *Testing*

The calculation of the ratio of Net Interest Bearing Debt to EBITDA and Subordinated Capital Ratio shall be made as per a testing date determined by the Issuer, falling no more than two (2) months prior to the incurrence of the new Financial Indebtedness or making of a Restricted Payment.

The Net Interest Bearing Debt and Subordinated Capital Ratio shall be measured on the relevant testing date so determined, but include the new Financial Indebtedness provided it is an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt). EBITDA and Total Assets shall be calculated as set out below.

The figures for EBITDA for the Reference Period ending on the last day of the period covered by the most recent Financial Report, and the figures for Total Assets and Subordinated Capital on the Reference Date, shall be used for the Incurrence Test, but adjusted so that:

(i) entities acquired or disposed of by the Group during the Reference Period, or after the end of the Reference Period but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the EBITDA for the entire Reference Period;

(ii) any entity to be acquired with the proceeds from new Financial Indebtedness shall be included, pro forma, in the EBITDA for the entire Reference Period, and shall be included in the calculation of Total Assets;

(iii) any entities acquired or disposed of by the Group after the Reference Date but before the relevant testing date, shall be included or excluded (as applicable), pro forma, in the calculation of Total Assets;

(iv) any Subordinated Capital acquired by the Group after the Reference Date but before the relevant testing date, or to be acquired in connection with the New Financial Indebtedness, shall be included pro forma in the calculation of the Subordinated Capital Ratio;

(v) in the calculation of the Net Interest Bearing Debt and Subordinated Capital Ratio, the purchase price under any call-option to purchase a Temporary Chartered Vessel shall be excluded. In respect of any put-option to purchase a Temporary Chartered Vessel the purchase price shall be included less any amount that the Issuer is entitled to settle in shares, and be substituted with the payment amount under any walk-away option available for the Issuer with respect to any balance calculation in respect of a Temporary Chartered Vessel.

### 13.16 Permitted Group Reorganisation

(a) The Issuer is entitled to implement a Permitted Group Reorganisation, and the Bond Trustee shall cooperate in this respect by releasing Security Documents as provided for below.

(b) The Issuer shall, at latest at the completion of a Permitted Group Reorganisation, execute new Finance Documents for the proper replacement of the Mortgages and Assignments of Insurances provided by the Obligors that are to be dissolved as part of such reorganisation, upon which the original documents pertaining thereto shall be released by the Security Agent as instructed by the Bond Trustee. A Permitted Group Reorganisation cannot be completed prior to the Trustee having received legal opinions satisfactory to the Bond Trustee with respect to the legality, validity and enforceability of the new Finance Documents provided.

(c) The Guarantees and the Share Pledges relating to such Obligors shall be cancelled.

### 13.17 Additional Security

The Issuer shall ensure that the Additional Security is granted in favour of the Security Agent on behalf of the Bondholders simultaneously as the same is granted in favour of the Security Agent on behalf of the bondholders under the First Lien Bonds.

## 14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS

### 14.1 Events of Default

Each of the events or circumstances set out in this Clause 14.1 shall constitute an Event of Default:

(a) *Non-payment*

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

(i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within five (5) Business Days following the original due date; or

(ii) in the discretion of the Bond Trustee, the Obligor has substantiated that it is likely that such payment will be made in full within five (5) Business Days following the original due date.

*(b) Breach of other obligations*

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within twenty (20) Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

*(c) Misrepresentation*

Any representation, warranty or statement (including statements in Compliance Certificates) made under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made, unless the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within twenty (20) Business Days of the earlier of the Bond Trustee giving notice to the Issuer or the Issuer becoming aware of such misrepresentation.

*(d) Cross default*

If for any Group Company:

(i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described), or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds a total of EUR 1,000,000 (or the equivalent thereof in any other currency).

*(e) Insolvency and insolvency proceedings*

Any Obligor:

(i) is Insolvent; or

(ii) is object of any corporate action or any legal proceedings is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganization; or

(B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its obligations under these Bond Terms; or

(C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph 14.1 (d) (*Cross default*) above; or

(E) for (A) – (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company,

however this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within twenty (20) Business Days of commencement.

*(f) Creditor's process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor having an aggregate value exceeding the threshold amount set out in paragraph 14.1 (d) (*Cross default*) above and is not discharged within twenty (20) Business Days.

*(g) Unlawfulness*

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

(i) the ability of such Obligor to perform its obligations under these Bond Terms; or

(ii) the ability of the Bond Trustee or any Security Agent to exercise any material right or power vested to it under the Finance Documents.

**14.2 Acceleration of the Bonds**

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a Default Notice:

(a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or

(b) exercise (or direct the Security Agent to exercise) any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

### 14.3 Bondholders' instructions

The Bond Trustee shall serve a Default Notice pursuant to Clause 14.2 (*Acceleration of the Bonds*) if:

(a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or

(b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

### 14.4 Calculation of claim

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable at the following dates (and regardless of the Default Repayment Date set out in the Default Notice):

(i) for any Event of Default arising out of a breach of Clause 14.1 (*Events of Default*) paragraph (a) (*Non-payment*), the claim will be calculated at the price applicable at the date when such Event of Default occurred; and

(ii) for any other Event of Default, the claim will be calculated at the price applicable at the date when the Default Notice was served by the Bond Trustee,

provided however that until the First Call Date the applicable premium shall be 103% of the Outstanding Amount.

## 15. BONDHOLDERS' DECISIONS

### 15.1 Authority of the Bondholders' Meeting

(a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

(b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

(c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

(d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.

(e) At least 20 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.

(f) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (g) below.

(g) Save for:

(i) any amendments or waivers which can be made without resolution pursuant to Clause 17.1 (*Procedure for amendments and waivers*) paragraph (a), section (i) and (ii); and

(ii) a change of the listing of the Bonds to another exchange(s) located in the EEA, which (for the avoidance of doubt) may be resolved by simple majority of the Voting Bonds,

a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of any provisions of these Bond Terms, including a change of Issuer and change of Bond Trustee.

**15.2 Procedure for arranging a Bondholders' Meeting**

(a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:

(i) the Issuer;

(ii) Bondholders representing at least 1/10 of the Voting Bonds;

(iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or

(iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

(b) If the Bond Trustee has not convened a Bondholders' Meeting within ten (10) Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the re-questing party may itself call the Bondholders' Meeting.

(c) Summons to a Bondholders' Meeting must be sent no later than ten (10) Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in

accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).

(d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

(e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.

(f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).

(g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").

(h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt with regard to whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.

(i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.

(j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes

will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.

(k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).

(l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

**15.3 Voting rules**

(a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.

(b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.

(c) For the purposes of this Clause 15 (*Bondholders' decisions*), a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.

(d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

**15.4 Repeated Bondholders' Meeting**

(a) Even if the necessary quorum set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within ten (10) Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.

(b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exemption that the quorum requirements set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders'

Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.

(c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

**15.5 Written Resolutions**

(a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

(b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.

(c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.

(d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholder's Meeting*), Clause 15.3 (*Voting Rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:

(i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or

(ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5 (*Written Resolution*),

shall not apply to a Written Resolution.

(e) The Summons for a Written Resolution shall include:

(i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and

(ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority (the "**Voting Period**"), such Voting Period to be at least three (3) Business Days but not more than fifteen (15) Business Days from the date of the Summons, provided however that the Voting Period for a Written Resolution

summoned pursuant to Clause 15.4 (*Repeated Bondholders' Meeting*) shall be at least ten (10) Business Days but not more than fifteen (15) Business Days from the date of the Summons.

(f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.

(g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or paragraph (f) of Clause 15.1 (*Authority of Bondholders' Meeting*) has been achieved, based on the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution may also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.

(h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being achieved.

(i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (d) to (f) of Clause 15.1(*Authority of Bondholders' Meeting*).

## 16. THE BOND TRUSTEE

### 16.1 Power to represent the Bondholders

(a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.

(b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

(c) The Bond Trustee is appointed as agent and representative (in Danish: *fuldmægtig og repræsentant*) for the Bondholders pursuant to Chapter 4 of the Danish Capital Markets Act (in Danish: *kapitalmarkedsloven*) (as amended, supplemented and/or replaced from time to time) under and in connection with the Bonds.

### 16.2 The duties and authority of the Bond Trustee

(a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.

(b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.

(c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.

(d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.

(e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.

(f) The Bond Trustee will ensure that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.

(g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

(h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:

    (i) complying with instructions of the Bondholders; or

    (ii) taking any action at its own initiative,

    will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

(i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.

(j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal amount in order to facilitate partial redemptions, restructuring of the Bonds or other situations.

**16.3 Equality and conflicts of interest**

(a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

(b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

**16.4 Expenses, liability and indemnity**

(a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.

(b) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.

(c) The Bond Trustee shall not be considered to have acted negligently in:

(i) acting in accordance with advice from or opinions of reputable external experts; or

(ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders.

(b) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee’s obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.

(c) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond

Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Fee Agreement.

(d) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any of the Finance Documents which the Bond Trustee reasonably believes may constitute or lead to a breach of any of the Finance Documents or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.

(e) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to any Obligors, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee (or the Security Agent) in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds.

(f) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

**16.5 Replacement of the Bond Trustee**

(a) The Bond Trustee may be replaced according to the procedures set out in Clause 15 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.

(b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5 (*Replacement of the Bond Trustee*), initiated by the retiring Bond Trustee.

(c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5 (*Replacement of the Bond Trustee*).The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.

(d) The change of Bond Trustee's shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.

(e) Upon change of Bond Trustee the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

**16.6 Security Agent**

(a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents. The Security Agent has on the date hereof been appointed pursuant to the Intercreditor Agreement and replacement hereof, including in case of insolvency, shall follow the provisions of the Intercreditor Agreement.

(b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.

(c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

(d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.

(e) The provisions set out in Clause 16.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

## 17. AMENDMENTS AND WAIVERS

### 17.1 Procedure for amendments and waivers

(a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:

(i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes; or

(ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or

(iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).

(b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

### 17.2 Authority with respect to documentation

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

### 17.3 Notification of amendments or waivers

The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17 (*Amendments and waivers*), setting out the date from which the amendment or waiver will be effective, unless such notice obviously is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.

## 18. MISCELLANEOUS

### 18.1 Limitation of claims

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

### 18.2 Access to information

(a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the

Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.

(b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.

(c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

**18.3 Notices, contact information**

Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

(a) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).

(b) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter, e-mail or fax. Any such notice or communication will be deemed to be given or made as follows:

(i) if by letter, when delivered at the address of the relevant party;

(ii) if by e-mail, when received; and

(iii) if by fax, when received.

(c) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

(d) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):

(i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;

(ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and

(iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

**18.4 Defeasance**

(a) Subject to paragraph (b) below and provided that:

(i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the Maturity Date (including, to the extent applicable, any premium payable upon exercise of the Call Option), and always subject to paragraph (c) below (the "**Defeasance Amount**") is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the "**Defeasance Account**");

(ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the "**Defeasance Pledge**"); and

(iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,

then;

(A) the Issuer will be relieved from its obligations under Clause 12.2 (*Requirements as to Financial Reports*) paragraph (a), Clause 12.3 (*Information: Miscellaneous*) and Clause 13 (*General and financial undertakings*);

(B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and

(C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.

(b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.

(c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems required.

A defeasance established according to this Clause 18.4 may not be reversed.

## 19. GOVERNING LAW AND JURISDICTION

**19.1 Governing law**

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

**19.2 Main jurisdiction**

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

**19.3 Alternative jurisdiction**

Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

(a) to commence proceedings against the Issuer or any other Obligor or any of their respective assets in any court in any jurisdiction; and

(b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

-----000-----

These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

**The Issuer:**

**ZITON A/S**

.....

By:

Position:

**As Bond Trustee:**

**NORDIC TRUSTE AS**

.....

By: Morten S. Bredesen

Position: P.P.

**As Security Agent:**

**NORDIC TRUSTEE A/S**

.....

By:

Position:

These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

**The Issuer:**

**ZITON A/S**

.....

By: JENS M HATKRUM

Position: CFO

**As Bond Trustee:**

**NORDIC TRUSTE AS**

.....

By:

Position:

**As Security Agent:**

**NORDIC TRUSTEE A/S**

NT

.....

By: JACOB ALEXANDER

Position: CEO

## SCHEDULE 1
## COMPLIANCE CERTIFICATE

[date]

**Ziton A/S FRN second secured EUR 25,000,000 callable PIK bonds 2018/2022 ISIN NO 0010832512**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements as to Financial Reports*) of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Statements to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [●].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate and there has been no material adverse change to the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you. Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

The Financial Covenants set out in Clause 13.15 (*Financial Covenants and Incurrence Test*) are met, please see the calculations and figures in respect of the ratios attached hereto.

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

NX

_____

*Name of authorised person*

*Enclosure: Financial Statements; [and any other written documentation]*

## SCHEDULE 2
## RELEASE NOTICE – ESCROW ACCOUNT

[date]

Dear Sirs,

**Ziton A/S FRN second secured EUR 25,000,000 callable PIK bonds 2018/2022 ISIN NO 0010832512**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw an amount of [currency and amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, and (ii) we repeat the representations and warranties set out in the Bond Terms as being still true and accurate in all material respects at the date hereof.

Yours faithfully,

NX

_____

Name of authorized person

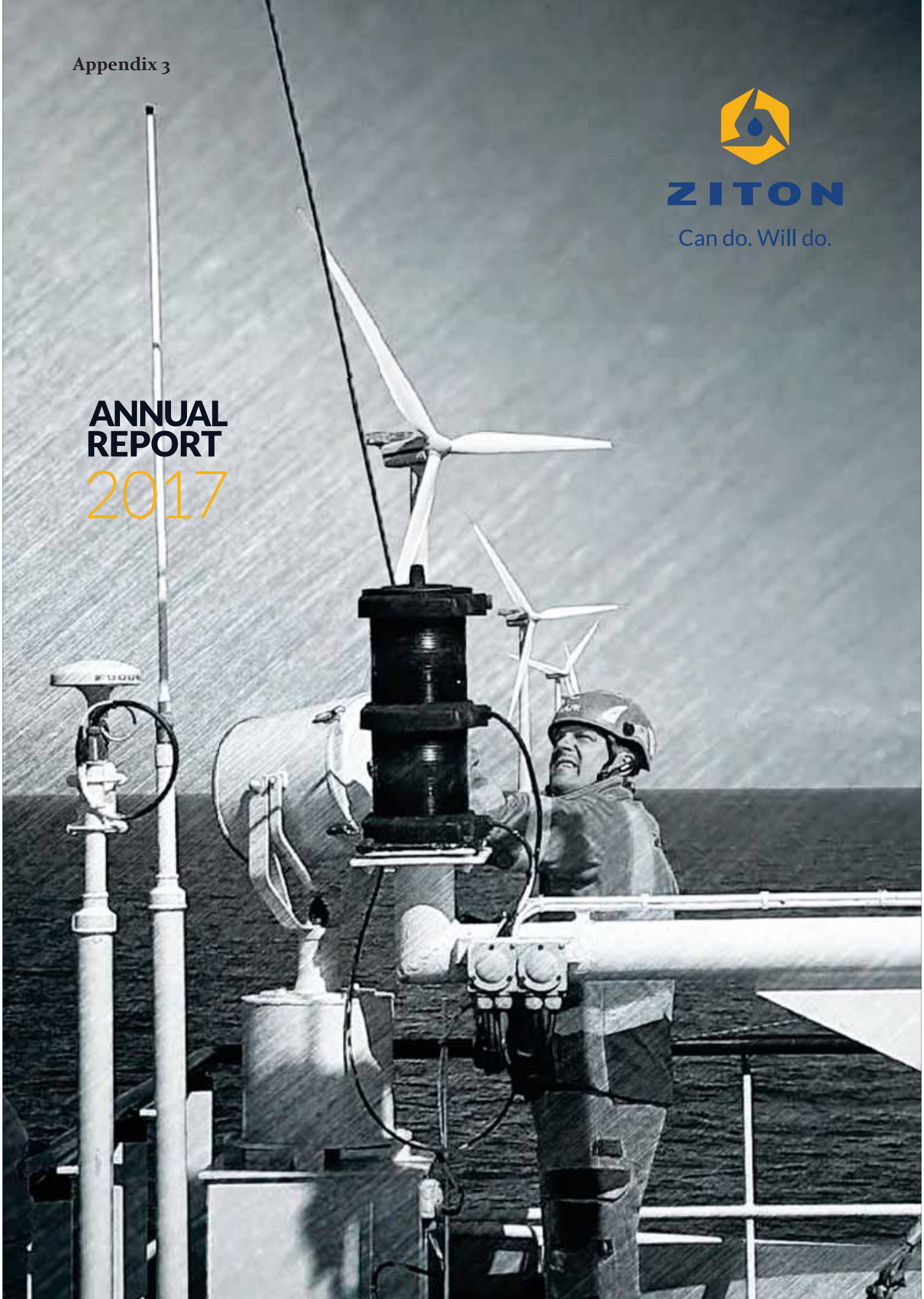
Enclosure: [copy of any written documentation evidencing the use of funds]

Appendix 3

ZITON

Can do. Will do.

# ANNUAL REPORT 2017



**COMPANY**
ZITON A/S
Bygholm Søpark 21E
8700 Horsens
Denmark

**WEBSITE**
www.ziton.eu

**PRODUCTION**
Datagraf
Communications A/S

13
YEARS AT SEA

**Svenning L. Dybdal, Master,**
**J/U WIND**

"Together we succeed."

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# ZITON
# AT A GLANCE

ZITON is the market-leading service provider within offshore wind operations & maintenance. ZITON has carried out more than 600 service interventions at 46 wind farms.

ZITON's primary business is to provide jack-up services for major component replacements, including gearboxes, blades, generators, transformers, main bearings, main shafts and full rotors.

In addition, ZITON provides jack-up services such as installation support, blade repair and decommissioning of turbines, foundations and met masts.

We offer our customers full-service solutions with maritime project planning & execution, lift planning & execution, specialised tools & lifting equipment and technicians in addition to jack-ups with experienced crews. Our customers are leading wind turbine manufacturers and wind farm owners.

ZITON owns and operates three jack-up vessels:

- J/U WIND SERVER is the first jack-up vessel purpose built to provide offshore wind operations & maintenance services
- J/U WIND PIONEER is a converted jack-up vessel adapted to the offshore wind industry
- J/U WIND has the longest proven track record in the industry in terms of major component replacements

ZITON has about 75 employees offshore, and about 25 onshore at the office in Horsens, Denmark.

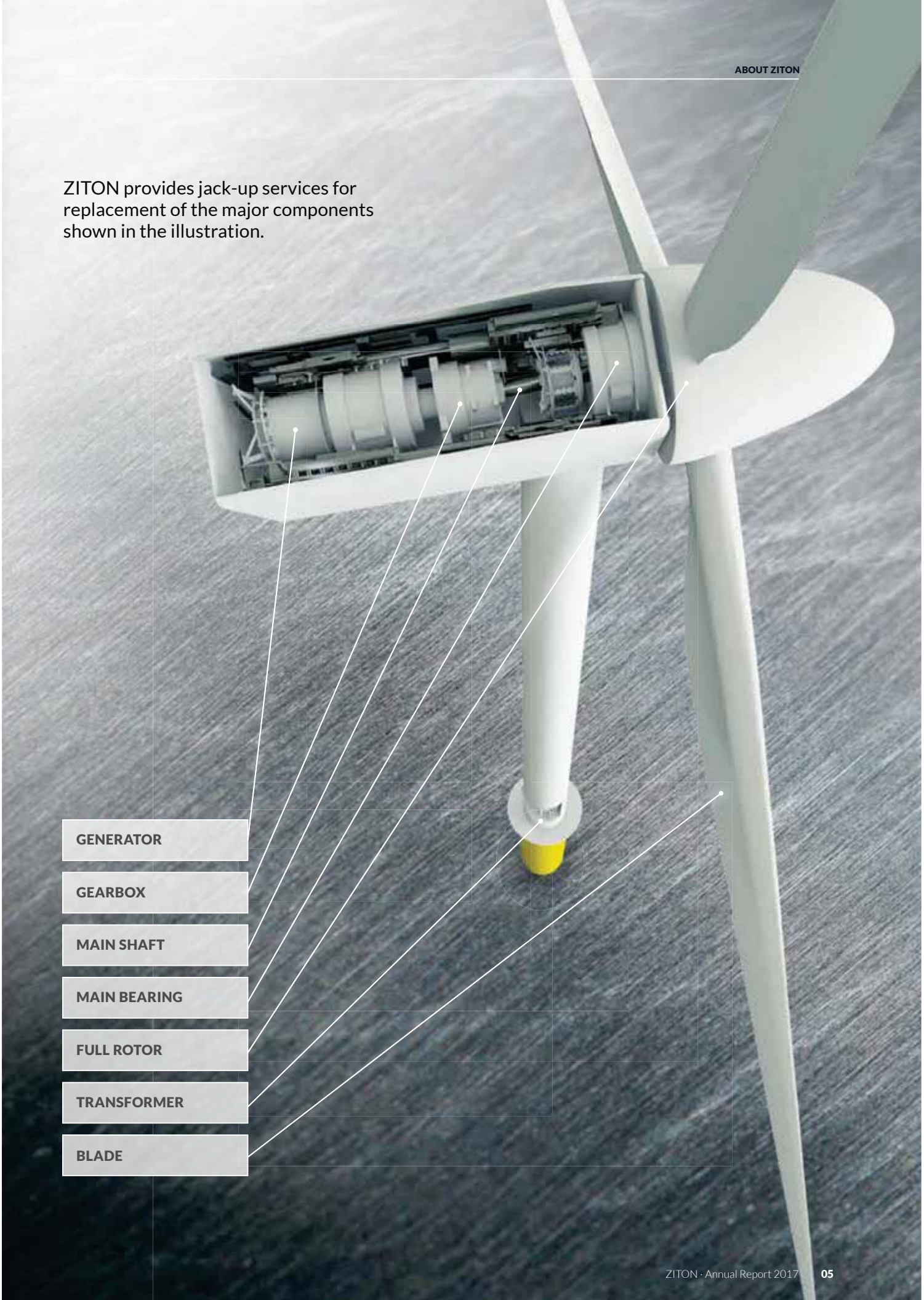
> ZITON is a strategic partner to Siemens Gamesa Renewable Energy. This entails more than providing a product or a service. It is a mutual commitment to continual improvement and developing future solutions. As such the ZITON/SGRE business relationship is both deep and trustful.
>
> Rene Cornelis Wigmans,
> Head of Global Maritime and Aviation Solutions,
> Siemens Gamesa Renewable Energy

**FOUR MAIN PHASES OF AN OFFSHORE WIND FARM**

Orange shading indicates services provided by ZITON.

| | SURVEY AND DEVELOPMENT (typically 2-5 years) | | CONSTRUCTION (around 2 years) | | O&M (20-25 years) | | DECOMMISSIONING (1-2 years) | |
|---|---|---|---|---|---|---|---|---|
| SERVICES | Environmental survey | Geophysical survey | Turbine foundation installation | Substation and cable installation | Remote monitoring | Major component replacement | Turbine foundation decom-missioning | Met mast decom-missioning |
| | Geotechnical survey | Installation of met mast | Turbine installation | Installation support | O&M routines | Blade repair | Turbine decom-missioning | Substation decom-missioning |

ZITON provides jack-up services for replacement of the major components shown in the illustration.



# HIGHLIGHTS **OF THE YEAR**

In this section, ZITON CEO Thorsten Jalk comments on the performance of 2017 and the outlook for the coming year.

## Q&A

**Q:** What were your main priorities in 2017?
**A:** At the start of the year, we completed a strategy development process to define our direction for the coming years. We had intense and thorough discussions of what comprises our distinctive competences, which markets to compete in and how to compete. In other words, we laid out ZITON's strategic direction for the coming years.

Of course our day-to-day operations will always be a priority. The J/U WIND SERVER was on-hire for all of 2017, operating on charter with Siemens Gamesa. Our two other vessels, J/U WIND PIONEER and J/U WIND, also continue to perform well. I'm pleased to say that we have the industry's largest fleet of dedicated O&M jack-ups for the offshore wind industry.

**Q:** What are the key elements of your strategy?
**A:** When we developed our strategy, we prepared a thorough market analysis and hired consultants to interview our customers to get their input. Based on the analysis results, we evaluated and prioritised different strategic options. The key elements of our strategy is to continue to grow together with our customers as turbines become larger, and also to offer value added services demanded by our customers, expand geographically and to digitalise our business.

**Q:** What precisely are value added services?
**A:** 'Value added services' is something we continuously define together with our customers. Obviously, they are eager to reduce the costs of operating their wind farms and we can, for example, help by preparing lifting plans for major component replacement. More and more often, customers ask us to provide a lifting supervisor to oversee that the lift is carried out according to plan. We are gradually expanding the range of services we can offer, and increasingly, customers ask for a full-service solution with maritime project planning & execution, lift planning & execution and specialised tools & lifting equipment. Through ZITON Contractors, which we established in February 2017, we can also provide technicians to work on the turbines. This is a service that has attracted much more interest from customers than we had anticipated.

**Q:** When do you plan to purchase a larger vessel?
**A:** Clearly, today's new turbines have twice the capacity they had two or three years ago, and three times more than ten years ago. As turbines become larger and larger, we will need larger vessels to service them. One of the discussions we had during our strategy process was how large a vessel we would need and when. You don't want to be too early, nor too late when defining the vessel size that will match the market requirements. However, we must not forget that a larger vessel will primarily benefit our customers, so customer commitment is necessary to build a case for a larger vessel.

**Q:** Where do you expect to expand geographically?
**A:** We are still exploring market opportunities in different parts of the world, but certainly we have set our eyes on Asia and the USA. We see both as upcoming markets in the next few years. At ZITON, we have many years' experience in providing O&M services for offshore wind in Europe. That means we have a highly attractive value proposition for international markets, because through us they can jump the learning curve by 10-15 years.

**Q:** Digitalisation seem to be on everyone's mind these days – how will digitalisation affect at ZITON?
**A:** Obviously, we are not a company that sells products or services on the internet. As such, digitalisation means something different to us than it might to other companies. Digitalisation to us involves enabling smooth collaboration with customers and automating our internal processes.

The ZITON Portal enables us to exchange project documentation seamlessly with our customers. We use a cloud-based solution on which customers can interact with us using an ordinary

Thorsten Jalk, CEO, ZITON.

browser. This is a very cost-effective solution that allows customers to access all documentation in one place.

For our internal processes we maintain all our safety and quality management documentation on the ZITON Portal, for our own and for our customers' convenience. Furthermore, in 2017 we implemented a new ERP system that functions as the backbone of our internal finance processes.

Over the years, we have developed a business intelligence system that provides us with unique insights into the market for offshore wind farms, failure rates, etc. In it we store data from major component replacements performed over more than ten years. Undoubtedly, we have the most comprehensive market insights in the industry.

> ZITON's know-how and their dedication to main component replacement makes them an appreciated partner to Vattenfall's offshore wind business."
>
> **Magnus Jansson, Project manager, Business Development, Vattenfall Wind Power.**

# J/U WIND SERVER

## TECHNICAL SPECIFICATIONS

### GENERAL INFORMATION
**Length, overall:** 79.5 m
**Width, overall:** 32.3 m
**Hull depth:** 7.4 m
**Pre-loading capacity, active:** 3,000 t/leg
**Elevating speed:** 1.0 m/minute
**Transit speed:** approx. 9 knots
**Accommodation:** 24 single cabins for charterer and 15 single cabins for crew

### CARGO CAPACITY
**Payload:** 1,760 t
**Main deck area:** Approx. 1,200 m²

### MAIN CRANE AND LIFTING CAPACITY
**Main crane:** Liebherr BOS 14000
**Main crane boom length:** 87 m
**Main crane max. lifting capacity:** 400 t at 20 m radius at 96 m height above deck

### OPERATING CONDITIONS
**Service:** Unrestricted (as per DNV rules)
**Endurance:** 30 days
**Jacking operations - wave height:** Up to 2.6 m
**Jacking operations - wind:** Up to 15 m/s
**Jacking operations - tidal current:** Up to 3 kn.
**Jacking operations – max. depth:** Up to 45 m

# J/U WIND PIONEER

## TECHNICAL SPECIFICATIONS

### GENERAL INFORMATION
**Length, overall:** 56.0 m
**Width, overall:** 28.0 m
**Hull depth:** 4.5 m
**Pre-loading capacity, active:** 1,200 t/leg
**Elevating speed:** 0.5 m/minute
**Transit speed:** 5 knots (towed)
**Accommodation:** 22 single cabins for charterer and 12 single cabins for crew

### CARGO CAPACITY
**Payload:** 650 t
**Main deck area:** Approx. 530 m²

### MAIN CRANE AND LIFTING CAPACITY
**Main crane:** Liebherr BOS 7500
**Main crane boom length:** 78 m
**Main crane max. lifting capacity:** 150 t at 19 m radius at 78 m height above deck

### OPERATING CONDITIONS
**Service:** Unrestricted (as per DNV rules)
**Endurance:** 30 days
**Jacking operations - wave height:** Up to 1.35 m
**Jacking operations - wind:** Up to 15 m/s
**Jacking operations - tidal current:** Up to 2.5 kn.
**Jacking operations – max. depth:** Up to 34 m

# J/U WIND

## TECHNICAL SPECIFICATIONS

### GENERAL INFORMATION

**Length, overall:** 55.1 m
**Width, overall:** 18.1 m
**Hull depth:** 4.0 m
**Pre-loading capacity, active:** 600 t/leg
**Elevating speed:** 0.7 m/minute
**Transit speed:** 6 knots
**Accommodation:** 20 single cabins for charterer and 11 single cabins for crew

### CARGO CAPACITY

**Payload:** 220 t
**Main deck area:** Approx. 430 m²

### MAIN CRANE AND LIFTING CAPACITY

**Main crane:** Liebherr LTR 11200
**Main crane boom length:** 28-110 m (telescopic)
Main crane max. lifting capacity: 40 tons at 20 m radius at 100 m height above deck

### OPERATING CONDITIONS

**Service:** Weather restricted, site specific
**Endurance:** 30 days
**Jacking operations - wave height:** Up to 0.75 m
**Jacking operations - wind:** Up to 10 m/s
**Jacking operations - tidal current:** Up to 1 kn.
**Jacking operations – max. depth:** Up to 35 m

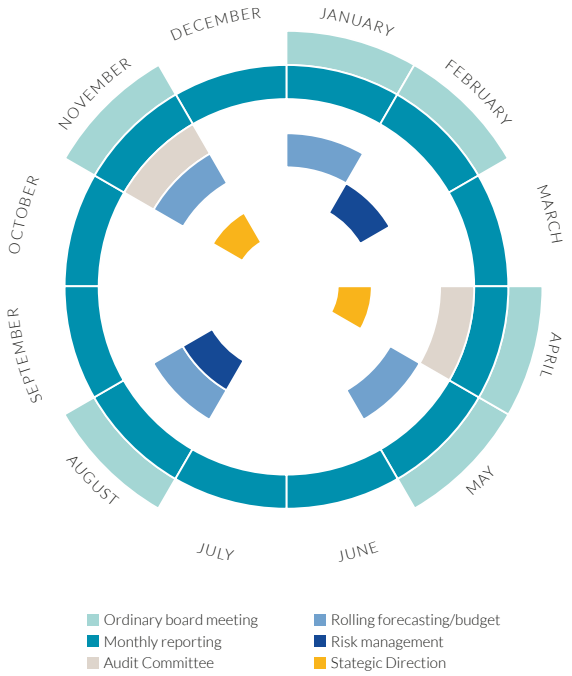
# MANAGEMENT AND BOARD

ZITON's governance structure aims to support the Company's strategic development and long-term value creation.

## RESPONSIBILITIES OF THE BOARD

Pursuant to Danish legislation, ZITON has a two-tier management structure consisting of the Board of Directors and the Executive Management Team, with no individual being a member of both. The division of responsibilities between the Board of Directors and the Executive Leadership Team is outlined in the Rules of Procedure for the Board of Directors.

In 2017, the Board of Directors held a total of six board meetings. The Board of Directors has established an Audit Committee consisting of the entire Board of Directors. The annual cycle of board meetings, illustrated below, ensures that the Board regularly reviews all topics relating to strategic development, risk management, operational and financial performance and compliance.




## RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Board of Directors has the overall responsibility for ZITON's control environment. The Board of Directors has established an audit committee consisting of the entire Board of Directors. The Audit Committee is responsible for monitoring on an ongoing basis the internal control and risk management systems related to the financial reporting process. The Board of Directors approves the overall policies and procedures in key areas of financial reporting. ZITON has implemented formalised processes for its internal and external financial reporting.

## DIVERSITY IN BOARD OF DIRECTORS

ZITON's Articles of Association require the Board of Directors to have from three to six members elected at the Annual General Meeting. Currently, the Board has six members. They are elected for terms of one year. Nominations for the Board of Directors are based on an evaluation of factors such as competencies, diversity, independence and prior performance. ZITON recognises the value of diversity, including gender related diversity. The Board of Directors has set targets for the share of the underrepresented gender on the Board of Directors. The target is for an increase from 0% (0 out of 6) to 33% (2 out of 6).

The measurement period runs from the annual general meeting held in April 2017 to the annual general meeting to be held in April 2020. The efforts to identify and nominate a suitable candidate of the underrepresented gender for the Board of Directors for the Annual General Meeting in April 2018 were unsuccessful. Consequently, no progress has been achieved towards this target.

## DIVERSITY IN OTHER MANAGEMENT LEVELS

The Board of Directors has drawn up a policy for increasing the share of the underrepresented gender at other management levels. ZITON aims to employ the best candidates, and a candidate's qualifications must therefore always be the decisive factor in external and internal recruitment processes. It is our policy to provide equal opportunities for men and women, and we seek to have both genders presented as candidates in all recruitment processes. ZITON has had relatively little success in increasing the proportion of women at other management levels. We believe this is due to the general employment patterns in the offshore wind and shipping industries, where men are generally overrepresented.

# EXECUTIVE MANAGEMENT TEAM

**THORSTEN JALK**
Chief Executive Officer
Appointed CEO in 2011
Born 1967

Mr Jalk has almost 20 years of experience from the offshore wind industry and held numerous high-level positions prior to being appointed CEO of ZITON A/S.
**Previous engagements:** Mr Jalk has experience from being an owner and senior consultant with WayPoint Consult ApS in Denmark. During the period from 2000 to 2011, Mr Jalk worked for A2SEA A/S where he held the following positions: head of Service Solutions, director of Marine Operations and logistics manager. Mr Jalk served in the Danish armed forces from 1987 to 2000.
**Educational background:** Master of Transport and Maritime Management (MTMM) from the University of Southern Denmark, 2010. In addition, Mr Jalk has completed the Executive Management Programme at INSEAD, 2016.

**JENS MICHAEL HAURUM**
Chief Financial Officer
Appointed CFO in April 2015
Born 1966

**Previous engagements:** Mr Haurum was CFO at Borg Automotive A/S and head of group finance and investor relations at BioMar Group A/S and has also held various positions in the financial services industry.
**Educational background:** Mr Haurum holds an HD Graduate Diploma in Business Administration (Accounting) from Aarhus University, an HD Graduate Diploma in Business Administration (International Management) from Copenhagen Business School and a Master of Business Administration from Henley Business School in the UK.

**RASMUS MÜHLEBACH**
Chief Legal Officer
Appointed CLO in April 2015
Born 1980

Mr. Mühlebach joined ZITON in June 2012 as Chief Financial Officer and was appointed Chief Legal Officer in April 2015.
**Previous engagements:** Prior to joining ZITON, Mr Mühlebach held positions as CFO and business developer with NordEstate A/S.

**Educational background:** Mr Mühlebach graduated in 2007 with a Master of Science in Business Administration and Commercial Law and a Bachelor of Science in Economics and Corporate Law from the Aarhus School of Business (Aarhus University).

**BENT THAMBO JENSEN**
Chief Commercial Officer
Appointed CCO in September 2015
Born 1972

**Previous engagements:** Prior to joining ZITON, Mr Jensen held positions as a key account manager with A2SEA A/S, sales and marketing manager with Statoil Gazelle A/S, commercial sales manager at Siemens Wind Power A/S and as regional manager with Energi Danmark A/S.
**Educational background:** MA in Business, Language and Culture (cand. negot) from Odense University.

**MADS ALBÉR**
Chief Operating Officer
Appointed COO in April 2015
Born 1970

**Previous engagements:** Prior to joining ZITON, Mr Albér worked as an operations manager with Fred. Olsen Windcarrier. He worked for ZITON from 2008 to 2011 as Master Mariner (2009-2011) and HSEQ manager (2008-2009). Before joining ZITON, Mr Albér held positions as SQE manager (2008) and marine superintendent (2006-2008) with the Clipper Group.
**Educational background:** Mr Albér is a Master Mariner and holds a degree in navigation from Marstal Navigationsskole.

# BOARD OF DIRECTORS

**VAGN LEHD MØLLER**
Chairman of the board since March 2012
Born 1946
Appointed by BWB Partners

**Current engagements:** Mr Møller is Chairman of the Board of Directors of ZITON A/S. He is also a member of the boards of directors of Jack-Up InvestCo 3 Plc and Costamare Inc.
**Previous engagements:** Mr Møller has worked his entire career in different positions with A.P. Møller-Maersk. He has also held numerous positions as chairman or member of the boards of directors of a number of A.P. Møller-Maersk affiliated companies.
**Educational background:** Management Studies at CEDEP (European Center for Executive Development), INSEAD and the University of Western Ontario.

**ESBEN BAY JØRGENSEN**
Member of the board since January 2012
Born 1969
Appointed by BWB Partners

**Current engagements:** Mr Jørgensen is a founder and partner of BWB Partners. He serves as a member of the boards of directors of Hydratech Industries A/S, SH Group A/S, System Frugt A/S and Qubiqa Esbjerg A/S.
**Previous engagements:** Prior to founding Odin Equity Partners (today known as BWB Partners) in 2005, Mr Jørgensen worked with the consultancy firm AlixPartners. Before that, Mr Jørgensen spent some eight years with The Boston Consulting Group.
**Educational background:** Master of Science in Economics and Business Administration from Copenhagen Business School, McGill University, Montreal, and Università degli Studi di Siena, Italy.

**LARS THORSGAARD JENSEN**
Member of the board since January 2012
Born 1974
Appointed by BWB Partners

**Current engagements:** Mr Jensen is Partner at BWB Partners. He serves as a member of the boards of directors of Heatex AB and SSG Group A/S.
**Previous engagements:** Mr Jensen has a background within investment banking. He previously worked for six years as a director at Carnegie Investment Banking in Copenhagen and for two years with Morgan Stanley Investment Banking in London.
**Educational background:** Master of Science in Management & Economics (cand. oecon) from Aarhus University.

**OVE C. ERIKSEN**
Member of the board since January 2008
Born 1960
Appointed by Dansk Bjergning og Bugsering Holding ApS

**Current engagements:** Mr Eriksen serves as a director of Dansk Bjergning og Bugsering A/S.
**Previous engagements:** Founded Dansk Bjergning og Bugsering A/S in 1989. Founded DBB Jack-Up Services A/S in 2008.
**Educational background:** Electrician.

**MORTEN MELIN**
Member of the board since April 2017
Born 1968
Appointed by BWB Partners

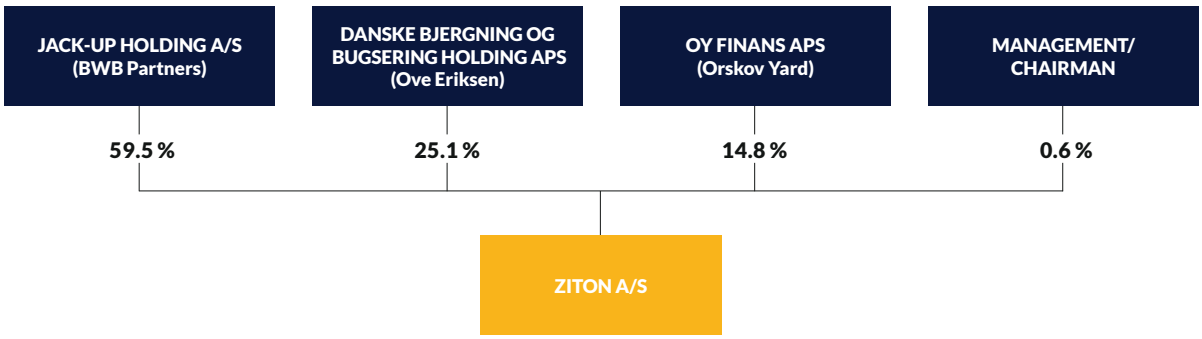
**Current engagements:** Mr Melin serves as Executive Vice President, Construction of Northland Power Inc.
**Previous engagements:** Mr Melin has held a number of positions with both wind turbine manufacturers and utilities. Most recently, he served as Vice President EPC & Construction Management at Ørsted and as a member of the board of A2SEA A/S. Previously served as Vice President Project & Technology at MHI Vestas Offshore.
**Educational background:** BSc. Mechanical Engineering from Aarhus Teknikum. Advanced Corporate Finance Programme from London Business School and Executive Leadership Development from INSEAD

**NIELS ØRSKOV CHRISTENSEN**
Member of the board since December 2016
Born 1943
Appointed by OY Finans ApS

**Current engagements:** Mr Ørskov Christensen serves as a chairman of the board of directors of Orskov Yard A/S and OY Finans ApS.
**Previous engagements:** Mr Ørskov Christensen has worked his entire career in the shipyard industry, both as a naval architect and as a CEO. He is a former chairman of the Danish Shipyard Industry Association (Skibsværftsforeningen – now Danske Maritime), a position he held for several years while also serving on the board of representatives of Danish Ship Finance (Danmarks Skibskreditfond).
**Educational Background:** Naval architect.

# OWNERSHIP STRUCTURE

**THE OWNERSHIP STRUCTURE AND CURRENT SHAREHOLDINGS IN THE COMPANY ARE SET OUT BELOW**



## JACK-UP HOLDING A/S - BWB PARTNERS

BWB Partners is an independent owner-led Danish investment firm investing in small and medium-sized companies with a turnover of up to EUR 100 million and a strong growth potential.

BWB Partners was founded in 2015 in connection with the reorganisation of the former Odin Equity Partners' funds. As part of this reorganisation the investor base was renewed, a generational change in the management of BWB Partners was carried out, and investors added further commitments to the funds. BWB Partners manages two funds, investing on behalf of Danish and international investors. Both are active funds and open for new investment opportunities. BWB Partners I has a committed capital of EUR 175 million, while BWB Partners II has a capital commitment of EUR 130 million. ZITON is an investment held in BWB Partners II.

The investor base at BWB Partners includes Danish and international institutional investors and dedicated private-equity investors (fund-of-funds). BWB Partners II consists of Danish pension funds (15.1%), foreign financial investors (83.7%) and other foreign investors (1.2%).

BWB Partners takes an active ownership approach in respect of its portfolio companies. The aim is to drive each company towards becoming an attractive medium-sized business with a strong market position and healthy earnings. As achieving such transformation of a company can be a major task, the investment horizon is usually four to seven years.

BWB Partners is a member of the DVCA trade association and follows DVCA guidelines on corporate governance and recommendations on responsible ownership. Consequently, ZITON is also subject to the DVCA's corporate governance guidelines. For further information, please visit the DVCA website at www.dvca.dk.

## DANSK BJERGNING OG BUGSERING HOLDING APS

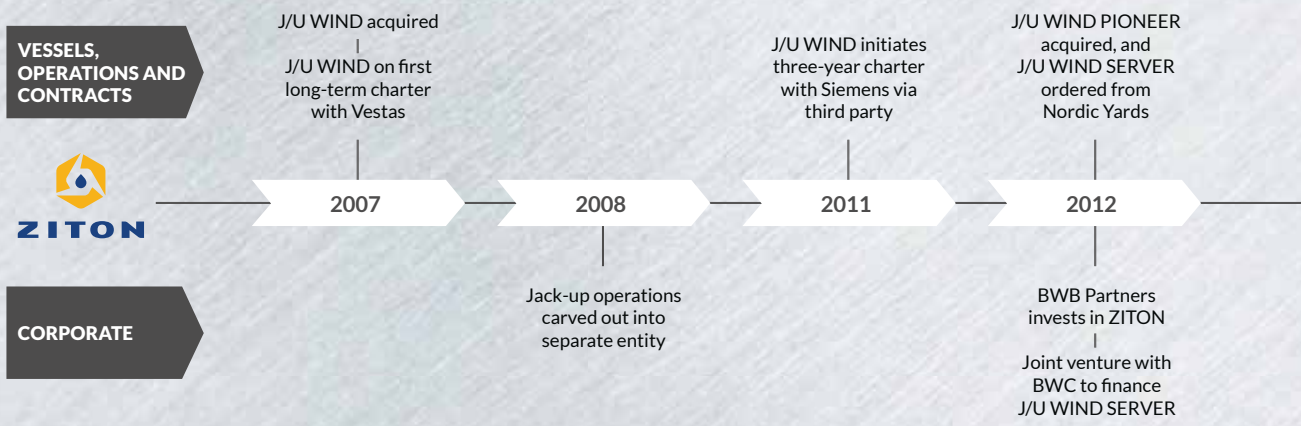
In addition to its shareholding in ZITON A/S, the company owns Dansk Bjergning og Bugsering A/S, an ROV operations company.

## OY FINANS APS

OY Finans ApS is part of the Orskov Group, which owns and operates Orskov Yard in Frederikshavn, Denmark, where the conversion of J/U WIND PIONEER took place. The yard employs 200 people and comprises three docks.

# HISTORY OF THE COMPANY

ZITON has its roots in the offshore wind industry dating back to 2007 when the vessel J/U WIND was acquired. ZITON has some of the most experienced employees in the world within offshore wind.



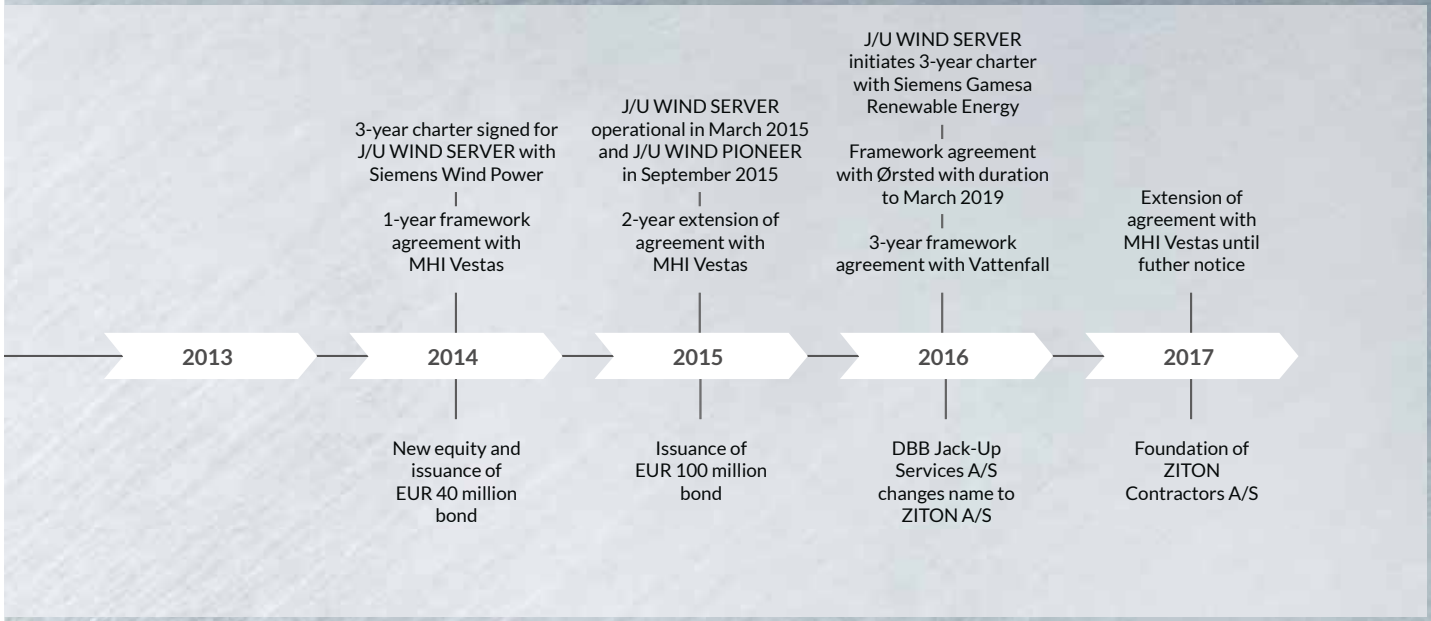

## LEGAL STRUCTURE AND VESSEL OWNERSHIP

ZITON Group consists of the parent company ZITON A/S, the wholly-owned subsidiaries Jack-Up InvestCo 2 A/S and ZITON Contractors A/S, as well as a 50 per cent ownership interest of Jack-Up InvestCo 3 Plc. in a joint venture with Blue Water Capital S.A. In accordance with IFRS, Jack-Up InvestCo 3 Plc. is fully consolidated in the accounts of ZITON A/S, as explained in note 1.1 to the financial statements. Blue Water Capital S.A. is an investment company whose owner is Slim Bouricha. Mr. Bouricha serves on the board of Jack-Up InvestCo 3 Plc.

J/U WIND is wholly-owned by ZITON A/S. J/U WIND PIONEER is owned by Jack-Up InvestCo 2 A/S. J/U WIND SERVER is owned by Jack-Up InvestCo 3 Plc. When J/U WIND SERVER was delivered in December 2014, ZITON A/S entered into a 10-year modified BIMCO standard bareboat charter agreement with Jack-Up InvestCo 3 Plc. ZITON A/S is responsible for operating all three vessels commercially, is a party to all external contracts and employs all crew.

Dansk Bjergning og Bugsering A/S was founded in 1989 by Ove Eriksen. In 2007, that company acquired the vessel J/U WIND, and in 2008 the jack-up operations were carved out into a separate company, which had J/U WIND as part of its assets.

BWB Partners invested in the Company in 2012, appointing Thorsten Jalk as CEO. The company has since accelerated both commercially and through the acquisition of another two vessels, J/U WIND PIONEER and J/U WIND SERVER.

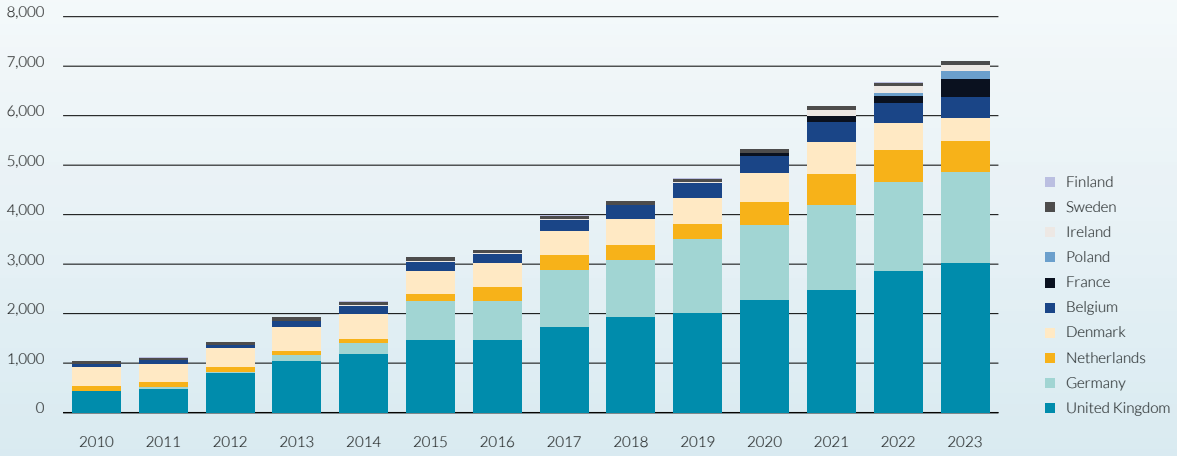



## LEGAL STRUCTURE OF ZITON

# MARKET TRENDS

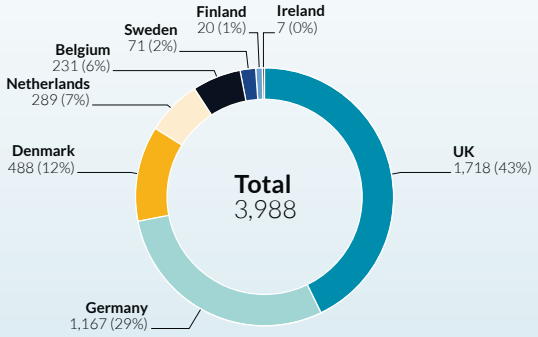
The offshore wind industry has grown tremendously in recent years. This trend is expected to drive the continuing demand for O&M services. The illustrations below form part of our proprietary market insights.

**Expected growth in the number of turbines installed in Europe**
Turbines grid connected at year end



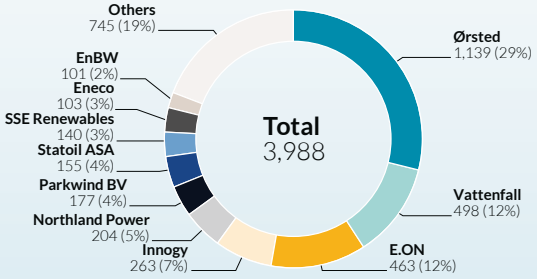

- The number of turbines installed in northern Europe is projected to grow by 9% annually over the next six years
- Strong growth projected in the UK and Germany

**Country distribution**
Turbines installed in Europe, end 2017



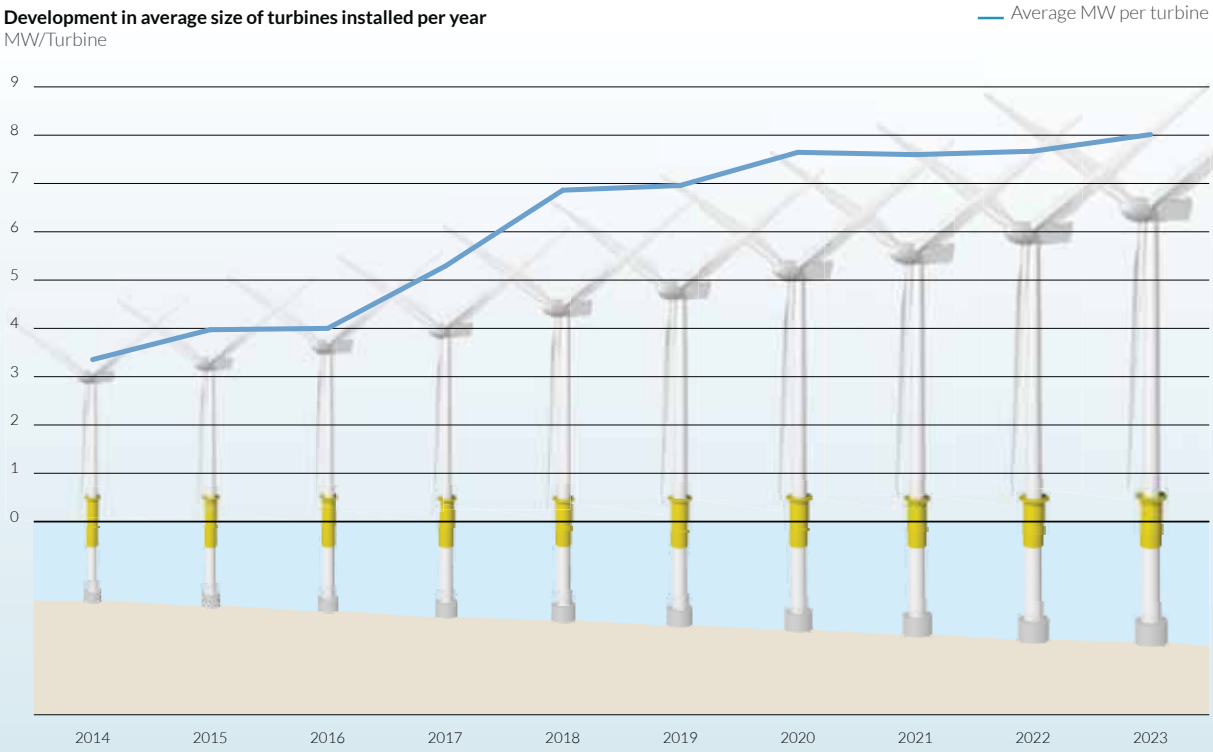

- All significant offshore wind farms are located in only six European countries
- UK and Germany are clearly the dominant markets, accounting for more than 70% of the installed number of turbines

**Wind farm operator distribution**
Turbines installed in Europe, end 2017



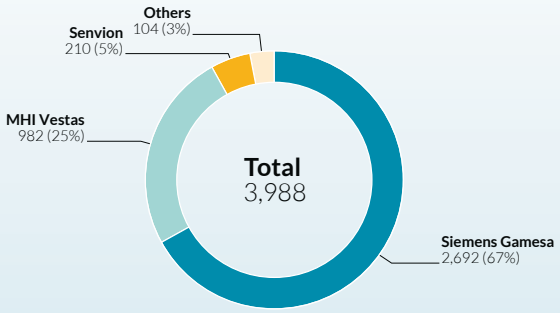

- Ørsted operates the largest installed base of turbines in Europe, ahead of Vattenfall

**Development in average size of turbines installed per year**
MW/Turbine



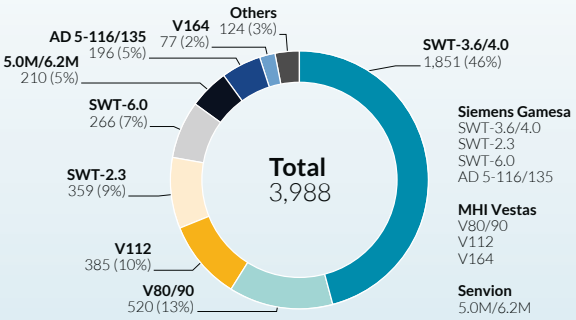

- Thanks to technology innovation, the industry is developing larger and larger turbines
- The current generation of turbines typically have a capacity of 7.0–9.5 MW. This is twice the power generation capability of the 3.6-4.0 MW turbines erected just two years ago
- Moreover, wind farms are being placed at ever greater water depths. This requires jack-up vessels with longer legs

**Turbine OEM distribution**
Turbines installed in Europe, end 2017

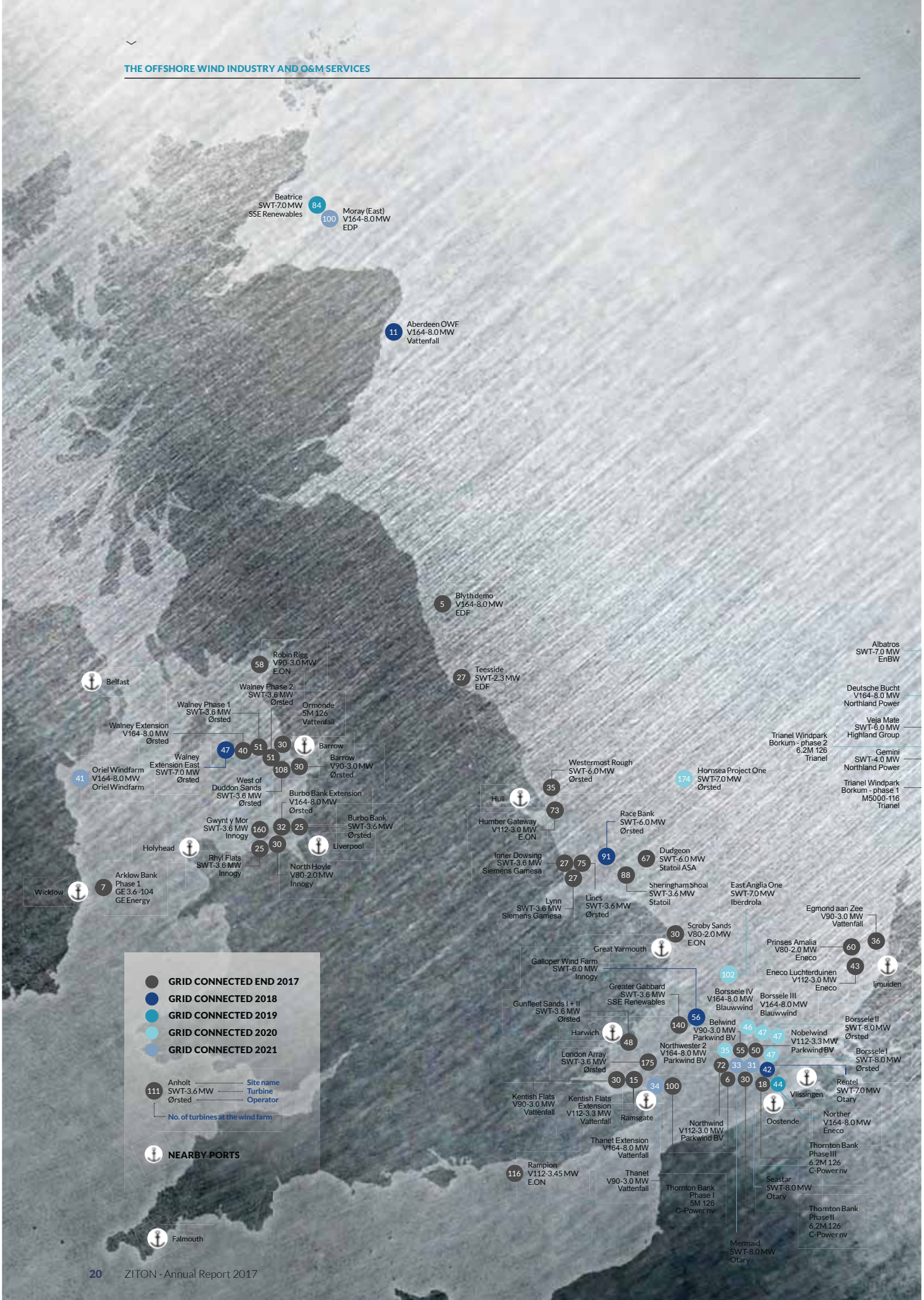


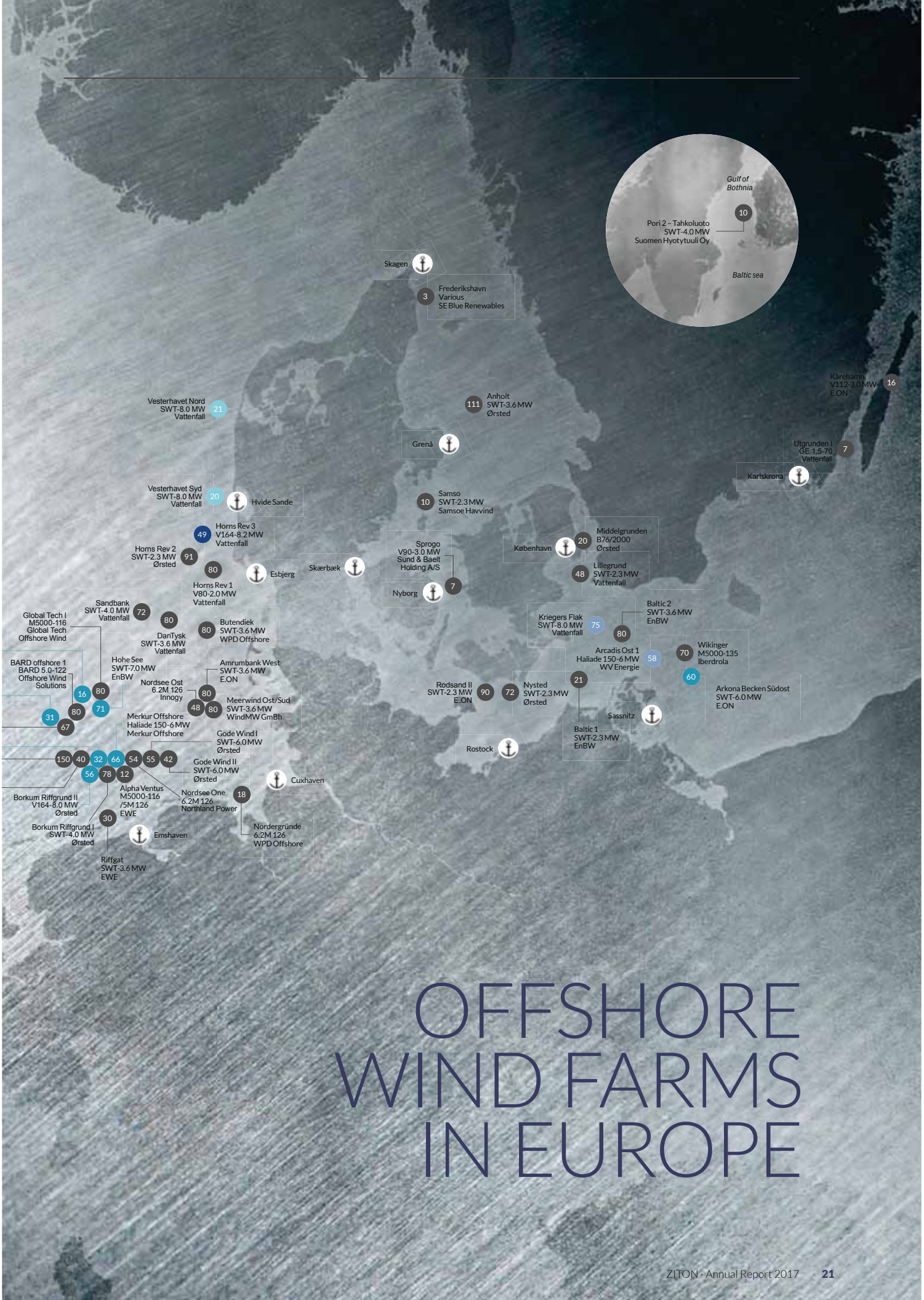

- Siemens Gamesa Renewable Energy has the largest installed base of turbines in Europe, ahead of MHI Vestas Offshore Wind

**Turbine model distribution**
Turbines installed in Europe, end 2017




- The Siemens Gamesa SWT-3.6/4.0 MW model is the model most frequently installed turbine in Europe
- The new generations of turbines from Siemens Gamesa and MHI Vestas Offshore Wind accounted for less than 10% of the installed base at year end 2017 but is expected to grow significantly in the coming years.


Beatrice
SWT-7.0 MW
SSE Renewables
84
100
Moray (East)
V164-8.0 MW
EDP
11
Aberdeen OWF
V164-8.0 MW
Vattenfall
5
Blyth demo
V164-8.0 MW
EDF
58
Robin Rigg
V90-3.0 MW
E.ON
27
Teesside
SWT-2.3 MW
EDF
Belfast
Walney Phase 2
SWT-3.6 MW
Ørsted
Walney Phase 1
SWT-3.6 MW
Ørsted
Ormonde
5M 126
Vattenfall
Walney Extension
V164-8.0 MW
Ørsted
47
40
51
51
30
Barrow
Walney
Extension East
SWT-7.0 MW
Ørsted
108
30
Barrow
V90-3.0 MW
Ørsted
41
Oriel Windfarm
V164-8.0 MW
Oriel Windfarm
West of
Duddon Sands
SWT-3.6 MW
Ørsted
Burbo Bank Extension
V164-8.0 MW
Ørsted
Gwynt y Mor
SWT-3.6 MW
Innogy
160
32
25
Burbo Bank
SWT-3.6 MW
Ørsted
Holyhead
25
30
Liverpool
Rhyl Flats
SWT-3.6 MW
Innogy
North Hoyle
V80-2.0 MW
Innogy
Wicklow
7
Arklow Bank
Phase 1
GE 3.6-104
GE Energy
Albatros
SWT-7.0 MW
EnBW
Deutsche Bucht
V164-8.0 MW
Northland Power
Veja Mate
SWT-6.0 MW
Highland Group
Trianel Windpark
Borkum - phase 2
6.2M 126
Trianel
Gemini
SWT-4.0 MW
Northland Power
Trianel Windpark
Borkum - phase 1
M5000-116
Trianel
Westermost Rough
SWT-6.0 MW
Ørsted
174
Hornsea Project One
SWT-7.0 MW
Ørsted
35
Hull
73
Humber Gateway
V112-3.0 MW
E.ON
Race Bank
SWT-6.0 MW
Ørsted
91
67
Dudgeon
SWT-6.0 MW
Statoil ASA
Inner Dowsing
SWT-3.6 MW
Siemens Gamesa
27
75
27
88
Sheringham Shoal
SWT-3.6 MW
Statoil
East Anglia One
SWT-7.0 MW
Iberdrola
Lynn
SWT-3.6 MW
Siemens Gamesa
Lincs
SWT-3.6 MW
Ørsted
Egmond aan Zee
V90-3.0 MW
Vattenfall
36
30
Scroby Sands
V80-2.0 MW
E.ON
Prinses Amalia
V80-2.0 MW
Eneco
60
Great Yarmouth
Galloper Wind Farm
SWT-6.0 MW
Innogy
102
43
Eneco Luchterduinen
V112-3.0 MW
Eneco
Ijmuiden
Greater Gabbard
SWT-3.6 MW
SSE Renewables
Borssele IV
V164-8.0 MW
Blauwwind
Borssele III
V164-8.0 MW
Blauwwind
Gunfleet Sands I + II
SWT-3.6 MW
Ørsted
140
56
Belwind
V90-3.0 MW
Parkwind BV
46
47
47
Nobelwind
V112-3.3 MW
Parkwind BV
Borssele II
SWT-8.0 MW
Ørsted
Harwich
48
Northwester 2
V164-8.0 MW
Parkwind BV
35
55
50
47
Borssele I
SWT-8.0 MW
Ørsted
London Array
SWT-3.6 MW
Ørsted
175
72
33
31
42
30
15
34
100
6
30
18
44
Vlissingen
Rentel
SWT-7.0 MW
Otary
Kentish Flats
V90-3.0 MW
Vattenfall
Kentish Flats
Extension
V112-3.3 MW
Vattenfall
Ramsgate
Oostende
Norther
V164-8.0 MW
Eneco
Northwind
V112-3.0 MW
Parkwind BV
Thanet Extension
V164-8.0 MW
Vattenfall
Thornton Bank
Phase III
6.2M 126
C-Power nv
116
Rampion
V112-3.45 MW
E.ON
Thanet
V90-3.0 MW
Vattenfall
Seastar
SWT-8.0 MW
Otary
Thornton Bank
Phase I
5M 126
C-Power nv
Thornton Bank
Phase II
6.2M 126
C-Power nv
Mermaid
SWT-8.0 MW
Otary
Falmouth
GRID CONNECTED END 2017
GRID CONNECTED 2018
GRID CONNECTED 2019
GRID CONNECTED 2020
GRID CONNECTED 2021
111
Anholt
SWT-3.6 MW
Ørsted
Site name
Turbine
Operator
No. of turbines at the wind farm
NEARBY PORTS




# OFFSHORE WIND FARMS IN EUROPE

# GROWTH OF OFFSHORE WIND O&M

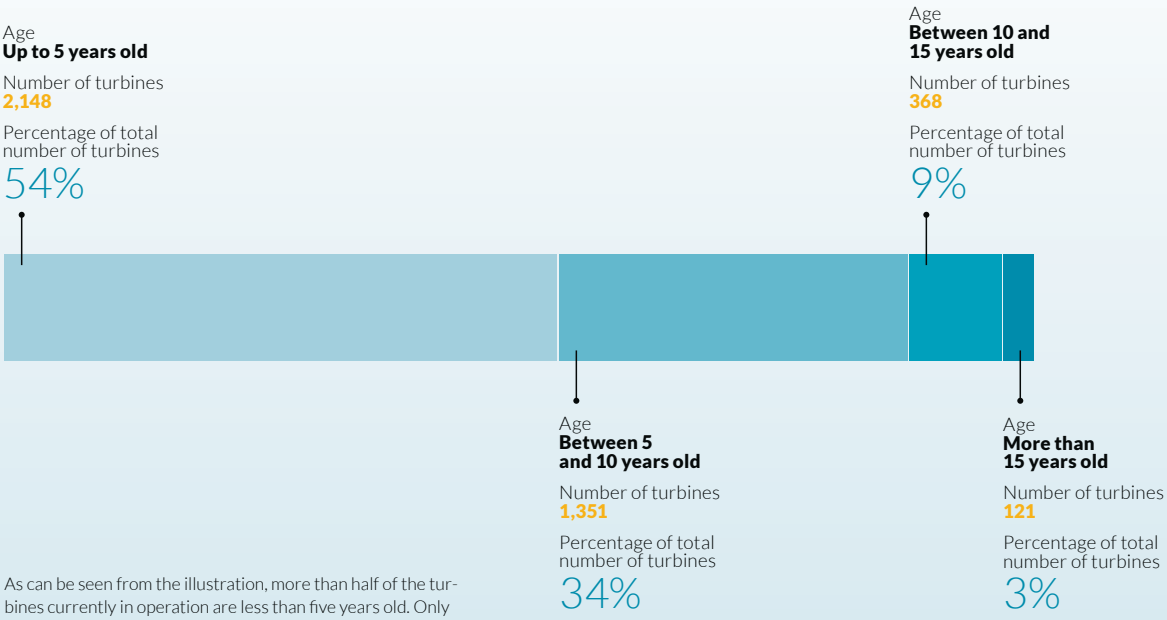
The market for major component replacement, such as gearboxes, blades and generators, is driven by the number of turbines installed and turbine failure rates.

The first of these drivers, the number of turbines installed, suggests a very encouraging outlook as explained in the "Market trends" section.

The second major driver of demand for O&M jack-up vessels is turbine failure rates. Depending on the particular model, a turbine may suffer from defects due to its design or to substandard components. Such defects will often manifest themselves within the first few years of installation. Longer-term failure rates mainly depend on wear and tear. Offshore wind farms are like remote power plants, but unlike conventional power stations, they are also exposed to highly variable and harsh weather conditions, including calm to severe winds, lightning and hail. Due to these external variations, offshore wind turbines undergo constantly changing loads, which result in highly variable operating conditions that cause intense mechanical stress.

ZITON has been performing major component replacements since acquiring J/U WIND in 2007. The company has carried out more than 600 service interventions at 46 wind farms and is the market-leading service provider within offshore wind operations & maintenance. In other words, we have the industry's best documented insights into offshore wind turbine failure rates. We consistently collect and analyse major component replacement data, adding to our experience base year by year. Our proprietary insights allow us to prepare scenarios for a predicted trend in failure rates over the coming years, enabling us to align our vessel capacity with the projected demand for the benefit of our customers.

**AGE OF TURBINES INSTALLED**




As can be seen from the illustration, more than half of the turbines currently in operation are less than five years old. Only 489 of the installed turbine base, equivalent to 12%, are over ten years old. As a result, no long-term studies exist on failure rates of major components and the industry is still compiling insights into failure rates over the complete life cycle of offshore wind farms which is estimated at 20 years.

46

**wind farms**

FROM THE BALTIC TO THE IRISH SEA. DEEP TO SHALLOW – ANY SEABED

28

**years in business**

PROVIDING OFFSHORE SERVICES ABOVE AND BELOW SEA LEVEL

617

**Turbines serviced**

GEAR BOXES, BLADES GENERATORS, TRANSFORMERS SHAFTS, BEARINGS

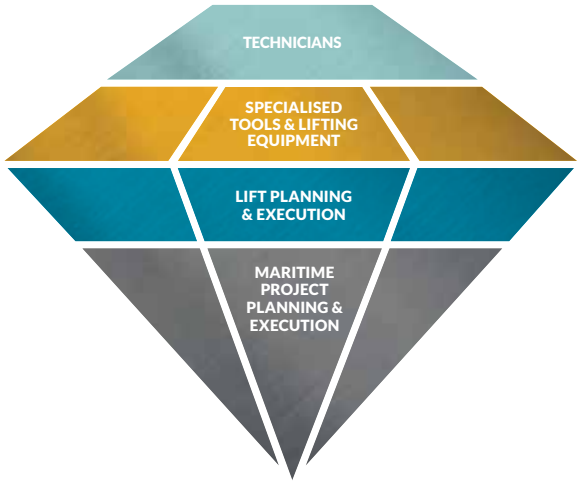
# ZITON'S SERVICE OFFERING

ZITON's core business is to own and operate jack-up vessels designed to carry out O&M services on turbines at offshore wind farms. The business is gradually developing to encompass a full-service solution.

## FULL-SERVICE SOLUTION

ZITON's core business has always been to own and operate jack-up vessels. While our core business will not change, customers are increasingly demanding full-service solutions. This has its obvious advantages from the customers' point of view. They have built their skills and expertise on day-to-day O&M routines, but those routines do not include major component replacement. Even for a large wind farm with 100 turbines, the wind farm operator may only need to perform a major component replacement once every three months. That makes it difficult to build the experience necessary to carry out major component replacements smoothly and efficiently. ZITON has performed more than six hundred major component replacements and has developed processes and procedures enabling safe and efficient operations. We have invested significant resources in the ZITON Portal, which enables us to deliver project documentation cost effectively and to collaborate with our customers on such operations.

In February 2017, we established ZITON Contractors A/S to provide technicians for major component replacement, pre-assembly etc. We are now able to offer customers full-service solutions with maritime project planning & execution, lift planning & execution, specialised tools & lifting equipment and technicians in addition to jack-ups with experienced crews. Our expanded scope of a full-service solution is illustrated below.




CORE BUSINESS
A JACK-UP WITH A CRANE

## TYPICAL O&M SETUP

OEMs or wind farm operators monitor offshore turbines remotely, as wind farms are often located in harsh and difficult-to-access areas. Remote monitoring is an important part of O&M, and includes supervision of the turbines and diagnostics should a malfunction occur. In many cases, turbine restarts can also be performed remotely.

Day-to-day O&M routines include inspections, minor repairs, greasing or electrical work, for example, performed on a weekly or monthly basis. An offshore wind farm with about 100 turbines usually operates two or three small crew transfer vessels (CTV) on a full-time basis as part of its O&M setup. For wind farms further offshore, the use of larger service operation vessels (SOV) helps reduce travel times, because SOVs also function as a spare-part warehouse, hotel and workshop.

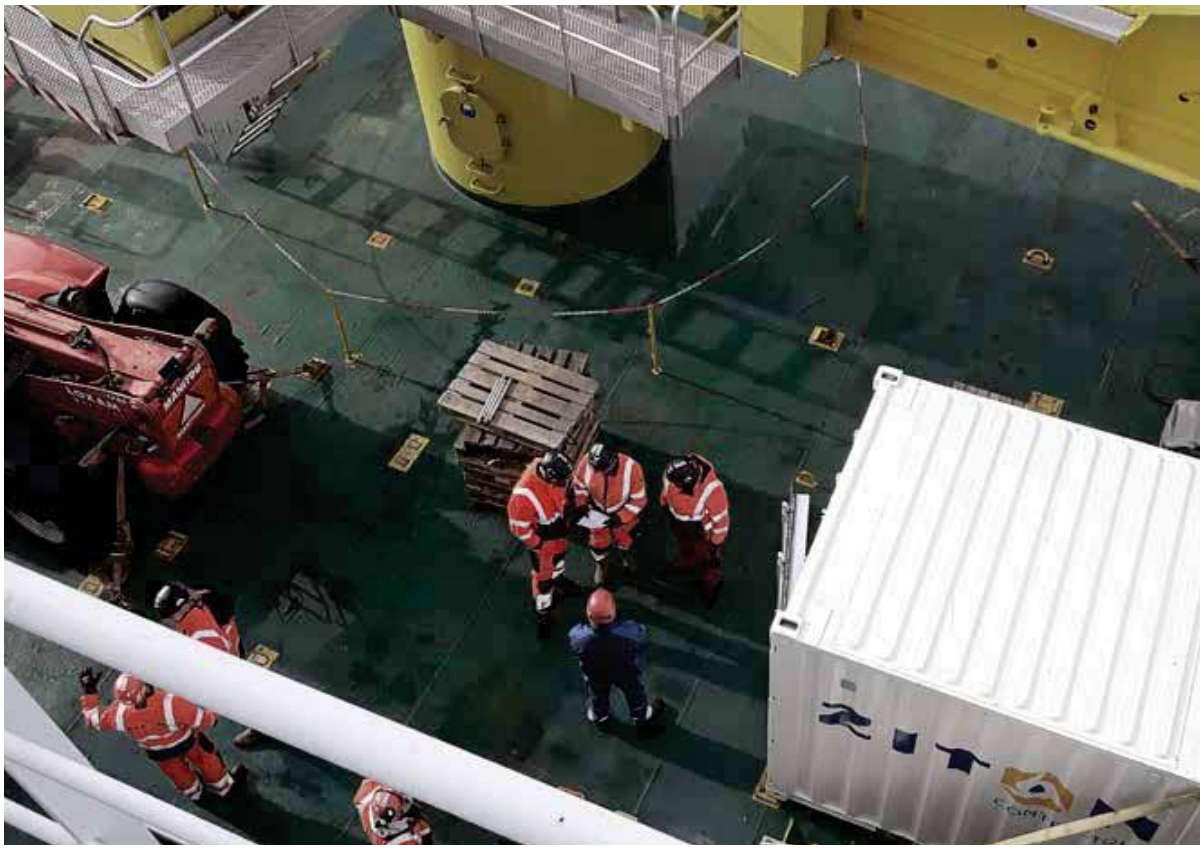
Jack-up vessels such as those operated by ZITON are required for major component replacement jobs involving exchange of gearboxes, blades, generators and other components.

## MAJOR COMPONENT REPLACEMENT

ZITON's scope of business in relation to major component replacement covers the entire spectrum of the operation, from planning and documentation to execution. Normally, ZITON receives site information from the wind farm owner with the latest site survey including information on seabed cabling tracks, turbine positions, scour protection areas, seabed drill samples, unexploded ordnances and Bartholomew maps (seabed maps). Based on this information, a consultant prepares a leg penetration analysis ("LPA") report. The penetration analysis is based on the exact jack-up vessel for each location or for a group of locations depending on the seabed structure. Based on this LPA, a site-specific assessment ("SSA") is carried out by another consultant. The SSA provides calculations that in turn determine the weather conditions under which the vessel can and must operate. The SSA is normally then subject to approval by the client's marine warranty surveyor.

For lifts of gearboxes, blades, generators and other components, a lifting plan is a safety requirement. The lifting plan

A typical O&M setup is illustrated on the next page



includes engineering calculations of strength of the lifting equipment, specifies the lifting equipment to be used, such as georgia, yoke, chain slings etc., and provides drawings of the lift from various angles. For some customer segments, ZITON prepares a lifting plan. The lifting plan is prepared by an appointed person with thorough qualifications, in-depth knowledge and prior experience from preparing lifting plans. A lifting supervisor is present at the vessel to ensure that the lifts are carried out according to the lifting plan. For some customers, ZITON also provides the lifting supervisor.

Normally, the required spare parts are loaded onto the jack-up vessel in a base port near the site. After securing the components, sea and weather permitting, the vessel sails out to the location of the turbine. Offshore wind farms are deliberately placed in areas with harsh weather to maximise the energy output, and hence a window of benign weather conditions that fall within the vessel's operational capability is required. The length of this window depends on the type of repair work to be carried out, but it ranges from six to thirty-six hours. Wind speeds above the operational threshold is the most common factor causing delays or limitations to the work carried out, resulting in a "waiting-for-weather" situation. Before the jack-up service vessel commences its procedure, the turbine will be switched off and prepared by the wind farm's technical staff. Once the technical staff assess that the turbine is ready, the jack-up vessel moves into position, assisted by dynamic positioning systems which calculate and maintain an optimal vessel position throughout the procedure. Once the vessel is in position, jacking up commences. Having reached stable seabed pressure and after a sufficiently long pre-drive period, the crane is released for operation and a safe transfer from the vessel to the turbine foundation is established via a gangway. Subsequently, old parts are lifted from the turbine onto the deck of the vessel and replaced with new parts which are then lifted onto the turbine and installed. Upon completion of the procedure, the vessel jacks down and sails on, either to the next location or back to its base port.

# O&M SETUP FOR OFFSHORE WIND FARMS

### ONSHORE OFFICES AND OPERATIONS

Onshore hub for daily operations.

### SUBSTATION

The substation connects the offshore wind farm to the onshore electricity network and converts and transmits the power.

### CREW TRANSFER VESSEL (CTV)

Used for near-shore wind farms for transporting technicians to the turbines for everyday O&M routines.

### MET MAST

The met mast is erected prior to installation of the wind farm to provide actual measurement of the weather conditions at the site.

### SERVICE OPERATION VESSEL (SOV)

Used for far-offshore wind farms for transporting technicians to the turbines for everyday O&M routines.

### DEDICATED O&M JACK-UP FOR MAJOR COMPONENT REPLACEMENT

Occasionally, it is necessary to exchange a major component, such as a gearbox, blades, generators, etc. This requires a dedicated O&M jack-up positioned next to the turbine.

# CUSTOMER CONTRACTS

Customers in the offshore wind O&M industry include both OEM turbine manufacturers and wind farm operators.

Once an offshore wind farm has been installed, turbine O&M is normally provided by turbine manufacturers under a warranty agreement. In many cases, warranty agreements are of a five-year duration. For wind farms operated by a utility, it is customary for the owner to assume full O&M responsibility when the warranty period ends. The purpose is to reduce O&M costs during the remainder of a wind farm's lifetime. Some wind farms are fully owned by financial investors that are inclined to outsource O&M responsibility to third parties or OEMs. Since none of the major offshore wind farm operators or OEMs own or operate O&M jack-up vessels in-house, both groups are customers or potential customers of ZITON. Wind farms operated by utilities are often partly owned by financial investors.

ZITON applies different types of contracts with its customers: Time charter (T/C), framework agreements or turnkey contracts.

A T/C is characterised by being a hire of a vessel for a certain predetermined period at a fixed day rate. T/C can be short-term (up to three months), medium-term (from 3 to 24 months) or long-term (beyond two years). Customers often have extension options at the end of a contract period. Under T/C contracts, the customer is generally required to pay for fuel, port calls and for necessary logistical support from supply boats in addition to the day rate. The cost of delays resulting from adverse weather lies with the customer.

ZITON also enters into framework agreements with its customers. Framework agreements ensure that contract terms including pricing are agreed upon beforehand, thus reducing the time to carry out major component replacements. Framework agreements are based on either lump sum prices or day rates. If day rates apply, they are based on a short-term rate and are often somewhat higher than long-term T/C rates. For the replacement of major components such as gearboxes, blades, generators and transformers, ZITON also offers customers lump sum prices per component replacement. When quoting lump sum prices, ZITON bears all costs including fuel, port calls, etc., as well as costs incurred due to delays resulting from adverse weather. Due to the harsh weather conditions that often occur during the winter period, weeks can go by without the weather permitting any major component replacement. During the summer, on the other hand, several components can be replaced in a week if the turbines are located in close proximity to one another.

ZITON enters into turnkey contracts in market segments where it has a competitive edge. In general, this is in segments where maritime knowledge, availability of a jack-up vessel with a crane combined with strong knowledge of the offshore wind industry is essential. These market segments include decommissioning of met masts, foundations and turbines. As for lump sum agreements, costs related to fuel, port calls and delays due

**ZITON'S MAIN CONTRACTS**

| | OEMs | | Operators | |
|---|---|---|---|---|
| **CUSTOMER** | **SIEMENS GAMESA RENEWABLE ENERGY** | **MHI VESTAS OFFSHORE WIND** | **ØRSTED** | **VATTENFALL** |
| **CONTRACT TYPE** | Time charter | Framework agreement | Framework agreement | Framework agreement |
| **CONTRACT DURATION** | Mar 2016 - Mar 2019 | Dec 2014 - until further notice | Aug 2016 - Mar 2019 | Nov 2016 - Nov 2019 |

to adverse weather, etc. are borne by ZITON, as are the risks related to subpar performance of any subcontractors hired to perform, for instance, subsea operations. The responsibility of a turnkey project requires strong project management skills in order to avoid cost overruns. Contracts are generally entered into following a tender process initiated by the customer issuing a request for a quotation. The request is sent to a number of vessel operators either directly, through shipbrokers or through supplier management communities. Tender processes normally require a price indication, evaluation of contractual conditions, description of HSEQ systems, proposed project execution plans, availability of proposed vessels and vessel specifications including water depth, load, crane load, accommodation facilities, etc. Participating in tender processes requires substantial documentation, in particular in relation to more complex turnkey solutions. ZITON's management team has significant experience in managing tender processes and preparing tender documentation.

ZITON has entered into contracts with four of the leading companies within offshore wind.

### THREE-YEAR CHARTER WITH SIEMENS GAMESA RENEWABLE ENERGY

ZITON commenced a three-year T/C for J/U WIND SERVER with Siemens Gamesa Renewable Energy (SGRE) on 14 March 2016. SGRE is the OEM with the largest installed base of turbines in Europe. The vessel is part of an initiative to service offshore wind power projects installed by SGRE across northern Europe. This highly innovative, purpose-built jack-up vessel allows SGRE to keep the vessel ready for fast mobilisation, reducing the required lead time for servicing turbines. During the tenor of the three-year contract, ZITON will be remunerated on the basis of a fixed day rate.

### FRAMEWORK AGREEMENT WITH ØRSTED

ZITON has a framework agreement with Ørsted covering the period from August 2016 until March 2019. Ørsted is Europe's largest operator of offshore wind farms. The agreement is not vessel specific. Remuneration to ZITON takes place on a lump sum basis, with the price varying with the type and site of the intervention.

### FRAMEWORK AGREEMENT WITH VATTENFALL

ZITON has a three-year framework agreement with Vattenfall covering the period from November 2016 to November 2019. Vattenfall is Europe's second-largest operator of offshore wind farms. The agreement is not vessel specific. Remuneration to ZITON takes place on a lump sum basis, with the price varying with the type and site of the intervention, and ZITON's response time to Vattenfall's request.

### FRAMEWORK AGREEMENT WITH MHI VESTAS OFFSHORE WIND

ZITON retains a framework agreement with MHI Vestas Offshore Wind (MHI Vestas) entered into in 2014. The agreement was set to expire at the end of 2017, but has been prolonged until cancelled by one of the parties. MHI Vestas is the OEM with the second-largest installed base of turbines in Europe. The agreement grants ZITON the right of first refusal on all service interventions on the majority of MHI Vestas' offshore turbines. The agreement is not vessel specific. Remuneration to ZITON takes place on a lump sum basis, with the price varying with the type and site of the intervention.

# CORPORATE RESPONSIBILITY

ZITON maintains various policies and certifications in relation to corporate responsibility.

ZITON maintains policies within the areas of Human Rights and Labour, Environment, Anti-Corruption, and Safety and Quality management. The Safety and Quality management policies are fundamental to working at sea and are elaborated upon separately on the next page.

## HUMAN RIGHTS AND LABOUR

Within the area of Human Rights and Labour, ZITON maintains a policy of not employing young people under the age of 18 on board the company's vessels. The aim is to avoid young people performing hazardous work when working for ZITON. We have been certified to the Maritime Labour Convention by the Danish Maritime Authority. We enforce this policy for all work carried out on board our vessels by our own employees and by those of our suppliers or sub-contractors. The policy was successfully applied in 2017, as no direct employees or employees of suppliers or sub-contractors under the age of 18 worked on our vessels during the year.

## ENVIRONMENT

Environment includes climate effects. In this area, ZITON maintains a policy for garbage management that aims to minimise the production of waste on board our vessels and at our office premises. Our garbage management policy is part of Annex V of the MARPOL 73/78 convention and IMO Resolution MEPC20(62). The policy stresses, among other things, that the volume of packaging brought on board our vessels must be kept at an absolute minimum, and where packaging is imperative, we prefer two-way-packaging or recyclable material. All crew members must be fully familiar with the content of the ZITON garbage management policy. Crew members are required to sign a statement confirming that they have familiarised themselves with and fully understand the garbage management policy. The policy was successfully applied in 2017, as there were no incidents of garbage being disposed of overboard from any of our vessels at sea.

## ANTI-CORRUPTION

ZITON maintains an anti-bribery and anti-corruption policy. The aim is to conduct our business in a lawful and ethical manner with integrity towards our stakeholders. We enforce this policy mainly by our management promoting our values across our organisation. In addition, we require receipts for all costs consumed and all costs must be approved by a superior to the person consuming the costs. To the best of our knowledge, the policy was successfully applied in 2017, as we have not identified any indicators of corruption.

# SAFETY AND QUALITY MANAGEMENT

Working at sea can be hazardous. Safety and health is there for a cornerstone in how we work and how we approach each assignment

At ZITON, we have a relentless focus on health, safety, environment and quality (HSEQ) for our employees, subcontractors and customers.

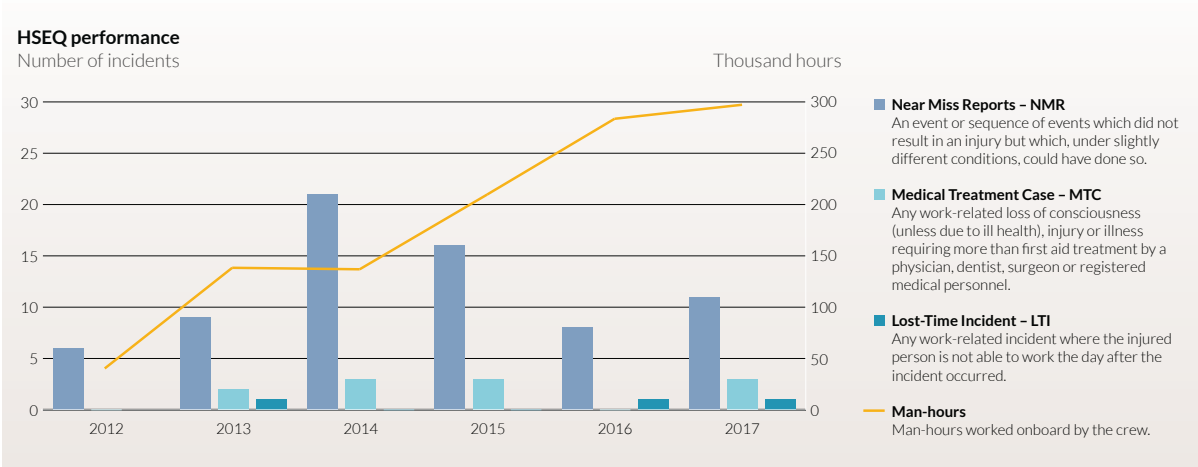
Our Safety First culture permeates our entire organisation and is the all-encompassing rule onboard our vessels. Emergency drills are held on monthly basis on all our vessels and we conduct more than 62 drills on each vessel every year. In addition, we have a ship-to-shore drill at least once a year to train the procedures between the onshore Emergency Group and the Masters of the Vessels. This means we are trained in almost any unexpected situation that may arise.

Our vessels are at all times manned by highly qualified staff who follow the ZITON code of conduct in which zero drug and alcohol tolerance is undebatable and never open to question. Unannounced examinations are standard procedure and are conducted by an independent, external agency with expertise in drugs and alcohol-testing programs.

Our HSEQ system has been certified by Bureau Veritas to satisfy the requirements of the ISM Code /MLC 2006 and to the ISO9001:2015 / ISO14001:2015 & OHSAS 18001:2008 standards. The ISO and OHSAS standards are all voluntary, but the company uses them to strengthen its safety and quality standards. Group management diligently monitors that the established procedures for operations, projects and work on all vessels are followed to the letter and carefully reviews the monthly HSEQ report. We apply a vessel risk assessment management system which includes a toolbox talk before each assignment and a safety card system, enabling us to react proactively to potentially unsafe conditions. In addition, we use the BIMCO Shipping KPI system to benchmark our HSEQ performance for the purpose of implementing best practice recommendations.

### EXAMPLE OF SAFETY FIRST IN ACTION

In 2017, we had an emergency situation. A 1st Engineer became sick offshore and needed to be transferred to the hospital onshore by helicopter. The vessel's emergency preparedness programme was activated and the vessel Master contacted the Company's Emergency Group for backup from the head office. The call to the Emergency Group was made at 02.00 AM and the COO responded to the call immediately. The time to respond was three hours from when the 1st Engineer reported his abnormal pain until he was evacuated by helicopter from the vessel. Due to the high safety awareness, this case went right according to plan. The conclusion after this operation was that it was done in a calm and professional manner.



ZITON

# Can do. Will do.

## VISION AND MISSION

### OUR VISION

Offshore renewables are the preferred future source of energy.

### OUR MISSION

To provide second-to-none solutions to the offshore renewables industry through our dedication to skilled people, specialist equipment and safe operations.

12
YEARS AT SEA

**Pawel Wojcicki, Able Bodied Seaman**
**J/U WIND PIONEER**

"Through hardship to the stars."

# STRATEGIC DIRECTION

The strategic direction for ZITON contains four key elements

### VALUE-ADDED SERVICES

ZITON is gradually expanding its service offering relating to our core business of major component replacement. Increasingly, customers are requiring full service solutions with maritime project planning & execution, lift planning & execution, specialised tools & lifting equipment and technicians in addition to a jack-up with an experienced crew. This has its obvious advantages from the customer's point of view as major component replacement is not part of their everyday routines. From ZITONs perspective, the benefit is equally attractive as it further differentiates ZITON's service offering from that of the competition.

### SERVICE LARGER TURBINES

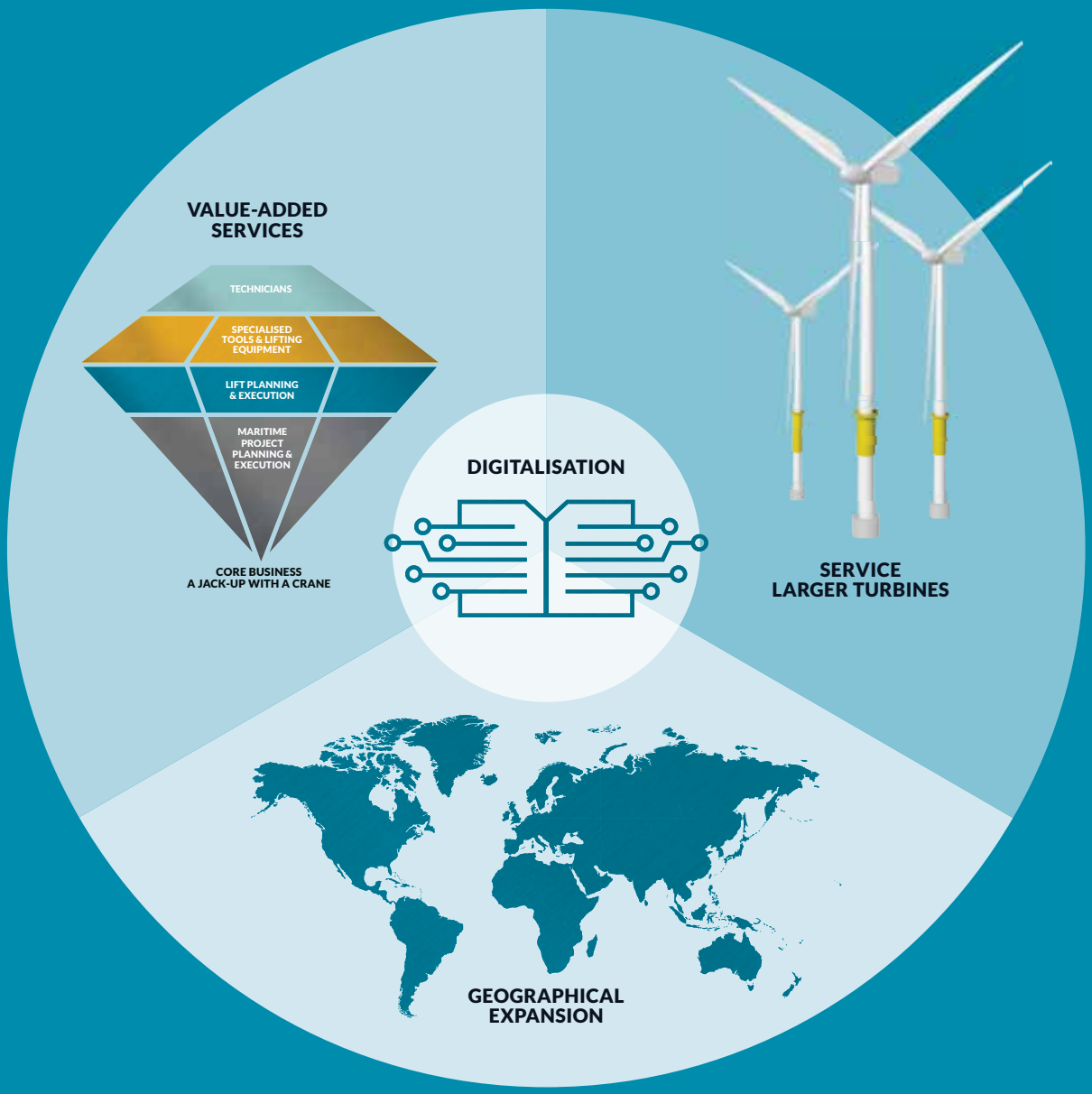
Resulting from turbine technology innovation turbines are becoming larger and larger. The current generation of turbines typically have a capacity of 7.0–9.5 MW, which is twice the power generation capability of the 3.6-4.0 MW turbines erected just two years ago. ZITON's current fleet is designed for the former generation. These turbines will still need service during their lifetime of around 20 years. However, adding a larger vessel to the fleet is part of a strategic priority to grow with the market growth and service our customers in the future.

### GEOGRAPHICAL EXPANSION

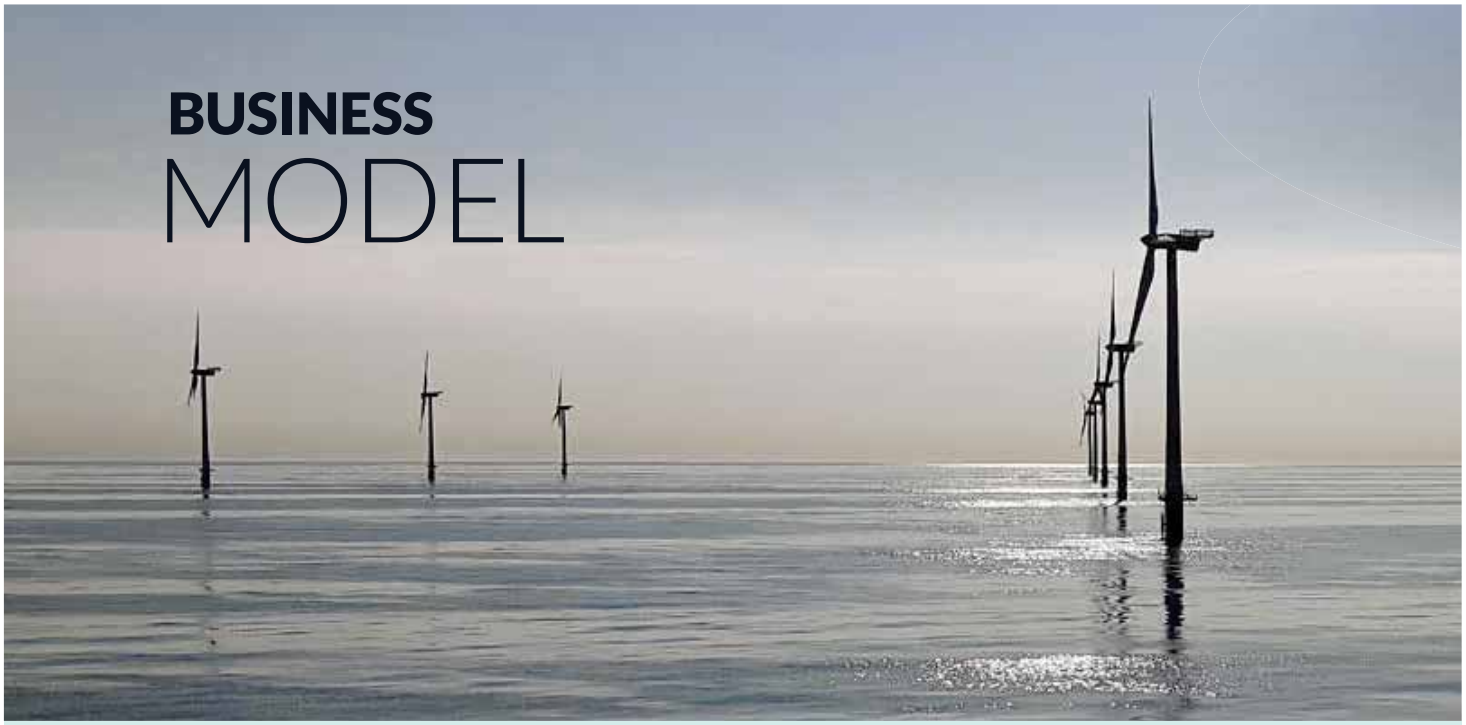
ZITON and many of our people have been part of the offshore wind industry since its infancy. Offshore wind has evolved in northern Europe since the year 2000, but has only in the last couple of years begun to gain traction across the globe. ZITON has gained significant offshore wind experience through the years and is now exploring opportunities to apply this experience in other parts of the world. In particular, it would seem that political support for offshore wind is creating business opportunities in Asia and the USA.

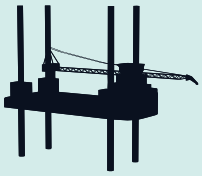
### DIGITALISATION

ZITON continuously invests in the digitalisation of the business to improve operations and customer interaction. Achieving operational efficiency in major component replacement in the offshore wind industry is strongly subject to weather conditions and also depends on the many touchpoints and the coordination needed between ZITON, customers and suppliers. ZITON seeks to digitise and integrate internal processes and touchpoints in the supply chain.


VALUE-ADDED SERVICES
TECHNICIANS
SPECIALISED TOOLS & LIFTING EQUIPMENT
LIFT PLANNING & EXECUTION
MARITIME PROJECT PLANNING & EXECUTION
CORE BUSINESS
A JACK-UP WITH A CRANE
DIGITALISATION
SERVICE LARGER TURBINES
GEOGRAPHICAL EXPANSION

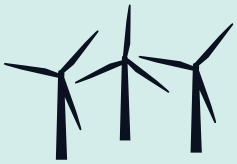
# BUSINESS MODEL





## KEY RESOURCES

Building or acquiring jack-up vessels requires high initial investments and design requirement know-how.



## VALUE TO CUSTOMERS

For wind farm owners, it is important to avoid any unscheduled downtime reducing a wind turbine's power output. Customers use remote condition monitoring to avoid turbine breakdowns and optimise the timing of major component replacements. Our vessels are dedicated to operations & maintenance and are always ready to provide swift assistance to "keep the blades turning" at offshore wind farms.

## CUSTOMER SEGMENTS

There are two customer segments in the offshore wind industry; turbine manufacturers and wind farm operators.

Turbine manufacturers include Siemens Gamesa Renewable Energy, MHI Vestas Offshore Wind, Senvion, GE Renewable Energy, among others.

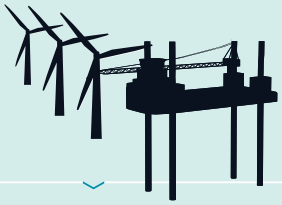
Wind farm operators are primarily utilities like Ørsted, E.On, Vattenfall, Innogy, SSE, EnBW, among others.

Once an offshore wind farm has been installed, turbine manufacturers normally provide operations & maintenance services under their warranty programmes, which typically extend for five years. It is customary for wind farm operators to assume full O&M responsibility when the warranty period ends.

## COST STRUCTURE

Operating a maritime organisation that serves offshore wind farms implies a predominantly fixed-cost structure with relatively limited variable costs. For example, staff, insurance, catering and other costs are fixed regardless of the level of activity.

A business model for jack-up operations involves a high initial investment and high operating costs with only a minor variable cost component. Accordingly, most costs are fixed, and ZITON's key drivers of cash flow generation are day rates and the fleet utilisation rate.



## REVENUE STREAMS

Due to the high initial investments and the fixed-cost base, achieving a satisfactory return on invested capital requires high vessel utilisation rates at adequate day rates. The Company endeavours to secure longer-term contracts with customers. Preferably, this is in the form of time charter contracts or right-of-first refusal framework agreements that provide a predictable revenue stream.

## THE DIFFERENCES BETWEEN DEDICATED O&M SUPPLIER AND INSTALLATION JACK-UPS

There are some 25 jack-up vessels regularly operating in the offshore wind industry. Most of them, by far, are used for installing new wind farms. ZITON is the only dedicated provider of jack-ups for major component replacement. There are certain important differences between a dedicated O&M supplier and a provider of installation jack-ups, such as:

**Technical capability of the vessel**
Our fleet of dedicated O&M jack-ups provides us with the flexibility and versatility to operate at many different locations. However, our vessels do not require large deck space and crane lifting capacity, such as installation jack-ups generally do. Moreover, being lighter and smaller, O&M jack-ups consume less bunker fuel than their installation counterparts and smaller crews are required to operate them. This means significantly higher OPEX and CAPEX for installation jack-ups than for dedicated O&M jack-ups and, accordingly, a need to charge higher charter rates. Thus, owners of installation jack-ups are less inclined to use their jack-ups for O&M purposes.

**Experience of the crew**
Crews with 10 years of experience are rarely seen in this young industry, but that is what we can provide at ZITON. Our crew has experience from working with a variety of wind turbine models, sites, ports and under various operating conditions. Everyone in our crew knows exactly the sequence and details of operations including the imperative of 'safety first' in all operations. Our crew's experience enables us execute major component replacement with unrivalled efficiency.

**Organisation**
ZITON has a lean organisation, geared towards completing efficient major component replacement operations in a matter of days, and often at short lead-times requested by customers. The costs of O&M operations would simply be too high for large organisations geared towards the complexity of projects with a duration of six months and beyond. We have invested significant resources in the ZITON Portal, which enables us to cost-effectively deliver project documentation and to collaborate with our customers on operations.

# RISK MANAGEMENT

At ZITON, we define risk as "anything that can adversely affect our ability to execute our strategy and prevent us from achieving our objectives".

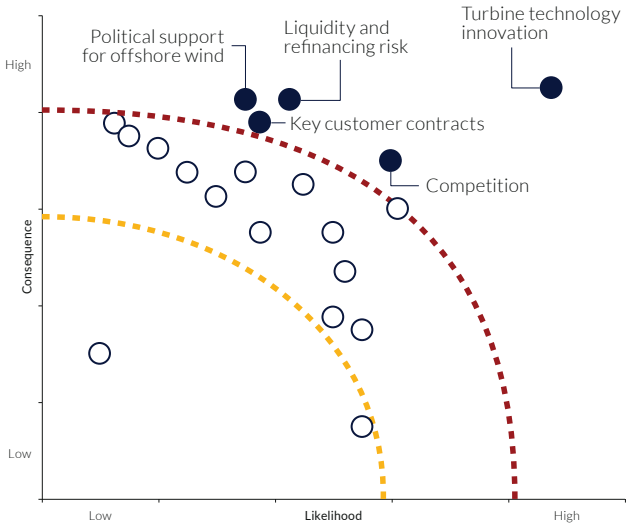
## RISK MANAGEMENT PROCESS

The risk assessment process is anchored in the Executive Management team, which regularly reviews the process of risk identification, analysis, evaluation and considers treatment, as illustrated below. At regular board meetings, the Board of Directors and the Executive Management assess and discuss main changes in key risks.

Depending on their origin, risk factors are categorised as strategic, operational, financial or compliance risk. Financial risks, including risks related to credit, liquidity, interest rates and markets, are addressed in note 4.1 to the consolidated financial statements. Risk factors are not only perceived as risks, but also as opportunities to continue developing the strategy. Strategic responses to risk factors may consequently lead to an improved market position.

## RISK HEAT MAP

To help visualise risks and opportunities, a heat map is prepared with the net risk presented after possible mitigation. The risks beyond the dotted red line are assessed to be the most significant risks to which the Company is exposed.



## MAIN CHANGES OF RISK EVALUATION

The Board of Directors and the Executive Management have reviewed the risk assessment and compared it to last year's annual report, and they found no major changes to the most significant risks. However, two risk elements have been thoroughly discussed: Brexit and cyber risks. These risks are not considered to be significant, but they have nonetheless increased in importance.

The potential impact of Brexit was reviewed. More than half of ZITON's revenue is derived from the UK, as can be seen from note 2.1 to the consolidated financial statements. Accordingly, the UK market is of substantial importance, but management believes that Brexit is highly unlikely to result in trade barriers that will prevent ZITON from operating in the UK.

Cyber risks were more prevalent in 2017 than in previous years. ZITON is regularly exposed to different types of phishing. As a result, we have built organisational awareness of cyber risks and improved our technical ability to detect, protect against and respond to cyber risks.

## THE FIVE MOST NOTICEABLE RISK FACTORS SHOWN IN THE RISK HEAT MAP ARE ELABORATED UPON BELOW

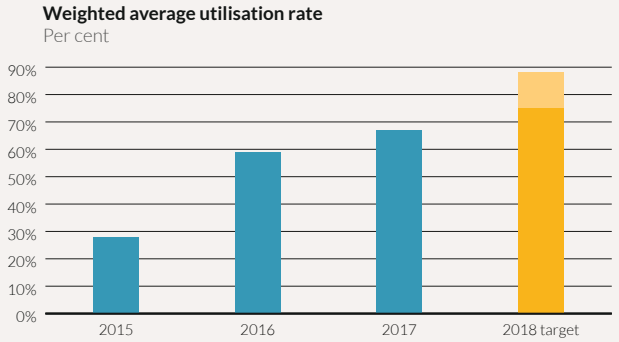
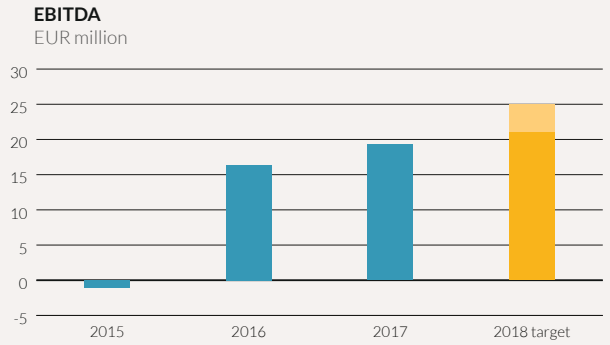
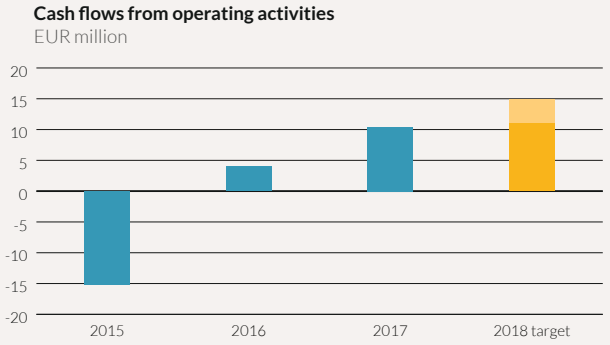
| RISK FACTORS | POSSIBLE CAUSES | POTENTIAL CONSEQUENCES | ENSUING MITIGATION |
|---|---|---|---|
| TURBINE TECHNOLOGY INNOVATION | • Technology innovation enabling the industry to build larger turbines with heights that exceed the lifting heights of the Company's current fleet<br>• Turbine technology innovation making it possible to carry out major component replacement offshore without the need for a jack-up<br>• Development of more reliable turbine technology with fewer defects | • Uncertainty about future market demand for the Company's current fleet | • Continue investing in vessels capable of meeting technology trends of increasingly larger turbines. The bond issue contains a limitation of EUR 2.0m on newbuild CAPEX during the tenor of the bond. |
| COMPETITION | • ZITON is currently the only company to offer dedicated O&M services for major component replacements at offshore wind farms.<br>• Companies with jack-ups used for new wind farm installations may offer O&M services if there is inadequate demand for installation of new wind farms, or if turbines become too large for them to install<br>• New entrants may invest in jack-ups to offer major component replacements | • Excess capacity of jack-up vessels could lead to low utilisation rates and price competition | • Seek to increase differentiation from competition and create value to customers that peers are unable to match<br>• Build barriers to entry that will make ZITON's dedicated O&M services more difficult to compete with |
| POLITICAL SUPPORT FOR OFFSHORE WIND | • Development of new wind farms relies on continued political support for decarbonising the economy. This involves maintaining regulatory regimes that make investing in offshore wind farms attractive | • A drop in the number of new wind farms will reduce the projected demand for O&M services, although O&M services will still be needed for existing turbines. This may also lead to excess capacity of jack-up vessels and price competition | • ZITON accepts this event as a risk inherent to being in the offshore wind industry<br>• A continued reduction of the Levelised Cost of Energy (LCOE) would reduce the need for subsidies. More efficient O&M services is an important factor in reducing LCOE |
| KEY CUSTOMER CONTRACTS | • ZITON relies on being able to fulfil contracts with its key customers to secure future revenue. Inability to meet requirements of contracts with key customers will have material consequences for the company's cash flows. In the medium-term, the company relies on the prolongation of existing contracts or on winning new contracts | • Contracts with Siemens Gamesa Renewable Energy, Ørsted, Vattenfall and MHI Vestas collectively account for the majority of projected revenue in 2018 | • To reduce the risk of going off-hire, redundancy is built into the design of J/U WIND SERVER. We also ensure a very high level of preventive maintenance in all aspects of the vessel and keep an inventory of critical spare parts |
| LIQUIDITY AND REFINANCING RISK | • Liquidity and refinancing risk includes the risk of the group experiencing a liquidity shortage and the inability to refinance its maturing bond loan and credit lines as needed | • If refinancing of the company is not possible when the bond loan matures or if the company encounters liquidity risk, the cost may be critical and could possibly impact the ability to run the Company | • The company currently has a loan to book value of vessels ratio of 58% and plans to reduce that percentage before the current bond issue comes due for refinancing (matures 26 November 2019) |

# HOW WE MEASURE PERFORMANCE

The Board of Directors and Executive Management monitor a number of key performance indicators ("KPIs") to evaluate the performance of our strategy over time.

| KPIs | DEFINITION | WHY WE USE THE MEASURE | COMMENTS ON 2017 PERFORMANCE |
|---|---|---|---|
| **WEIGHTED AVERAGE UTILISATION RATE** | Weighted average utilisation rate is defined as revenue during the period divided by full utilisation at standard rates. Each vessel has a different weighting depending on its specifications. J/U WIND PIONEER and J/U WIND SERVER were included in 2015 | A high utilisation rate is driven by the level of sales to customers, as well as our own ability to make the vessel available to customers. The measure shows the combined efficiency of sales and operations | We had an initial guidance of 75–85% for 2017, but achieved a utilisation rate of 67%. The main reason for the shortfall was lower-than expected customer demand for major component replacement in Q2 and Q3 2017, as well as adverse weather conditions towards the end of the year |
| **EBITDA** | EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation | EBITDA is a good measure for operating efficiency and the ability to generate cash flows | We set an initial guidance of EUR 23-26m for 2017. We realised EBITDA of EUR 19.3m, as a consequence of lower than expected revenue |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | Cash flows from operating activities is EBITDA mainly less working capital adjustments and financial items | Cash flows from operating activities is useful for assessing our ability to amortise debt, and cash available for CAPEX | We set an initial guidance of EUR 12-15m for 2017. We realised cash flows from operating activities of EUR 10.4m, mainly as a consequence of lower than expected EBITDA |

The KPIs applied are both financial and operational, internal and external, leading and lagging indicators. KPIs are maintained for different purposes in the organisation. To monitor the operational performance of individual vessels, we employ BIMCO's Shipping KPI system. At Group level, we monitor, among other things, utilisation of individual vessels, realised day rates, return on invested capital and employee turnover. The three main KPIs, disclosed externally, are elaborated upon in the table below.

| TARGETS FOR 2018 | PERFORMANCE |
|---|---|
| We target a weighted average utilisation rate of 75-85% for 2018 |  |
| We target EBITDA in the range of EUR 21-25m for 2018 |  |
| We target cash flows from operating activities in the range of EUR 11-15m for 2018 |  |

# 2017 PERFORMANCE REVIEW

The following is a review of the guidance provided to bondholders in terms of our performance in 2017.

We provided initial guidance to the bondholders when releasing our Q4 2016 report in February 2017.

With revenue disappointing in both Q2 and Q3 2017, we lowered our guidance in November 2017 when releasing our Q3 2017 results.

Unfortunately, adverse weather conditions towards the end of 2017 further affected the results achieved for 2017. The revised guidance and actual results are shown in the table below.

Several factors influenced the financial development in 2017.

**BETTER THAN EXPECTED**

- J/U WIND SERVER was fully operational and on-hire during the entire year.

**AS EXPECTED**

- ZITON remains the only dedicated provider of O&M services for major component replacement, while potential competitors are more focused on installation projects.
- We maintained good customer relationships during the year and benefitted from key contracts with four of the leading players in the offshore wind industry.
- J/U WIND and J/U WIND PIONEER met expectations of operational availability.

**WORSE THAN EXPECTED**

- Towards the end of 2017, weather conditions were less favourable than what is normal for this part of the season. As a consequence, the number of days for which safe operations at sea were possible, was lower than normal.
- Market demand was somewhat lower than expected during Q2 and Q3 2017, as turbines had fewer breakdowns than projected. However, as it is difficult to accurately project the level of breakdowns, market demand may to some extent merely have been pushed into 2018.
- In the second half of the year, we saw some pricing pressure in the spot market, as vessels used for installation were not fully utilised. Thus, some of these vessels were periodically offered for O&M assignments.

| | GUIDANCE FEBRUARY 2017 | REVISED GUIDANCE NOVEMBER 2017 | ACTUAL 2017 |
|---|---|---|---|
| **WEIGHTED AVERAGE UTILISATION RATE** | 75-85% | Around 70% | 67% |
| **EBITDA** | EUR 23-26m | EUR 21-22m | EUR 19.3m |
| **CASH FLOWS FROM OPERATING ACTIVITEES** | EUR 12-15m | EUR 11-13m | EUR 10.4m |
| **CAPEX** | Up to EUR 5m | Up to EUR 4m | EUR 1.5m |

WIND PIONEER

# OUTLOOK FOR 2018

Our strong contract portfolio underpins the outlook for 2018, which is also supported by our pipeline of specific and contracted major component replacements. The following sets out our guidance for our key performance indicators in 2018:

### Weighted average utilisation rate

We expect a utilisation rate in the range of 75%-85%. The 2017 weighted average utilisation rate was 67%.

### EBITDA

We expect EBITDA in the range of EUR 21-25m. This is a projected improvement from the 2017 EBITDA of EUR 19.3m driven mainly by higher revenue, as fixed costs account for most of the overall vessel OPEX.

### Cash flow from operating activities

is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 11-15m, up from EUR 10.4m in 2017. The main reason for the projected improvement is the higher EBITDA.

### CAPEX

We expect CAPEX of up to EUR 4.0m, compared to EUR 1.5m in 2017.

# CAPITAL STRUCTURE

ZITON has a stable capital structure with debt maturing at the end of 2019.

On 26 November 2015, the company issued a EUR 100m bond, the proceeds of which were used to refinance existing debt. The bond was listed on the Oslo Stock Exchange in November 2016. The key terms of the bond are set out in note 4.3.

The illustration below shows the capital structure of the ZITON Group. The three vessels make up approximately 92% of the assets.

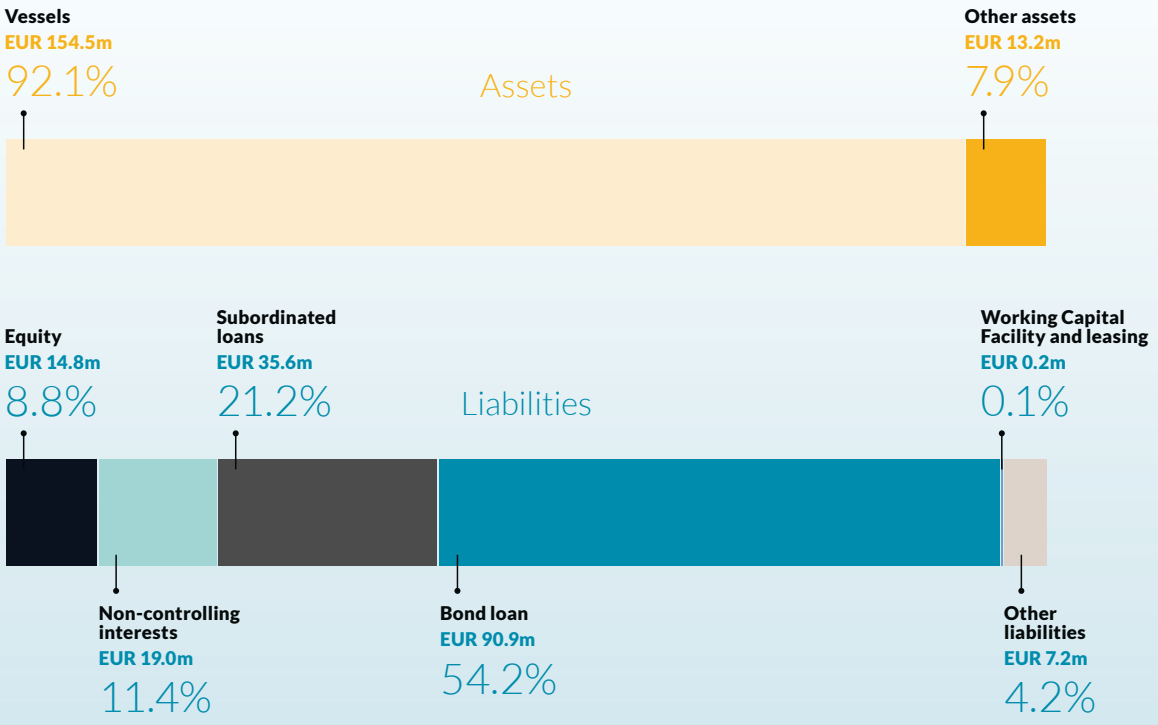
Subordinated capital makes up 41.5% of the assets. The equity is owned by BWB partners, Dansk Bjergning og Bugsering Holding ApS, OY Finans ApS and management. Non-controlling interests relate to Blue Water Capital's 50% ownership of Jack-Up InvestCo 3 Plc. The subordinated capital was provided by a Danish pension fund.

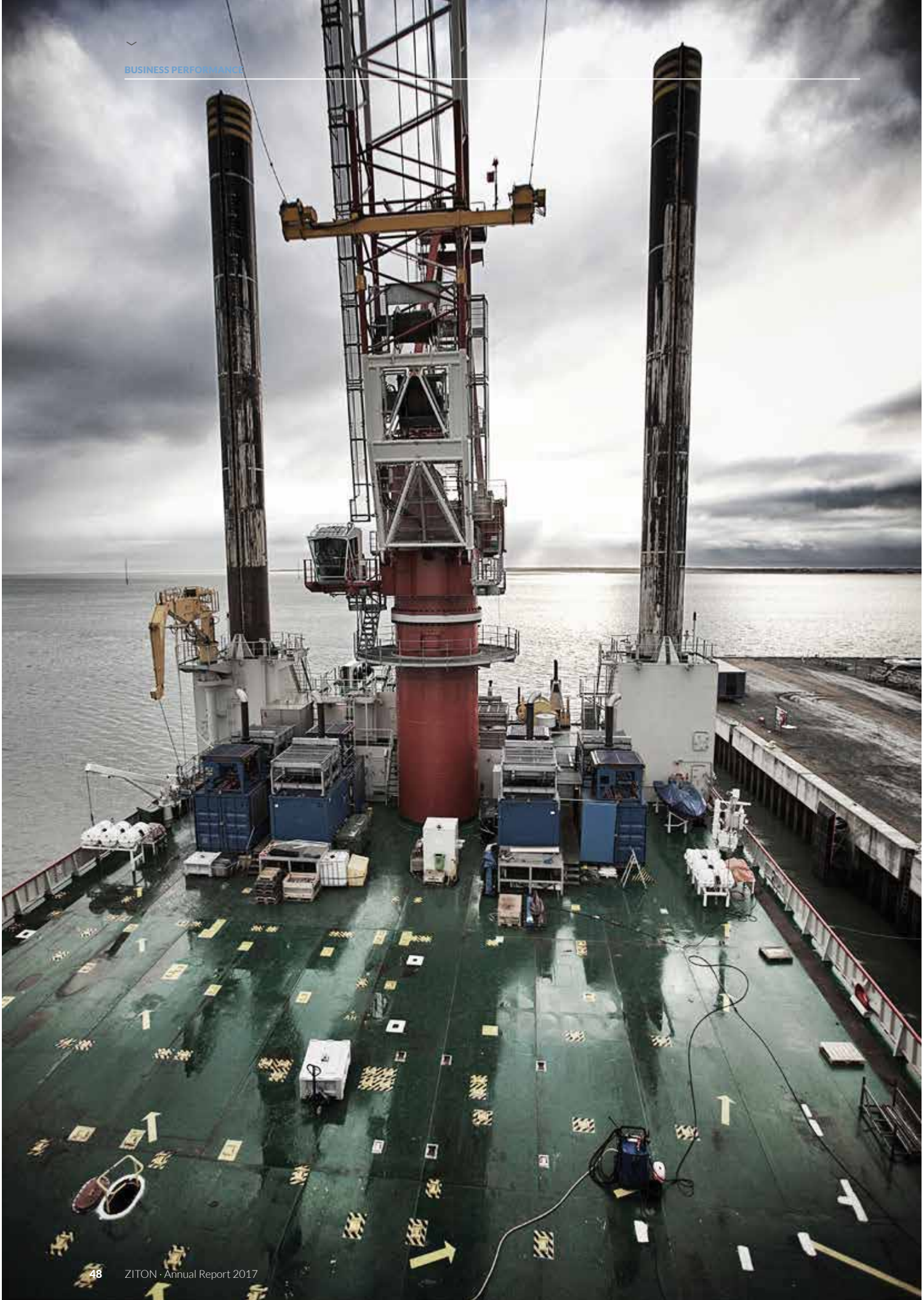
The senior debt consists of the original EUR 100m bond loan (with EUR 92m outstanding at the end of 2017) and a DKK 50m (≈EUR 6.7m) working capital facility. The working capital facility and the bond loan holds a joint security package with a 1st lien security in all three vessels.

The subordinated loan matures in December 2019. There are no instalments on the subordinated loan, and interest accrues until maturity with the exception of 2% annual interest payable in cash. The bond issue matures on 26 November 2019, and the working capital facility is renewed annually. The bond has semi-annual instalments of EUR 3.0m due on 26 May and 26 November. ZITON will be considering its refinancing options in 2018.

In addition, there is a cash sweep of liquidity in excess of EUR 5.0m. The cash sweep is measured semi-annually at the end of June and December, and the excess amount is repaid to bondholders at the subsequent interest payment date as a prepayment at a 2.0% premium.

**CAPITAL STRUCTURE**





# KEY FIGURES

| EUR '000 | Danish GAAP* 2013 | IFRS 2014 | IFRS 2015 | IFRS 2016 | IFRS 2017 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 11,044 | 10,433 | 9,138 | 29,042 | 33,227 |
| EBITDA | 5,502 | 4,635 | -966 | 16,411 | 19,257 |
| Income before tax | 3,767 | 1,929 | -21,154 | -4,550 | -1,841 |
| **Balance sheet items** | | | | | |
| Non-current assets | 105,330 | 164,966 | 173,108 | 167,370 | 161,011 |
| Current assets | 8,104 | 6,320 | 2,756 | 6,398 | 6,720 |
| Total assets | 113,434 | 171,286 | 175,864 | 173,768 | 167,731 |
| Equity and subordinated capital | 64,486 | 88,229 | 71,892 | 69,197 | 69,403 |
| Current liabilities | 21,426 | 11,442 | 5,983 | 10,975 | 8,703 |
| **Cash flows** | | | | | |
| Net cash flows from operating activities | 16,644 | -5,427 | -15,071 | 4,049 | 10,401 |
| Net cash used in investing activities | -51,418 | -29,535 | -11,061 | -2,378 | -1,474 |
| Net cash used/received in financing activities | 27,722 | 33,415 | 25,029 | -2,500 | -5,500 |
| Net change in cash and cash equivalents | -7,052 | -1,547 | -1,103 | -829 | 3,427 |
| **Financial ratios and other key figures** | | | | | |
| EBITDA margin | 50% | 44% | -11% | 57% | 58% |
| Subordinated capital ratio | 57% | 52% | 41% | 40% | 41% |
| NIBD (adjusted for capitalised financing costs) | 30,496 | 68,928 | 99,888 | 98,209 | 89,412 |
| Loan to vessel ratio | 31% | 42% | 60% | 61% | 58% |
| Total number of operating vessels (average) | 1 | 1 | 2 | 3 | 3 |

*The key figures for 2013 have not been restated to comply with the International Financial Reporting Standards (IFRS).

Key ratios have been prepared in accordance with CFA Society Denmark's online version of "Recommendations & Ratios".

The ratios below are not defined in "Recommendations & Ratios" and are defined as follows:

**Subordinated capital ratio** $= \frac{\text{Total equity + Subordinated loans}}{\text{Total assets}}$

**NIBD (adjusted for capitalised financing costs)**
Senior Net Interest-Bearing Debt (NIBD) includes bond debt (adjusted for capitalised expenses), draw on working capital facility and finance lease liabilities less cash and cash equivalents.

**Loan to vessel ratio** $= \frac{\text{NIBD (adjusted for capitalised financing costs)}}{\text{Vessel book value}}$

# STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Executive Management and the Board of Directors have today considered and adopted the annual report of ZITON A/S for the financial year 1 January to 31 December 2017.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company are prepared in accordance with the Danish Financial Statements Act. The management commentary is also prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the financial position at 31 December 2017 of the Group and the parent company and of the results of the Group's and the parent company's operations and the Group's consolidated cash flows for the financial year 2017.

In our opinion, the management commentary provides a fair review of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty, which the Group and the parent company are facing.

We recommend that the annual report be adopted at the annual general meeting.

Horsens, 19 April 2018

**EXECUTIVE MANAGEMENT**

Thorsten Henrik Jalk

**BOARD OF DIRECTORS**

Vagn Lehd Møller
Chairman

Niels Ørskov Christensen

Esben Bay Jørgensen

Ove Carsten Eriksen

Lars Thorsgaard Jensen

Morten Melin

# INDEPENDENT AUDITOR'S REPORT

## OPINION

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ZITON A/S for the financial year 1 January - 31 December 2017, which comprise income statement, total income statement, balance sheet, statement of changes in equity, cash flow statement, notes and a summary of significant accounting policies, for both the Group and the Parent Company. The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act, and the parent company financial statements are prepared according to the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group and of the results of the Group operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Further in our opinion the Parent Company Financial Statements give a true and fair view of the financial position of the Parent Company's and of the results of the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board Directors.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 were not provided.

We were first appointed auditors of ZITON A/S for the financial year 2008. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 10 years including the financial year 2017.

## KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

***Key Audit Matter***

Impairment test of jack-up vessels.

The value of the Group and the Parent Company tangible assets, of which the majority relates to jack-up vessels, is supported by value in use calculations, which are based on future cash flow forecasts.

We focused on this area because the impairment assessments of these assets are dependent on complex and subjective judgements by Management. The most critical assumptions are Management's review on expected revenue and WACC. Expected revenue has been forecast on expected utilisation rates and time charter rates.

Management's assessment is based on the cash-generating unit (CGU) for all three jack-up vessels.

The key assumptions related to jack-up vessels are described in note 3.1.

***How our audit addressed the Key Audit Matter***

We considered the overall impairment assessments prepared by the Management and tested the relevant internal controls in place to check that the Group's assets are valued appropriately according to the requirements in International Financial Reporting Standards.

We considered the assumptions and estimates used to determine the value in use of these assets. This includes those relating to time charter rates, expected utilisation rates and daily running costs. We tested these assumptions by reference to third-party documentation where available, such as signed charter contracts and signed framework agreements with customers.

We also assessed the Management's underlying key assumptions including review of future short- and long-term charter rates and utilisation rates. We used valuation specialists to assess the discount rates (WACC) used by Management.

We assessed the appropriateness of Management's presentation of these matters in the financial statements.

## STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements or the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

## MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and Parent Company Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hobro, 19 April 2018
BDO Statsautoriseret revisionsaktieselskab
CVR-no. 20 22 26 70

Michael Graversen
State Authorised Public Accountant
MNE no.: mne34099

Claus Muhlig
State Authorised Public Accountant
MNE no.: mne26711

# FINANCIAL REVIEW AND STATEMENTS

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**READING GUIDE:**
The following abbreviations I/S, B/S and C/F used in the notes to these financial statements indicate amounts that can be found in the income statement, balance sheet and cash flow statement respectively.

# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME **1 JANUARY - 31 DECEMBER**

## INCOME STATEMENT

| EUR '000 | Note | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | 2.1 | **33,227** | **29,042** |
| Project-related expenses | | -1,281 | -1,161 |
| Operating expenses | | -8,196 | -7,846 |
| **Gross profit** | | **23,750** | **20,035** |
| Administrative expenses | | -1,712 | -1,294 |
| Staff costs, office staff | 2.2 | -2,781 | -2,330 |
| **EBITDA** | | **19,257** | **16,411** |
| Depreciation and amortisation | 3.1 | -7,930 | -7,775 |
| **EBIT** | | **11,327** | **8,636** |
| Financial income | 4.4 | - | 954 |
| Financial expenses | 4.4 | -13,168 | -14,140 |
| **Income before tax** | | **-1,841** | **-4,550** |
| Tax on profit (loss) | 5.1 | -1,143 | -1,254 |
| **Income for the year** | | **-2,984** | **-5,804** |
| Attributable to: | | | |
| Shareholders of ZITON A/S | | -6,321 | -8,184 |
| Non-controlling interests | | 3,337 | 2,380 |
| **Income for the year** | | **-2,984** | **-5,804** |

## STATEMENT OF COMPREHENSIVE INCOME

| EUR '000 | Note | 2017 | 2016 |
|---|---|---|---|
| **Income for the year** | | **-2,984** | **-5,804** |
| Items that will be reclassified subsequently to the income statement when specific conditions are met: | | | |
| Reserve for equity settled warrants | | - | 7 |
| Exchange adjustments of foreign entities, net of tax | | 1 | 41 |
| **Total comprehensive income for the year, after tax** | | **-2,983** | **-5,756** |
| Attributable to: | | | |
| Owners of ZITON A/S | | -6,320 | -8,136 |
| Non-controlling interests | | 3,337 | 2,380 |
| **Total comprehensive income for the year, after tax** | | **-2,983** | **-5,756** |

# REVIEW OF THE INCOME STATEMENT FOR 2017

**Revenue**
For the full year 2017, net revenue was EUR 33.2m compared to EUR 29.0m in 2016. The main driver of the revenue increase was the charter of J/U WIND SERVER to Siemens Gamesa Renewable Energy since 14 March 2016, as the vessel generated limited revenue in Q1 2016.

**Expenses**
Total expenses in ZITON increased to EUR 14.0m in 2017 from EUR 12.6m in 2016.

**Project-related expenses**
Project-related expenses increased to EUR 1.3m in 2017 from EUR 1.2m in 2016. The main reason for the EUR 0.1m increase was costs resulting from a higher level of activity.

**Operating expenses**
Operating expenses increased to EUR 8.2m in 2017 from EUR 7.8m in 2016. The main reason for the EUR 0.4m increase was the higher level of activity.

**Administrative expenses**
Administrative expenses amounted to EUR 1.7m in 2017 compared to EUR 1.3m in 2016. The increase of EUR 0.4m was mainly due to one-off costs related to a strategy project carried out in Q1 2017.

**Staff costs, office staff**
Salaries for office staff increased to EUR 2.8m in 2017 from EUR 2.3m in 2016. The main reason for the increase of EUR 0.5m was an increase in office staff as a consequence of the higher level of activity.

**EBITDA**
EBITDA was a EUR 19.3m profit for 2017 compared to EUR 16.4m for 2016. The main driver of the improvement in EBITDA was the higher revenue. The initial guidance for 2017 EBITDA was in the range of EUR 23-26m, as reported in the Q4 2016 interim report in February 2017. As revenue in both Q2 and Q3 2017 disappointed, we reduced our guidance to a range of EUR 21-22m in November 2017 when releasing our Q3 2017 interim report. Unfortunately, adverse weather conditions towards the end of 2017 further affected our reported results for 2017.

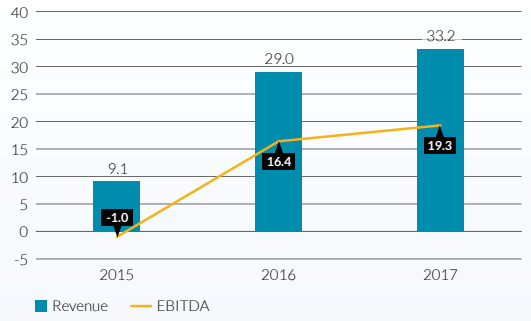
**Depreciation and amortisation**
Depreciation charges amounted to EUR 7.9m for 2017 compared to EUR 7.8m for 2016. The increase, albeit small, mainly reflects higher depreciation on J/U WIND following the five-year classification renewal of the vessel at the beginning of 2016.

**Net financials**
Financials, net was an expense of EUR 13.2m in 2017, which was largely unchanged from 2016. Financial income and expenses are described further in note 4.4.

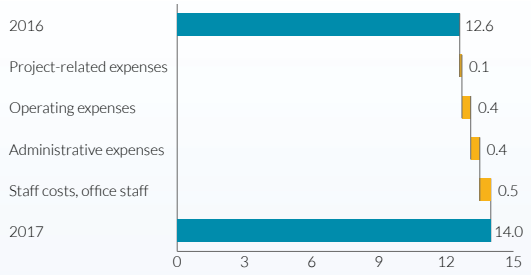
**Tax on profit (loss)**
Income before tax was a EUR 1.8m loss for 2017 compared to a EUR 4.6m loss for 2016. Tax on profit was an expense of EUR 1.1m. Taxation is described further in note 5.1

**Non-controlling interests**
BWC S.A. owns 50% of the Malta-based company Jack-Up InvestCo 3 Plc. Non-controlling interests of EUR 3.3m represents 50% of the Income for the year in Jack-Up InvestCo 3 Plc.
ZITON A/S bareboat charter J/U WIND SERVER from Jack-Up InvestCo 3 Plc.

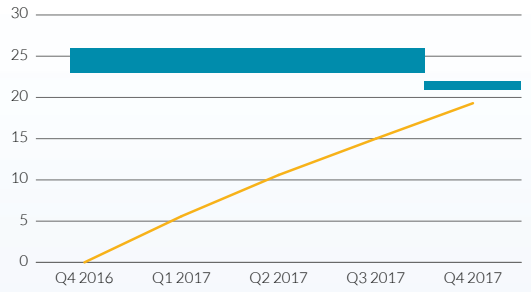
**Revenue & EBITDA**
EUR million




**Expenses**
EUR million




**Accumulated EBITDA & Expected range**
EUR million



# BALANCE SHEET
# 31 DECEMBER

## ASSETS

| EUR '000 | Note | 2017 | 2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Vessels, including fixtures & equipment | 3.1 | 154,517 | 161,313 |
| Intangible assets | 3.2 | 105 | - |
| Financial assets | 3.3 | 6,055 | 6,057 |
| Deferred tax assets | 5.2 | 334 | - |
| **Non-current assets** | | **161,011** | **167,370** |
| **Current assets** | | | |
| Inventories | | 39 | - |
| Trade and other receivables | 3.5 | 3,928 | 4,454 |
| Cash and cash equivalents | 4.2 | 2,753 | 1,944 |
| **Current assets** | | **6,720** | **6,398** |
| **Total assets** | | **167,731** | **173,768** |

## EQUITY AND LIABILITIES

| EUR '000 | Note | 2017 | 2016 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | 11,093 | 11,093 |
| Reserves | | 189 | 188 |
| Retained earnings | | 3,517 | 9,838 |
| **Total equity attributable to shareholders of ZITON A/S** | | **14,799** | **21,119** |
| Non-controlling interests | | 19,044 | 15,705 |
| **Total equity** | | **33,843** | **36,824** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Subordinated loans | 4.3 | 35,560 | 32,373 |
| Bank and bond loans | 4.3 | 85,596 | 90,919 |
| Deferred income tax liabilities | 5.2 | 4,029 | 2,441 |
| Provision for other liabilities | 3.4 | - | 236 |
| **Total non-current liabilities** | | **125,185** | **125,969** |
| **Current liabilities** | | | |
| Bank and bond loans | 4.3 | 5,492 | 7,590 |
| Trade and other payables | 3.6 | 2,008 | 2,762 |
| Provision for other liabilities | 3.4 | 1,203 | 623 |
| **Total current liabilities** | | **8,703** | **10,975** |
| **Total liabilities** | | **133,888** | **136,944** |
| **Total equity and liabilities** | | **167,731** | **173,768** |

# REVIEW OF THE BALANCE SHEET 2017

**Vessels, including fixtures & equipment**
The total value of the vessels amounted to EUR 154.5m at the end of 2017, compared to EUR 161.3m at the end of 2016. The reduced value of EUR 6.8m reflects depreciation that was partly offset by CAPEX of EUR 1.4m.

**Net working capital**
Changes in working capital were negative in the amount of EUR 0.2m in 2017, as changes in trade payables were higher than changes in trade receivables.

**Inventories**
Effective from 2017, bunker is presented as inventory, at a value of EUR 0.0m.

**Trade receivables**
Trade receivables decreased from EUR 4.2m in 2016 to EUR 3.6m mainly due to lower revenue in the latter parts of 2017 compared to the year before.

**Trade payables**
Trade payables decreased from EUR 1.5m in 2016 to EUR 0.7m, due to the higher level of activity in the latter parts of 2016 compared to the same period of 2017.

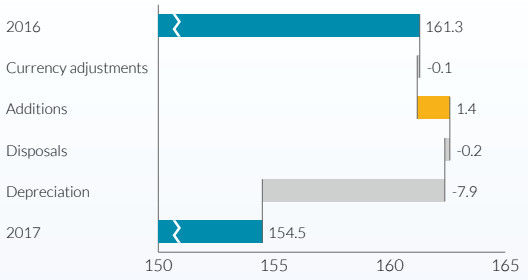
**Equity**
Total equity declined to EUR 33.8m at the end of 2017 from EUR 36.8m at end 2016. The EUR 3.0m decline mainly relates to losses for the period.

**Subordinated capital ratio**
The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at 31 December 2017 was 41.5%. This is an increase compared to 39.8% at 31 December 2016. The increase is mainly a consequence of a reduction of assets due to depreciation of vessels and a slight increase in subordinated capital. The subordinated capital ratio has a safe margin relative to the company's only financial covenant, which requires a subordinated capital ratio of 34.0% or higher at 31 December 2017.

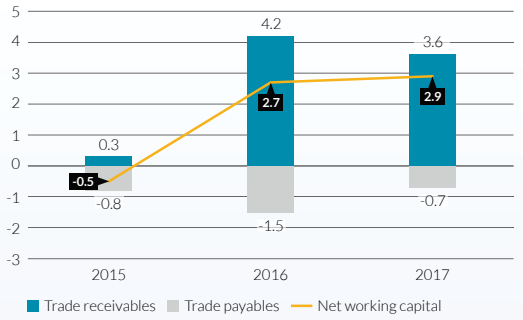
**Net Interest Bearing Debt (NIBD)**
NIBD includes bond debt (adjusted for capitalised expenses), the amount drawn on the working capital facility and finance lease liabilities less cash and cash equivalents.

**Change in NIBD**
NIBD decreased from EUR 98.2m in 2016 to 89.4m in 2017. The decrease was due to a positive EBITDA of EUR 19.3m, which was partly offset by working capital adjustments, CAPEX and finance costs.

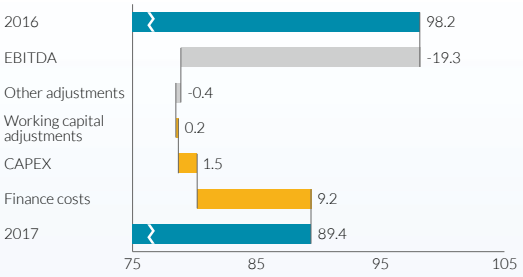
**Vessels, including fixtures & equipment**
EUR million



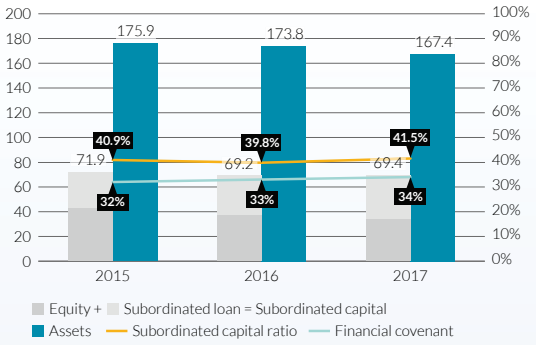

**Net working capital**
EUR million




**Change in NIBD**
EUR million




**Subordinated capital ratio**
EUR million · Percent



# CASH FLOW STATEMENT
# 1 JANUARY - 31 DECEMBER

| EUR '000 | Note | 2017 | 2016 |
|---|---|---|---|
| **Income before tax** | | **-1,841** | **-4,550** |
| **OPERATING ACTIVITIES** | | | |
| **Adjustments for non-cash items** | | | |
| Reversal of financial expenses, net | 4.4 | 13,156 | 13,186 |
| Depreciation and writedowns for the period | 3.1 | 7,930 | 7,775 |
| Other adjustments | | 473 | 632 |
| **Working capital adjustments** | | | |
| Changes in inventories | | -39 | - |
| Change in trade receivables | | 624 | -3,872 |
| Change in trade payables | | -737 | 619 |
| **Financial payments** | | | |
| Financial receipts | | - | - |
| Financial payments | | -9,165 | -9,741 |
| **Income tax expense** | | | |
| Income tax expense | | - | - |
| **Net cash flows from operating activities** | | **10,401** | **4,049** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of vessel, including fixtures & equipment (excl. interest) | 4.4 + 3.1 | -1,474 | -2,378 |
| **Net cash used in investing activities** | | **-1,474** | **-2,378** |
| **FINANCING ACTIVITIES** | | | |
| Repayment of debt to bank and bond holders | 4.5 | -5,500 | -2,500 |
| **Net cash used/received in financing activities** | | **-5,500** | **-2,500** |
| **Net change in cash and cash equivalents** | | **3,427** | **-829** |
| Cash and cash equivalents at beginning of period | 4.2 | -670 | 162 |
| Exchange gains/losses on cash and cash equivalents | | -4 | -3 |
| **Cash and cash equivalents at end of period** [1] | 4.2 | **2,753** | **-670** |

1) Cash and cash equivalents in the cash flow statement include drawings on working capital facility.

# REVIEW OF CASH FLOWS FOR 2017

**Operating activities**
Cash flows from operating activities were an inflow of EUR 10.5m in 2017 as a result of positive EBITDA, which was partly offset by financial payments.

**Investing activities**
Investing activities amounted to EUR 1.5m in 2017 which was significantly less than in previous years, when investment in J/U WIND SERVER and J/U WIND PIONEER were ongoing. The guidance for 2018 is for CAPEX of up to EUR 4.0m.

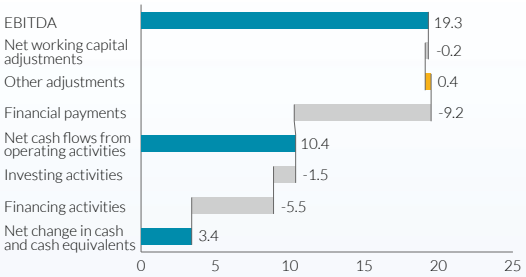
**Financing activities**
EUR 5.5m was repaid to bondholders during 2017. In 2018, EUR 6.0m will be repaid to bondholders, excluding any cash sweep.

**Available liquidity**
According to the bond agreement, the Super Senior Working Capital Facility was reduced from DKK 75m (≈EUR 10.1m) to DKK 50m (≈EUR 6.7m) on 26 November 2016.

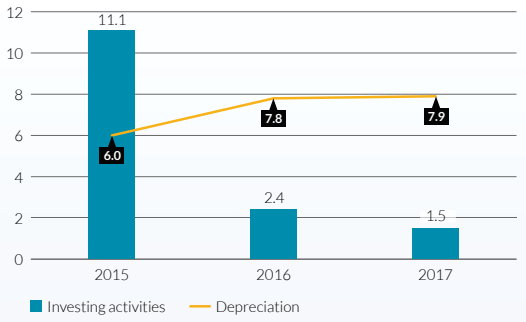
Available liquidity including the amount available under the working capital facility amounted to EUR 8.3m at the end of 2017 consisting of:

| EUR million | 2015 | 2016 | 2017 |
|---|---|---|---|
| Cash and cash equivalents | 2.1 | 1.9 | 2.8 |
| Cash on retention account | -0.7 | -1.1 | -1.2 |
| **Liquidity** | **1.4** | **0.8** | **1.6** |
| Working capital facility | -2.0 | -2.6 | 0.0 |
| Available draw | 10.1 | 6.7 | 6.7 |
| **Available liquidity** | **9.5** | **4.9** | **8.3** |

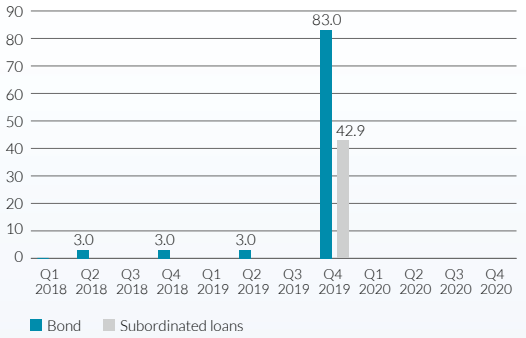
**Cash flows**
EUR million




**Investing activities vs. depreciation**
EUR million




**Debt repayment next three years**
EUR million



# STATEMENT OF CHANGES IN EQUITY

| 2017<br>EUR '000 | Attributable to shareholders of ZITON A/S | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Reserve for warrants | Translation reserves | Total reserves | Retained earnings | Total | | |
| **Balance at 31 December 2016** | **11,093** | **143** | **45** | **188** | **9,838** | **21,119** | **15,705** | **36,824** |
| Reserve for equity settled warrants | - | | - | - | - | - | - | - |
| Total comprehensive income for the year, after tax | - | - | 1 | 1 | -6,321 | -6,320 | 3,339 | -2,981 |
| **Balance at 31 December 2017** | **11,093** | **143** | **46** | **189** | **3,517** | **14,799** | **19,044** | **33,843** |

**Share capital**
At the end of 2017, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

## ACCOUNTING POLICIES

Reserves on equity consist of the following:
**Reserve for warrants** consist of warrants to management, selected employees and a 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 the presentation currency.

| 2016<br>EUR '000 | Attributable to shareholders of ZITON A/S | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Reserve for warrants | Translation reserves | Total reserves | Retained earnings | Total | | |
| **Balance at 31 December 2015** | **11,093** | **136** | **4** | **140** | **18,021** | **29,254** | **13,326** | **42,580** |
| Reserve for equity settled warrants | - | 7 | - | 7 | - | 7 | - | 7 |
| Total comprehensive income for the year, after tax | - | - | 41 | 41 | -8,183 | -8,142 | 2,379 | -5,763 |
| **Balance at 31 December 2016** | **11,093** | **143** | **45** | **188** | **9,838** | **21,119** | **15,705** | **36,824** |

**Share capital**
At the end of 2016, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 BASIS OF REPORTING

### GENERAL INFORMATION

ZITON A/S is a public limited company incorporated in Horsens, Denmark.

ZITON A/S is controlled by Jack-Up Holding A/S (registered office: Fredensborg, Denmark), which holds 59.5% of the share capital in ZITON A/S. Dansk Bjergning & Bugsering Holding ApS (registered office: Mariagerfjord, Denmark) and OY Finans ApS (registered office: Frederikshavn, Denmark) hold 25.1% and 14.8% of the share capital respectively. The remaining shares, equivalent to 0.6% of the share capital, are held by management. The ultimate parent of the Group is Jack-Up Holding A/S's holding company Anpartsselskabet af 1. december 2011 ApS.

ZITON A/S is consolidated in the financial statements of Jack-Up Holding A/S (registered office: Fredensborg, Denmark) and 1. december 2011 ApS (registered office: Fredensborg, Denmark).

The consolidated financial statements of ZITON A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class D companies.

The accounting policies are unchanged from last year.

The consolidated financial statements are presented in EUR thousands (EUR ´000).

The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value at the end of each reporting period, as explained in the accounting policies for note 3.3.

Significant accounting policies adopted in the preparation of these consolidated financial statements are disclosed in relevant notes, if no relevant note exists, the accounting policies are listed in this note. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of ZITON A/S and its subsidiaries.

Furthermore, significant accounting judgments, estimates and assumptions used in these consolidated financial statements are disclosed in relevant notes. If no relevant note exists, the significant accounting judgments, estimates and assumptions are listed in this note.

### ACCOUNTING POLICIES

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved when the company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee, and;
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements, and;
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

The consolidated financial statements of ZITON A/S Group consist of the 100% owned subsidiaries Jack-Up InvestCo 2 A/S (registered office: Horsens, Denmark) and ZITON Contractors A/S (registered office: Horsens, Denmark), and the 50% owned company Jack-Up InvestCo 3 Plc. (registered office: Qormi, Malta), which management has evaluated can be 100% consolidated according to IFRS 10.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of ZITON A/S and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The financial details of non-controlling interests are listed below.

| Details of non-controlling interests | 2017<br>EUR '000 | 2016<br>EUR '000 |
|---|---|---|
| **Income statement** | | |
| Revenue | 7,839 | 7,564 |
| EBITDA | 7,821 | 7,545 |
| Total comprehensive income | 3,337 | 2,380 |
| **Balance sheet items** | | |
| Non-current assets | 36,673 | 38,363 |
| Current assets | 19,516 | 10,393 |
| Equity | 19,044 | 15,705 |
| Non-current liabilities | 37,141 | 33,046 |
| Current liabilites | 5 | 5 |
| **Cash flow** | | |
| Net change in cash and cash equivalents | -18 | -18 |
| **Dividends paid to non controlling interests** | - | - |

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Foreign currencies**
**Functional and presentation currency**
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Although the functional currency for ZITON A/S is DKK, the consolidated financial statements are presented in euro because the main financing is in euro.

**Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement under financial income/expenses. All other foreign exchange gains and losses are presented in the income statement on a net basis under revenue or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

**Group companies**
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income.

**Foreign currency translation**
On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

**Inventories**
Inventories primarily comprise bunker onboard vessels. Inventories are measured at the lower of cost according to the FIFO method and net realisable value. In 2017, EUR 292k (2016: EUR 280k) was recognised as an expense under operating expenses.

**Leasing**
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 3.1 Vessels and equipment). Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and financial expenses. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 6.1 Commitments and contingencies). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**Income statement**
**Project-related expenses**
Project-related expenses consist of expenses in relation to projects and primarily involve expenses to subcontractors, tugboat, seabed analysis and special equipment used for operations. Like revenue, operating costs are recognised upon delivery of the service.

**Operating expenses**
Operation of vessels comprises expenses other than project-related expenses incurred to generate the revenue for the year. Vessel operating costs are divided into fixed and variable expenses. As vessel are obligated by law to have a minimum crew, staff expenses for employees are considered a fixed expense. Fixed expenses include, insurance, maintenance expenses, staff costs etc. Variable expenses include bunker, grease and other expenses to move the vessel. Like revenue, operating costs are recognised upon delivery of the service.

**Administrative expenses**
Administrative expenses comprise cost of rent, travel, external expenses and other office expenses etc. Administrative expenses are recognised upon delivery of the service.

**Cash flows**
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as the income before tax adjusted for non-cash operating items, changes in working capital, interest payments and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of bank and bond debt, acquisition and disposal of subordinated debt and payment of dividends to shareholders.

**SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial reporting requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of asset and liability affected in future periods.

**Judgments**

In the process of applying ZITON A/S's accounting policies, management has made the following judgments which have the most significant effects on the amounts recognised in the financial statements.

**100% consolidation of Jack-Up InvestCo 3 Plc.**

According to IFRS, the consolidation principle is an overall evaluation of the

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and;
- the ability to use its power over the investee to affect the amount of the investor´s return.

Based on management's evaluation of the above and our unconditional right to purchase the remaining shares, Jack-Up InvestCo 3 Plc. is 100 % consolidated in the balance sheet from 1 January 2014.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that involve a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in relevant notes listed below.

The accounting estimates and assumptions which management deems to be significant to the preparation of the consolidated financial statements are:

- Impairment of vessels (note 3.1)
- Valuation of financial assets (note 3.3)
- Leases (note 3.1 and 6.1)
- Trade receivable (note 3.5)
- Deferred tax (note 5.2)
- Provisions (note 3.4)
- Contingent liabilities (note 6.1)

**RELEVANT NEW ACCOUNTING STANDARDS**

ZITON A/S has adopted the following amended standards and interpretations from 1 January 2017.

Amendments to IAS 7 Disclosure Initiative was published in January 2016 and requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities (note 4.5 Reconciliation of financial liabilities).

Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses was published in January 2016 and clarifies the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The adoption of the amended standards and interpretations has not had a significant impact on recognition or measurement in the consolidated financial statments for 2017, and is not anticipated to have a significant impact on future periods.

Annual Improvements to IFRSs (2014-2016) was published in December 2016 and contains minor changes to three standards.

**NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

The IASB has issued a number of new or amended standards and interpretations that are not mandatory for the consolidated financial statements for 2017. ZITON A/S expects to adopt the standards and interpretations when they become mandatory. None of these amended standards or interpretations are expected to have a significant impact on recognition and measurement, but may lead to further disclosures in the notes.

IFRS 15 – Revenue from Contracts with Customers was published in May 2014 and established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard requires extensive disclosures. The standard is effective for annual periods beginning on or after 1 January 2018. In 2016/2017, we applied the five-step model framework on our current revenue streams and did not identify any significant effect on recognition and measurement. It is expected, however, that disclosure requirements regarding contracts receivables will increase. The standard will be implemented using the modified retrospective method. ZITON will make use of the relief option of not restating comparative figures and will only apply IFRS 15 to contracts that were not completed as of 1 January 2018.

IFRS 16 - Leases. For the lessee, the distinction between finance and operating leases will be eliminated. In the future, operating leases must be recognised in the balance sheet with an asset and a corresponding lease commitment. The standard takes effect in 2019 and is not expected to have a significant effect on the consolidated financial statements. It is estimated that assets and liabilities will increase by EUR 600k in January 2019 based on current operational lease contracts. The effect on the income statement 2019 will be an estimated reduction in operating expenses of EUR 170k, which will be offset in additional depreciation of EUR 150k and leasing interests of EUR 50k.

IFRS 9 - Financial instruments. The number of categories of financial assets is reduced to three: amortised cost category, fair value through other comprehensive income category and fair value through the income statement category. Simplified rules regarding hedge accounting are introduced, and impairment of receivables must be based on expected loss. The standard comes into force in 2018 and is not expected to have a significant effect on the consolidated financial statements.

## 2.1 SEGMENT REPORTING

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 vessel revenue and expenses. As all three vessels operate on similar assignments, management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

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

**Geographical distribution of revenue**

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| Denmark | | 11,981 | 11,528 |
| United Kingdom | | 18,737 | 12,586 |
| Germany | | 1,030 | 3,990 |
| Holland | | 1,479 | 756 |
| Belgium | | - | 182 |
| **Total** | **I/S** | **29,042** | **29,042** |

Sales to the two largest customers made up 72% and 10%, respectively, of total revenue in 2017 (2016: 68% and 15%, respectively).

### ACCOUNTING POLICIES

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are reduced for estimates for trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each engagement.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

For vessels on time charters, that is operating leases, charter hire is recognised on a straight-line basis over the term of the lease.

## 2.2 STAFF COSTS

**Total staff costs in the Group**

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| **Staff costs, office staff** | | | |
| Wages and salaries | | 2,566 | 2,147 |
| Pensions – defined contribution plans | | 201 | 146 |
| Other social security costs | | 14 | 37 |
| **Total office staff** | **I/S** | **2,781** | **2,330** |
| **Vessel staff - the amount is included in "Operating expenses"** | | | |
| Wages and salaries | | 3,648 | 2,817 |
| Pensions – defined contribution plans | | 252 | 207 |
| Other social security costs | | 44 | 29 |
| **Total vessel staff** | | **3,944** | **3,053** |
| **Total staff costs** | | **6,726** | **5,383** |

**Average number of employees**

| | 2017 | 2016 |
|---|---|---|
| Office staff | 23 | 21 |
| Vessel staff, Danish nationalities | 55 | 50 |
| Vessel staff, other EU nationalities | 18 | 18 |
| **Total employees** | **96** | **90** |

The Group measures the employee turnover in accordance with Bimco shipping KPI system. For all of 2017, the officer retention rate was 98% (2016: 93%).

## 3.1 VESSELS AND EQUIPMENT

| 2017<br>EUR '000 | | Fixtures & equipment | Vessels | Total |
|---|---|---|---|---|
| Cost at 1 January | | 692 | 183,395 | 184,087 |
| Transferred between asset categories | | -254 | 254 | - |
| Exchange rate adjustments | | -1 | -140 | -141 |
| Additions | | 539 | 901 | 1,440 |
| Disposals | | -201 | -115 | -316 |
| **Cost at 31 December** | | **775** | **184,295** | **185,070** |
| Depreciation at 1 January | | -317 | -22,457 | -22,774 |
| Transferred between asset categories | | 132 | -132 | - |
| Exchange rate adjustments | | - | 19 | 19 |
| Depreciation | I/S | -121 | -7,798 | -7,919 |
| Disposals | | 111 | 9 | 120 |
| **Depreciation at 31 December** | | **-195** | **-30,359** | **-30,554** |
| Impairment losses at 1 January | | - | - | - |
| Impairment losses at 31 December | | - | - | - |
| **Carrying amount at 31 December** | **B/S** | **580** | **153,936** | **154,516** |
| - of which capitalised interests, at an average interest rate of 11.7% (capitalised in 2017: EUR 0k) | | | 17,392 | 17,392 |

At 31 December 2017, EUR 195k of the carrying amount of fixtures & equipment was car finance leases.

### 3.1 VESSELS AND EQUIPMENT (CONTINUED)

| 2016<br>EUR '000 | | Fixtures & equipment | Vessels | Total |
|---|---|---|---|---|
| Cost at 1 January | | 779 | 180,679 | 181,458 |
| Exchange rate adjustments | | 1 | 365 | 366 |
| Additions | | 131 | 2,351 | 2,482 |
| Disposals | | -219 | - | -219 |
| **Cost at 31 December** | | **692** | **183,395** | **184,087** |
| Depreciation at 1 January | | -301 | -14,805 | -15,106 |
| Exchange rate adjustments | | -1 | -43 | -44 |
| Depreciation | I/S | -164 | -7,609 | -7,773 |
| Disposals | | 149 | - | 149 |
| **Depreciation at 31 December** | | **-317** | **-22,457** | **-22,774** |
| Impairment losses at 1 January | | - | - | - |
| Impairment losses at 31 December | | - | - | - |
| **Carrying amount at 31 December** | **B/S** | **375** | **160,938** | **161,313** |
| – of which capitalised interests, with an average interest rate of 11.7% (capitalised in 2017: EUR 0k) | | | 18,141 | 18,141 |

At 31 December 2016, EUR 37k of the carrying amount of fixtures & equipment was car finance leases.

**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 at the amount by which the 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 the total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters and by using estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on 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 and ZITON´s expected market share.
- Average day rates are based on either already signed framework agreement or historical prices.

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

Management's assessment of indication of impairment on vessels is based on the cash-generating unit (CGU) in which all vessels are included.

As cash flows from the CGU in 2017 were lower than expected, 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 and a determined WACC of 8.1% and a growth rate in the terminal period of 0%. The value in use was estimated to be materially higher than the carrying amount of EUR 153,936k.

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

## 3.1 VESSELS AND EQUIPMENT (CONTINUED)

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – IMPAIRMENT OF VESSELS

Significant accounting estimates include i.e. estimates of useful lives, residual values and impairment on tangible assets.

**Useful lives of the vessels**
The useful lives of the vessel are assessed annually by the COO. At the current depreciation rate, vessels are fully depreciated over 14 to 25 years.

**Residual values**
The residual values of the vessels are estimated at zero as it is expected that scrapping of the vessels will include expenses equivalent to the price of steel.

**Impairment**
Revenue for "open charter periods" is estimated based on projected future installation of offshore turbines, the average rate which a turbine needs assistance from a jack-up vessel in the turbine's lifetime and ZITON´s expected market share. Average day rates are based on either already signed framework agreement or historical prices. The value in use calculation is sensitive to fluctuations in expected day rates and utilisation of the vessels. However, an increase of the WACC of 2 basis points to 10.2% or a reduction of either 10% in utilisation or day rates will not lead to a value in use lower than the current carrying amount of the vessels.

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – LEASES

Management's assessment of whether leases of assets should be classified as finance or operating leases is based on an overall evaluation of each lease. In finance leases, a non-current asset and a payable are recognised. In classification as operating leases, the regular lease payments are generally recognised in the income statement.

### ACCOUNTING POLICIES

The Group's accounting policy for vessels and fixtures and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This includes capitalised staff costs and interest.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The basis of depreciation is allocated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Vessels: | between 20 and 30 years |
| Installed equipment on vessels: | between 3 and 12 years |
| Machinery & tools: | between 3 and 10 years |

Docking costs of the vessels are capitalised and depreciated over the period until the next docking, typically 5 years.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 3.2 INTANGIBLE ASSETS

| 2017<br>EUR '000 | | Software | Total |
|---|---|---|---|
| Cost at 1 January | | - | - |
| Exchange rate adjustments | | - | - |
| Additions | | 108 | 108 |
| Disposals | | - | - |
| **Cost at 31 December** | | **108** | **108** |
| Depreciation at 1 January | | - | - |
| Exchange rate adjustments | | - | - |
| Amortisation | I/S | -3 | -3 |
| Disposals | | - | - |
| **Depreciation at 31 December** | | **-3** | **-3** |
| Impairment losses at 1 January | | - | - |
| Impairment losses at 31 December | | - | - |
| **Carrying amount at 31 December** | **B/S** | **105** | **105** |

### ACCOUNTING POLICIES

The Group's accounting policy for intangible assets is stated at historical cost less amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The basis of amortisation is allocated on a straight-line basis over the estimated useful lives of the assets as follows:

Software: between 3 and 7 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### 3.3 FINANCIAL ASSETS

ZITON A/S has a call option to acquire all remaining shares in Jack-Up InvestCo 3 Plc. from the co-investor (the non-controlling interests).

In 2015, a prepayment of EUR 6,057k on the call option was made to the non-controlling interest as part of the revised capital structure for the Group.

As there is no active market for this option, the financial assets are measured at cost less impairment.

| 2017<br>EUR '000 | | Assets at fair value through P/L | Total |
|---|---|---|---|
| Fair value at 1 January | | 6,055 | 6,055 |
| **Fair value at 31 December** | **B/S** | **6,055** | **6,055** |

| 2016<br>EUR '000 | | Assets at fair value through P/L | Total |
|---|---|---|---|
| Fair value at 1 January | | 6,057 | 6,057 |
| **Fair value at 31 December** | **B/S** | **6,057** | **6,057** |

#### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – FINANCIAL ASSETS

As the financial asset is measured at cost less impairment, significant accounting estimates include estimates of impairment on financial assets.
Impairment will occur if management does not intend to use the call option, or if the vessel owned by Jack-Up InvestCo 3 Plc. does not generate the expected future value.

As part of the vessel impairment test we did not recognise any impairment losses, hence the value of EUR 6.055k for the prepayment of the call option is appropriate.

#### ACCOUNTING POLICIES

The group classifies its financial assets in the following categories:
- inancial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

On initial recognition, the group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

"Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value for 'financial assets at fair value through profit or loss' are recognised as follows in profit or loss within other income or other expenses. If there is no active market for the financial assets and the range of reasonable fair values is significant and these estimates cannot be made reliably, then the financial assets is measured at cost less impairment.

## 3.4 PROVISIONS

**Provisions for employee benefits**

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| **Provisions at 1 January** | | **859** | **580** |
| Change in long-term employee bonus provision | | 176 | 152 |
| Paid employee bonus | | -147 | - |
| Change in provision for employee earned leave days | | 215 | - |
| Change in holiday provisions for employees | | 100 | 127 |
| **Provisions at 31 December** | | **1,203** | **859** |
| | | | |
| Recognised in the balance sheet as follows: | | | |
| Non-current | B/S | - | 236 |
| Current | B/S | 1,203 | 623 |
| **Total trade and other receivables** | | **1,203** | **859** |

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The determination of provisions is based on management's best estimate of future events and is therefore subject to significant uncertainty. The employee bonus programme is based on realised EBITDA and revenue figures. It is estimated that the target will be met for the short- and long-term bonus. This results in a net change in bonus provision with EUR 29k in 2017. It is expected that the short-term and long-term bonus will be paid in 2018.

Holiday provisions are estimated based on employee turnover, number of expected vacation days, and future salary increases. The provision is increased with EUR 100k, due to the increase in employees.

### ACCOUNTING POLICIES

Provisions are recognised when, as a consequence of an event that has occurred before or on the reporting date, the Group has a legal or constructive obligation, and it is likely that economic benefits will flow from the company to meet the obligation. Employee benefits include provision for employee bonus, both short-term and long-term, earned leave days and holiday provision.

**Employee bonus**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**Earned leave days**

During the year vessel staff earn overtime (earned leave days). A liability and an expense for earned leave days has been recognised, at the amounts expected to be paid when the liabilities are settled. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**Holiday provision**

Liabilities for holiday provisions are expected to be settled within 12 months after the end of the period in which the employees render the related service and are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**Post-employment obligations**

The Group operates only post-employment schemes, which is defined as contribution pension plans. For defined contribution plans, the Group pays contributions to publicly and /or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee expense (pension - defined contribution plans) when they are due.

## 3.5 TRADE AND OTHER RECEIVABLES

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| Trade receivables | | 3,554 | 4,183 |
| Provision for impairment | | - | - |
| Other receivables | | 37 | 119 |
| Intercompany receivables | | 140 | 29 |
| Prepayments | | 197 | 124 |
| **Total trade and other receivables** | **B/S** | **3,928** | **4,455** |
| | | | |
| Recognised in the balance sheet as follows: | | | |
| Non-current | | - | - |
| Current | | 3,928 | 4,455 |
| **Total** | | **3,928** | **4,455** |

The carrying amount of receivables is in all material respects equal to the fair value.

Trade receivables of a total of EUR 40k were overdue by less than 60 days at 31 December 2017. All payments were received during January 2018. (2016: Trade receivables of a total of EUR 846k were overdue by less than 30 days at 31 December 2016. All payments were received during January 2017).

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – TRADE RECEIVABLE

Provisions for bad debts are determined on the basis of customers' ability to pay, considering historical information about payment patterns, doubtful debts, customer concentrations, customer creditworthiness and collateral received as well as prevailing economic conditions. Estimates made are updated if the debtor's ability to pay changes.

Management estimated that there are no need for provisions on receivables at 31 December 2017 (2016: No provision on receivables).

### ACCOUNTING POLICIES

**Trade receivables**

Trade receivables are recognised at amortised cost less provision for impairment when it is assessed that an objective indication of impairment has occurred. Impairment is performed on an individual basis.

**Other receivables and prepayments**

Other receivables comprise deposits and other receivables.

Prepaid expenses comprise expenses paid relating to subsequent financial years such as rent, insurance premiums, subscription fees and interest and fees.

Other receivables and prepaid expenses are measured at the lower of amortised cost and net realisable value.

## 3.6 TRADE AND OTHER PAYABLES

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| Trade payables | | 712 | 1,450 |
| Other liabilities | | 1,296 | 1,312 |
| **Total trade and other payables** | **B/S** | **2,008** | **2,762** |

### ACCOUNTING POLICIES

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other liabilities represent accruals for primarily interest and VAT.

Trade payables and Other liabilities are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair values and subsequently measured at amortised cost using the effective interest method.

## 4.1 RISK MANAGEMENT

The Group's risk management is described in the section "Risk management" elsewhere in this annual report. The financial risks are elaborated on below.

**Credit risk**
Credit risk arises from cash and cash equivalents and trade receivables but is considered to be modest for the Group.

Cash and cash equivalents are only placed with reputable banks.

The Group has not suffered any losses from any single major debtor in the last couple of years. The Group's customers are primarily large international utilities and wind turbine manufacturers with a strong financial position.

**Liquidity risk**
Liquidity risk includes the risk of the Group becoming short of liquidity and unable to refinance its maturing credit lines as and when needed. ZITON completed a revised financial structure in November 2015, obtaining a solid capital structure with subordinated loans maturing, in December 2019 and the bond issue maturing in November 2019.

The terms to maturity of financial assets and liabilities are disclosed by category and class distributed on maturity periods. All interest payments and repayments of financial assets and liabilities are based on contractual agreements.

| | Maturities | | | | |
|---|---|---|---|---|---|
| EUR '000 | in 2018 | Between 2019 to 2021 | 2022 and onwards | Total | Book value |
| **Loans and receivables** | | | | | |
| Cash | 2,753 | - | - | **2,753** | 2,753 |
| Trade receivables | 3,554 | - | - | **3,554** | 3,554 |
| Other receivables | 37 | - | - | **37** | 37 |
| **Financial liabilities** | | | | | |
| Subordinated loans | - | 42,998 | - | **42,998** | 35,560 |
| Bank and bond loans | 13,799 | 93,282 | - | **107,081** | 90,923 |
| Trade and other payables | 712 | - | - | **712** | 712 |
| Working capital facility, incl. lease liability | 55 | - | - | **55** | 55 |

Response:
The Group currently has a loan-to-value ratio for its vessels of approx. 58%, which it plans to reduce before refinancing of the bond.

**Covenants**
The bond loan agreement includes financial covenants that, if broken, involve default on credit facilities. The subordinated capital ratio must not fall below 34% at the end of 2017.

**Market risk**
**Bunker price risk**
The Group is exposed to fluctuating bunker prices. Bunker expenses in 2017 amounted to EUR 392k (2016: EUR 280k).

If bunker prices increase by 50%, the Group's expenses are assessed to increase by less than EUR 500k.

Response:
Given the modest impact on cash flows, the Group accepts that bunker expenses will vary and are unpredictable. The Group has chosen not to hedge bunker prices.

## 4.1 RISK MANAGEMENT (CONTINUED)

**Interest rate risk**
Most of the Group's financing, including the bond issue with EUR 92.0m outstanding at 31 December 2017, carries a floating rate of interest. Consequently, an increase in the general level of interest rates, as denoted by 3M EURIBOR, will have an adverse effect on the Group's interest expenses.

An increase of 1 percentage point in interest rates would increase interest expenses by approx. EUR 900k. If EURIBOR rates fell below 0%, it would not benefit the Group to any major extent as there is a floor of 0% on ZITON A/S´s bond issue.

Response:
Given the modest impact on cash flows, the group accepts that interest rates will vary. The Group has chosen not to swap floating rate debt into fixed rate debt.

## 4.2 WORKING CAPITAL FACILITY

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| **Cash and bank overdraft** | | | |
| Cash and cash equivalents | B/S | 2,753 | 1,944 |
| Working capital facility | | - | -2,614 |
| **Total** | **C/F** | **2,753** | **-670** |

At 31 December 2017, total cash at bank included EUR 1,170k in a retention account, in favour of bond amortisation and interest (2016: EUR 1,121k).

At 31 December 2017, the Group had an undrawn working facility with the bank of EUR 6,716k (2016: EUR 4,111k).

## 4.3 LOANS

| 2017<br>EUR '000 | | Interests type | Current debt | Non-current debt | Total |
|---|---|---|---|---|---|
| Subordinated loan | | Fixed rate | - | 35,560 | 35,560 |
| Bond | | Floating rate | 5,437 | 85,486 | 90,923 |
| Lease liabilities | | Floating rate | 55 | 110 | 165 |
| Working capital facility | | Floating rate | - | - | - |
| **Total loans** | **B/S** | | **5,492** | **121,156** | **126,648** |

**Fair value:**
At 31 December 2017, the latest trading price quoted for the bond on the Oslo Stock Exchange was 104.63. The fair value (hierarchy level 1) of the bond is equivalent to EUR 96,260k, compared to the carrying amount of 92,000k (adjusted for capitalised fees of EUR 1,077k).
The fair value of the remaining loans are equivalent to the carrying amounts. Hence, the total fair value of loans at 31 December 2017 was EUR 131,985k, excluding capitalised fees of EUR 1,077k.

**Financial covenants:**
BOND: FRN ZITON A/S 2015/2019 - ISIN NO0010751332
Subordinated capital ratio: The Issuer shall at all times maintain a subordinated capital ratio of at least 32% in the first 12 months from the Issue Date and increase it by 1% each subsequent year. At 31 December 2017, the minimum ratio is 34%. The key terms of the bond is listed below accounting policies.

## 4.3 LOANS (CONTINUED)

| 2016<br>EUR '000 | | Interests type | Current debt | Non-current debt | Total |
|---|---|---|---|---|---|
| Subordinated loan | | Fixed rate | - | 32,373 | 32,373 |
| Bond | | Floating rate | 4,937 | 90,919 | 95,856 |
| Lease liabilities | | Floating rate | 39 | - | 39 |
| Working capital facility | | Floating rate | 2,614 | - | 2,614 |
| **Total loans** | **B/S** | | **7,590** | **123,292** | **130,882** |

**Fair value:**
At 31 December 2016, the latest trading price quoted for the bond on the Oslo Stock Exchange was 97.67. The fair value (hierarchy level 1) of the bond is equivalent to EUR 95,228k, compared to the carrying amount of 97,500k (adjusted for capitalised fees of EUR 1,644k). The fair value of the remaining loans are equivalent to the carrying amounts. Hence, the total fair value of loans at 31 December 2016 was EUR 130,254k, excluding capitalised fees of EUR 1,644k.

**Financial covenants:**
BOND: FRN ZITON A/S 2015/2019 - ISIN NO0010751332
Subordinated capital ratio: The Issuer shall at all times maintain a subordinated capital ratio of at least 32% in the first 12 months from the Issue Date and increase it by 1% each subsequent year. At 31 December 2016, the minimum ratio is 33%.

### ACCOUNTING POLICIES

Loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost.

Loans are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**Key terms for the BOND: FRN ZITON A/S 2015/2019 - ISIN NO0010751332**

| | |
|---|---|
| Coupon | Floating rate note 3m EURIBOR (floor at 0%) + 8.5% p.a.<br>Quarterly coupon payments |
| Issue size | EUR 100 million |
| ISIN & listing | ISIN: NO0010751332. Listed on the Oslo Stock Exchange |
| Maturity | 26 Nov 2019 |
| Maintenance covenant | Subordinated capital ratio >34% at 31 December 2018 (increasing by 1%-point annually) |
| Call option | Make whole first 2 years at 104.31+PV of remaining interest.<br>Thereafter 104.31/103.02/101.72/100.43 after 24/30/36/42 months respectively |
| Change of control | Change of control with new owner obtaining above 50% ownership allows bondholders to sell the bond at 101.00 |
| Security | 1st lien security in J/U WIND SERVER, J/U WIND PIONEER and J/U WIND |
| Amortisation | 2.5 MEUR semi-annually from 12 months after issue date<br>3.0 MEUR semi-annually from 24 months after issue date |
| Cash sweep | Semi-annual (30.06 & 31.12) cash sweep of cash in excess of 5 MEUR in free liquidity (at 102% of par) |
| Carve out for negative pledge | WCF of 50 MDKK + performance guarantees. Financial lease etc. limited to 0.5 MEUR |
| CAPEX restrictions | Newbuild CAPEX limited to 2 MEUR during tenor. Any debt on a non-recourse basis to ZITON. |
| Capital distribution | No distribution of dividend or repayment of subordinated capital (net) |

## 4.4 NET FINANCIAL EXPENSES

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| **Financial income:** | | | |
| Foreign exchange gains on financing activities | | - | 949 |
| Other | | - | 5 |
| **Total financial income** | **I/S** | **-** | **954** |
| **Interest expense** | | | |
| Subordinated loans | | 3,883 | 3,535 |
| Bank loans | | 161 | 317 |
| Transaction costs | | 590 | 581 |
| Bond loans | | 8,227 | 8,679 |
| Finance lease liabilities | | 7 | 2 |
| Foreign exchange loss on financing activities | | 114 | 750 |
| Other interest expense | | 186 | 275 |
| **Total financial expenses** | | **13,168** | **14,140** |
| **Net financial expenses** | | **13,168** | **13,186** |

### ACCOUNTING POLICIES

**Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Any difference between the proceeds of loans (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method, as transaction costs.

Other borrowing costs are expensed in the period in which they are incurred.

## 4.5 RECONCILIATION OF FINANCING LIABILITIES

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| EUR '000 | 2016 | Cash flow | Other non-cash movements | Non-cash interest | Foreign exchange movements | 2017 |
| Subordinated loans | 32,373 | - | - | 3,236 | -49 | 35,560 |
| Bond loan | 90,919 | -5,500 | 63 | - | 4 | 85,486 |
| Bond loan - current liability | 4,937 | - | 500 | - | - | 5,437 |
| Lease liabilities | - | -66 | 176 | - | - | 110 |
| Lease liabilities - current liability | 39 | -39 | 55 | - | - | 55 |
| Cash | 670 | -3,427 | - | - | 4 | -2.753 |
| **Net financial expenses** | **128,938** | **-9,032** | **794** | **3,236** | **-41** | **123,895** |

**Other non-cash movements**

Other non-cash movements for bond loan totals EUR 563k which is equivalent of the change in capitalised transaction cost during 2017.
Total additions and disposals of financial lease liabilities and expensed financial lease interest totals EUR 231k in 2017, which makes up the total Other non-cash movements for lease liabilities.

## 5.1 INCOME TAX EXPENSE

**Income tax expense**

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| **Current tax:** | | | |
| Current tax on income for the year | | - | - |
| Adjustments in respect of prior years - current tax | | - | - |
| **Total current tax** | | **-** | **-** |
| **Deferred tax (note 5.2):** | | | |
| Deferred tax on the income (profit/loss) for the year | | -1,255 | -1,229 |
| Adjustments in respect of prior years - deferred tax | | 112 | -25 |
| **Total deferred tax** | | **-1,143** | **-1,254** |
| **Income tax expense** | **I/S** | **-1,143** | **-1,254** |

The tax on the Group's profit differs from the theoretical amount that would arise using the Danish tax rate to profits of the consolidated entities as follows:

**Reconciliation of tax rate**

| EUR '000 | 2017 | 2016 |
|---|---|---|
| **Profit/loss before tax** | **-1,841** | **-4,550** |
| **Danish tax rate 22%** | **405** | **1,001** |
| Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate | -1,157 | -944 |
| Notional interest on equity (Malta) | 926 | - |
| Non-deductible interest | -1,387 | -1,268 |
| Other adjustments | -42 | -18 |
| **Income tax expense for the year** | **-1,255** | **-1,229** |

ZITON incurred a loss of EUR 1.8m for 2017, but the taxable income was a profit of EUR 5.7m, resulting in a tax expense of EUR 1.3m. The difference between the reported loss of EUR 1.8m and the taxable income of EUR 5.7m is due to the effect of the Malta tax rate of 35% and non-deductible interest in Denmark. On the other hand, the use of notional interest on equity financing in Malta partly offset the higher income tax percentage in Malta.

The reason for the tax expense of EUR 1.2m in 2016 was the effect of the Malta tax rate of 35% and non-deductible interest in Denmark. Hence, the taxable income is a profit of EUR 5.6m, resulting in a taxable expense of EUR 1.2m.

### ACCOUNTING POLICIES

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unutilised tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 5.2 DEFERRED TAX

| EUR '000 | 2017 | 2016 |
|---|---|---|
| Deferred tax 1 January | -2,441 | -1,209 |
| Currency translation | 2 | -7 |
| Change in deferred tax - recognised in the income statement | -1,143 | -1,229 |
| Adjustments related to previous years | -113 | 4 |
| **Total deferred tax, net at 31 December** | **-3,695** | **-2,441** |
| Deferred tax gross: | | |
| Deferred tax asset | 5,945 | 5,122 |
| Deferred tax liabilities | -9,640 | -7,563 |
| **Total deferred tax, net at 31 December** | **-3,695** | **-2,441** |

**Specification of deferred tax**

| EUR '000 | 2017 | 2016 |
|---|---|---|
| Vessel and equipment | -9,640 | -7,563 |
| Tax-loss carry forwards | 5,945 | 5,122 |
| **Total deferred tax at 31 December** | **-3,695** | **-2,441** |

**Deferred tax in balance sheet**

| EUR '000 | | 2017 | 2016 |
|---|---|---|---|
| Deferred tax assets | B/S | 334 | - |
| Deferred income tax liabilities | B/S | -4,029 | -2,441 |
| **Total deferred tax at 31 December** | | **-3,695** | **-2,441** |

In 2017, total deferred tax consists of a liability from Jack-Up InvestCo 3 Plc. of EUR 4,029k and a deferred tax asset of EUR 334k concerning Danish joint taxation, for a total of EUR 3,695k. In 2016, total deferred tax consisted of an asset from Jack-Up InvestCo 3 Plc. of EUR 1,799k and a deferred tax asset of EUR 642k concerning Danish joint taxation, for a total of EUR 2,441k.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

Deferred tax is recognised based on the assumption that ZITON A/S continues under the corporate tax regime, and on expectations of future activity.

## 5.2 DEFERRED TAX (CONTINUED)

### ACCOUNTING POLICIES

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

ZITON A/S is jointly taxed with the subsidiaries Jack-Up InvestCo 2 A/S and ZITON Contractors A/S, and the parent company Jack-up Holding A/S and the ultimate parent company Anpartsselskabet af 1. december 2011. Anpartsselskabet af 1. december 2011 is the administration company for the jointly taxed companies. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income.

## 6.1 COMMITMENTS AND CONTINGENCIES

**Commitments (operating lease arrangements)**
Operating leases relate to leases of office and cars.

**Recognised in the income statement in respect of rentals incl. commitments**

| EUR '000 | 2017 | 2016 |
|---|---|---|
| Recognised in the income statement in respect of rentals | 161 | 230 |
| Lease commitments: | | |
| 0 - 1 year | 103 | 123 |
| 1 - 5 years | 127 | 108 |
| After 5 years | - | - |
| **Total lease commitments** | **230** | **230** |

SIGNIFICANT ESTIMATES AND ASSUMPTIONS
Management's assessment of whether leases of assets should be classified as finance or operating leases is based on an overall evaluation of each lease. In finance leases, a non-current asset and a payable are recognised. In classification as operating leases, the regular lease payments are generally recognised in the income statement.

ACCOUNTING POLICIES
Agreements to charter vessels and to lease other tangible assets where all substantial risks and rewards of ownership have been transferred to the Group (finance leases) are recognised in the balance sheet (Note 3.1 - Vessels and equipment). Other agreements to charter vessels and other leases are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

**Contingencies**

**Security**
In November 2015, the company issued a bond for an amount of EUR 100,000k and obtained a working capital facility consisting of an overdraft facility and performance guarantees. The overdraft facility is limited to DKK 50,000k (EUR 6,702k). The bondholders and the provider of the working capital facility have entered into an intercreditor agreement sharing the following security:

- The Group's three vessels (J/U WIND, J/U WIND PIONEER and J/U WIND SERVER) with a total carrying amount of EUR 153,936k (2016: EUR 160,938k) have been pledged for a total amount of EUR 195,003k (2016: EUR 195,003k).
- The Group's deposit from time to time held in a retention account with SEB.
- The Group's entitlements under insurances related to its three vessels (J/U WIND, J/U WIND PIONEER and J/U WIND SERVER) other than third-party liability insurances.
- The Group's rights and entitlements under the three-year charter of J/U WIND SERVER to Siemens Gamesa Renewable Energy A/S.

**Guarantees**
As part of the working capital facility, the Group's bank has provided a performance guarantee in connection with the three-year charter of J/U WIND SERVER to Siemens Gamesa Renewable Energy A/S. The guarantee amounts to EUR 2,961k (2016: EUR 5,330k), with a quarterly adjustment during the lifetime of the charter. 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 charter contract. The executed guarantee has been delivered to charterers ninety days prior to the delivery date, and shall remain valid until ninety days after the expiry of this charter contract.

A performance guarantee is provided by the Group's bank, covering decommissioning work in the United Kingdom in 2018. The guarantee amounts to EUR 1.732k (2016: EUR 0k) and expires on 16 October 2018 or upon completion of the decommissioning.

**Unrecognised contingent liabilities**
There are pending disputes with individual suppliers. Management believes that the outcome of these will not have a material impact on the Group's financial position.

## 6.1 COMMITMENTS AND CONTINGENCIES (CONTINUED)

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS

Information on contingent assets and liabilities and when recognition should be made as an asset and a liability, respectively, is based on assessments of the expected outcome of each claim. The assessments are made on the basis of legal assessments of the signed agreements, which in substantial claims also include assessments obtained from external advisors, including lawyers.

### ACCOUNTING POLICIES

Contingent assets are recognised when it is practically certain that the claim will have a positive outcome for the Group. A contingent liability is recognised if it is likely that the claim will have a negative outcome and when it is possible to estimate the amount. If this is not the case, the matter is an unrecognised contingent liability.

## 6.2 SHARE-BASED PAYMENTS

The Group established two warrant programmes in 2012: one for management and selected employees and one for a subordinated loan provider. The value of the warrants granted in 2012 has decreased due to the capital increase by conversion of debt to equity in 2014 and a cash payment in 2015. In line with the warrant agreement from 2012, the Board of Directors has approved an adjustment of the number of warrants to management and selected employees in 2016.

**Management and selected employees (granted in 2012):**
The warrants may be exercised in whole or in part during a 10-year period from the date of the holder's subscription for warrants. Each warrant entitles the holder to subscribe for one share of DKK 1 nominal value at a price of DKK 23.98 plus 7% p.a. as from the date of subscription for the warrants until the date of the holder's payment of the subscription amount. If changes are made to the company's capital structure involving a reduction or increase in the value of the warrants, the company's Board of Directors must adjust the subscription price and/or the number of warrants, as applicable, to ensure that the value of the warrants remains unaffected by the change.

**Subordinated loan provider (granted in 2012):**
The warrants may be exercised, in whole or in part, prior to the final repayment date in 2019. Each warrant shall provide the warrant holder with a right, but not an obligation, to subscribe for one share with a nominal value of DKK 1 in the company for an amount of DKK 23.98 (the "Subscription Price"). If changes to the capital structure of the company are implemented, causing the value of the warrants to increase or decline, an adjustment of the Subscription Price will, depending on the circumstances, be made so that the value of the warrants remains unaffected by the changes.

**Management and selected employees (granted in 2016):**
The Board of Directors has approved an adjustment of the number of warrants to management and selected employees by 138,645 additional warrants in 2016. The warrants carry a fair value of EUR 0, as the value has already been recognised in previous years.
Furthermore, the Board of Directors has decided to grant 20,849 additional warrants to management based on the 2012 warrant programme. The warrants carry a fair value of EUR 7k.

| | Staff expenses | | Interest | |
|---|---|---|---|---|
| 2017<br>Warrants – amount and value in EUR | Management | Employees | Subordinated loan provider | Total |
| Outstanding warrants at 1 January 2017 | 327,329 | 51,078 | 99,500 | 477,907 |
| **Outstanding warrants at 31 December 2017** | **327,329** | **51,078** | **99,500** | **477,907** |
| Number of exercisable options at 31 December 2017 | | | | **477,907** |
| **Fair value at the time of grant (EUR ´000)** | **68** | **10** | **64** | **143** |

No warrants were exercised or cancelled in 2017. The fair value of the warrants is fully recognised, hence there was no effect in the income statement or equity during 2017.

## 6.2 SHARE-BASED PAYMENTS (CONTINUED)

### ACCOUNTING POLICIES

The Group has established a share-based equity-settled incentive programme. The fair value of the employee services received in exchange for the grant of warrants is calculated using the value of the warrants. The fair value of share-based payment on the grant date is recognised as a staff expense or interest over the period in which the stock options vest. In measuring the fair value, the calculation is based on "Ligningsrådets formel" (Tax approved valuation calculation) and is calculated at EUR 143k, based on a discount rate of 2%. The value of equity-settled programmes is recognised in shareholders' equity.

| | Staff expenses | | Interest | |
|---|---|---|---|---|
| 2016<br>Warrants – amount and value in EUR | Management | Employees | Subordinated loan provider | Total |
| Outstanding warrants at 1 January 2016 | 187,641 | 31,272 | 99,500 | 318,413 |
| Granted in 2016 | 139,688 | 19,806 | - | 159,494 |
| **Outstanding warrants at 31 December 2015** | **327,329** | **51,078** | **99,500** | **477,907** |
| Number of exercisable options at 31 December 2016 | | | | **477,907** |
| Fair value at the time of grant (EUR´000) at 1 January 2016 | 61 | 10 | 64 | 136 |
| Fair value for granted warrants in 2016 | 7 | - | - | 7 |
| **Fair value at the time of grant (EUR´000) at 31 December 2016** | **68** | **10** | **64** | **143** |

No warrants were exercised or cancelled in 2016. The fair value of the new warrants granted in 2016 was fully recognised, and an expense of EUR 7k was recognised in the income statement and in equity.

## 6.3 FEES TO AUDITORS

The Group's fees to auditors appointed by the Annual General Meeting, is listed below:

**Fees to auditors appointed by the Annual General Meeting**

| EUR '000 | 2017 | 2016 |
|---|---|---|
| **BDO Statsautoriseret revisionsaktieselskab** | | |
| Statutory audit | 35 | 25 |
| Assurance engagements | 2 | - |
| Tax advisory | 7 | 5 |
| Other services | 13 | 12 |
| **Total** | **57** | **42** |

## 6.4 RELATED PARTY TRANSACTIONS

The Group's transactions with related parties consist of remuneration to members of the Executive Management and the Board of Directors and trading with related parties.

**Remuneration**

| | Executive Management | | Board of Directors | |
|---|---|---|---|---|
| EUR '000 | 2017 | 2016 | 2017 | 2016 |
| Wages and salaries | 326 | 288 | 50 | 30 |
| Pensions – defined contributions plans | | | - | - |
| Other social security costs | 0 | 0 | - | - |
| **Total** | **326** | **288** | **50** | **30** |

See note 6.2 for a description of the share-based payment.

**Trading and accounts with related parties**

| EUR '000 | 2017 | 2016 |
|---|---|---|
| **Balance sheet items:** | | |
| **Intercompany balances** | | |
| Effect of joint taxation with Jack-Up Holding A/S and Anpartsselskabet af 1. december 2011 ApS | 140 | 29 |

No other material transactions took place during the year with the Board of Directors, the Executive Management, major shareholders or other related parties.

### ACCOUNTING POLICIES

ZITON A/S is controlled by Jack-Up Holding A/S, which holds 59.5% of the share capital in ZITON A/S. Dansk Bjergning & Bugsering Holding ApS and OY Finans ApS hold 25.1% and 14.8% of the share capital respectively.

The ultimate controlling party of the Group is Jack-Up Holding A/S's holding company Anpartsselskabet af 1. december 2011 ApS.

The above-mentioned companies are considered related parties, including their subsidiaries and associates, members of the boards of directors and executive managements of these entities together with their immediate families.

Furthermore, ZITON's subsidiaries, as well as members of the Board of Directors and the Executive Management of ZITON A/S together with their immediate families, including companies in which the above persons have control or joint control, are considered related parties.

All agreements relating to these transactions are based on market prices (arm's length).

## 6.5 SUBSEQUENT EVENTS

No significant events have occurred between the reporting period and the publication of the annual report that have not been included and adequately disclosed in the annual report and that materially affect the income statement, balance sheet and disclosure requirements.

The financial statements were approved by the Board of Directors and at the Annual General Meeting to be authorised for issue on 19 April 2018.

ZITON

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# INCOME STATEMENT
# 1 JANUARY - 31 DECEMBER

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | Note | 2017 | 2016 |
| **Revenue** | | **33,202** | **29,042** |
| Project-related expenses | | -1,445 | -1,161 |
| Operating expenses | | -27,601 | -28,182 |
| **Gross profit** | | **4,156** | **-301** |
| Administrative expenses | | -1,628 | -1,269 |
| Staff costs | 2.1 | -6,385 | -5,365 |
| **EBITDA** | | **-3,857** | **-6,935** |
| Depreciation and amortisation | 3.3 | -2,221 | -2,095 |
| **EBIT** | | **-6,078** | **-9,030** |
| Income from equity investment | | 3,318 | 2,329 |
| Financial income | 2.2 | 11,251 | 12,055 |
| Financial expenses | 2.2 | -16,553 | -15,747 |
| **Income before tax** | | **-8,062** | **-10,393** |
| Tax on profit (loss) | 2.3 | 1,742 | 2,209 |
| **Income for the year** | | **-6,320** | **-8,184** |

# BALANCE SHEET AT 31 DECEMBER – ASSETS

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | Note | 2017 | 2016 |
| Intangible assets | 3.1 | 105 | - |
| **Intangible assets** | | **105** | - |
| Vessel | 3.2 | 22,357 | 24,283 |
| Fixtures & equipment | 3.2 | 439 | 252 |
| **Tangible assets** | | **22,796** | **24,535** |
| Investments in Jack-Up InvestCo 2 A/S | 3.3 | - | - |
| Investments in ZITON Contractors A/S | 3.3 | - | - |
| Investment in Jack-Up InvestCo 3 plc. | 3.3 | 19,039 | 15,708 |
| Deferred tax asset | 3.4 | 3,118 | 1,425 |
| Financial assets | 3.3 | 6,055 | 6,057 |
| Long-term receivable in Jack-Up InvestCo 2 A/S | | 73,087 | 68,694 |
| Long-term receivable in Jack-Up InvestCo 3 Plc. | | 66,644 | 63,284 |
| **Financial assets** | | **167,943** | **155,168** |
| Inventories | | 39 | - |
| Trade receivables | | 3,554 | 4,183 |
| Intercompany receivable, ZITON Contractors A/S | | 358 | - |
| Intercompany receivable, associated companies | | 26 | - |
| Other receivables | | 36 | 117 |
| Prepayments | | 196 | 123 |
| Cash and cash equivalents | | 2,664 | 1,884 |
| **Current assets** | | **6,873** | **6,307** |
| **Total assets** | | **197,717** | **186,010** |

# BALANCE SHEET AT 31 DECEMBER – EQUITY AND LIABILITIES

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | Note | 2017 | 2016 |
| **EQUITY** | | | |
| Share capital | | 11,093 | 11,093 |
| Reserves | | 3,634 | 302 |
| Retained earnings | | 68 | 9,724 |
| **Total equity** | | **14,795** | **21,119** |
| **LIABILITIES** | | | |
| Other provisions | | - | 236 |
| Subordinated loans | 4.1 | 35,560 | 32,373 |
| Bond loans | 4.1 | 85,596 | 90,919 |
| **Total non-current liabilities** | | **121,156** | **123,528** |
| Other provisions | | 1,190 | 623 |
| Current portion of long-term loans | 4.1 | 5,492 | 4,974 |
| Debt to bank - Bank overdraft | | - | 2,615 |
| Trade payables | | 648 | 1,234 |
| Intercompany payable, associated companies | | - | 92 |
| Intercompany payable, ZITON Contractors A/S | | 9 | - |
| Intercompany payable, Jack-Up InvestCo 2 A/S | | 16,963 | 9,987 |
| Intercompany payable, Jack-Up InvestCo 3 plc. | | 35,402 | 19,725 |
| Other liabilities | | 2,062 | 2,113 |
| **Total current liabilites** | | **61,766** | **41,363** |
| **Total liabilities** | | **182,922** | **164,891** |
| **Total equity and liabilites** | | **197,717** | **186,010** |

# STATEMENT OF CHANGES IN EQUITY

| | PARENT COMPANY | | | | | | |
|---|---|---|---|---|---|---|---|
| 2017<br>EUR '000 | Share capital | Reserve for warrants | Translation reserves | Reserve for equity value | Total reserves | Retained earnings | Total equity |
| **Balance at 31 December 2016** | **11,093** | **143** | - | **159** | **302** | **9,724** | **21,119** |
| Exchange rate adjustments | | - | - | - | - | -21 | -21 |
| Total comprehensive Income for the year, after tax | - | - | - | 3,315 | 3,315 | -9,635 | -6,320 |
| Exchange rate adjustment of Jack-Up InvestCo 3 plc. | - | - | 17 | - | 17 | - | 17 |
| **Balance at 31 December 2017** | **11,093** | **143** | **17** | **3,474** | **3,634** | **68** | **14,795** |

**Share capital**

At the end of 2017, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

**Specification of movements in the share capital**

| EUR´000 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Share capital | 11,093 | 11,093 | 11,093 | 7,763 | 2,026 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1.1 BASIS OF REPORTING

**ACCOUNTING POLICIES**
The financial statements of ZITON A/S have been prepared in accordance with the provisions for class D enterprises of the Danish Financial Statements Act.

As the accounting policies of ZITON A/S differ from those of the Group, which follows IFRS, with respect to only a few items, only policies that differ from those of the Group's are detailed below. Reference is made to the accounting policies of the ZITON Group for the other items.

The accounting policies of the parent company, including presentation, are unchanged compared to last year.

**Income statement and balance sheet**
**Earnings from equity investments**
Earnings from investments in subsidiaries and joint ventures. In the parent company income statement, the proportional share of earnings is recognised under the item "Income from equity investment".

**Investments in Jack-Up InvestCo 2 A/S and Jack-Up InvestCo 3 Plc.**
Investments in Jack-Up InvestCo 2 A/S, ZITON Contractors A/S and Jack-Up InvestCo 3 Plc. are recognised and measured according to the equity method.

The proportional ownership share of the companies' net asset value is recognised in the balance sheet under the items "Investments in Jack-Up InvestCo 2", "Investments in ZITON Contractors A/S" and "Investment in Jack-Up InvestCo 3 Plc.".

The total net revaluation of investments in subsidiaries is transferred through the distribution of profits to "Reserve for equity value" under equity. The reserve is reduced by dividend payments to the parent company and is adjusted for other changes in equity in subsidiaries.

Subsidiaries with negative net asset value are recognised at EUR 0 million, and a provision to cover the negative balance is recognised.

**Other accounting policies**
With reference to the provisions of the Danish Financial Statements Act, the parent company has refrained from preparing a cash flow statement. For this information, see the consolidated financial statements of the ZITON Group.

## 2.1 STAFF COSTS

**Total staff costs**

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | | 2017 | 2016 |
| **Staff costs** | | | |
| Wages and salaries | | 5,889 | 4,945 |
| Pensions - defined contributions plans | | 441 | 353 |
| Other social security costs | | 55 | 67 |
| **Total staff costs** | **I/S** | **6,385** | **5,365** |
| of which remuneration to: | | | |
| Management [1] | | 326 | 288 |
| Board of Directors | | 50 | 30 |

1) Executive Management registered with the Danish Business Authority (Erhvervsstyrelsen)

**Average number of employees**

| | 2017 | 2016 |
|---|---|---|
| **Total employees** | **96** | **90** |

## 2.2 NET FINANCIAL EXPENSES

| EUR '000 | | PARENT COMPANY 2017 | 2016 |
|---|---|---|---|
| **Financial income** | | | |
| Financial income, related parties | | 11,251 | 11,102 |
| Other financial income | | - | 953 |
| **Total financial income** | **I/S** | **11,251** | **12,055** |
| **Financial expense** | | | |
| Financial expenses, related parties | | 3,386 | 1,610 |
| Other financial expenses | | 13,167 | 14,137 |
| **Total financial expenses** | **I/S** | **16,553** | **15,747** |
| **Net financial expenses** | | **-5,302** | **-3,692** |

## 2,3 INCOME TAX EXPENSE

| EUR '000 | | PARENT COMPANY 2017 | 2016 |
|---|---|---|---|
| **Current tax** | | | |
| Current tax on income for the year | | - | - |
| Adjustments in respect of prior years - current tax | | - | - |
| **Total current tax** | | - | - |
| **Deferred tax (note 3,4):** | | | |
| Deferred tax on the income (profit/loss) for the year | | 1,695 | 2,209 |
| Adjustments in respect of prior years - deferred tax | | 47 | - |
| **Total deferred tax** | | **1,742** | **2,209** |
| **Income tax expense** | **I/S** | **1,742** | **2,209** |

### 3.1 INTANGIBLE ASSETS

| 2017<br>EUR '000 | | PARENT COMPANY<br>Software | Total |
|---|---|---|---|
| Cost at 1 January | | - | - |
| Exchange rate adjustments | | - | - |
| Additions | | 108 | 108 |
| Disposals | | - | - |
| **Cost at 31 December** | | **108** | **108** |
| Depreciation at 1 January | | - | - |
| Exchange rate adjustments | | - | - |
| Depreciation | | -3 | -3 |
| Disposals | | - | - |
| **Depreciation at 31 December** | | **-3** | **-3** |
| Impairment losses at 1 January | | - | - |
| Impairment losses at 31 December | | - | - |
| **Carrying amount at 31 December** | **B/S** | **105** | **105** |
| – of which capitalised interests | | - | - |
| – of which car finance leases | | - | - |

### 3.2 VESSELS AND EQUIPMENT

| 2017<br>EUR '000 | | PARENT COMPANY<br>Fixtures & equipment | Vessel | Total |
|---|---|---|---|---|
| Cost at 1 January | | 437 | 36,920 | 37,357 |
| Exchange rate adjustments | | 1 | -53 | -52 |
| Additions | | 390 | 316 | 706 |
| Disposals | | -201 | -115 | -316 |
| **Cost at 31 December** | | **627** | **37,068** | **37,695** |
| Depreciation at 1 January | | -185 | -12,637 | -12,822 |
| Exchange rate adjustments | | - | 18 | 18 |
| Depreciation | | -114 | -2,101 | -2,215 |
| Disposals | | 111 | 9 | 120 |
| **Depreciation at 31 December** | | **-188** | **-14,711** | **-14,899** |
| Impairment losses at 1 January | | - | - | - |
| Impairment losses at 31 December | | - | - | - |
| **Carrying amount at 31 December** | **B/S** | **439** | **22,357** | **22,796** |
| – of which capitalised interests | | - | - | - |
| – of which car finance leases | | 195 | 0 | 195 |

### 3.3 FINANCIAL ASSETS

| 2017<br>EUR '000 | | PARENT COMPANY<br>Equity investment in Jack-Up InvestCo 3 Plc. | Equity investment in Jack-Up InvestCo 2 | Equity investment ZITON Contractors | Total |
|---|---|---|---|---|---|
| Cost at 1 January | | 14,001 | 740 | - | 14,741 |
| Exchange rate adjustments | | - | -1 | - | -1 |
| Additions | | 0 | 3 | 64 | 67 |
| **Cost at 31 December** | | **14,001** | **742** | **64** | **14,807** |
| Adjustments at 1 January | | 1,707 | -1,551 | - | 156 |
| Exchange rate adjustments | | -5 | 2 | - | -3 |
| Profit during the year | | 3,336 | 189 | -207 | 3,318 |
| **Adjustments at 31 December** | | **5,038** | **-1,360** | **-207** | **3,471** |
| **Total** | | **19,039** | **-618** | **-143** | **18,278** |
| Transfer to other liabilities | | - | 618 | 143 | 761 |
| **Carrying amount at 31 December** | **B/S** | **19,039** | **-** | **-** | **19,039** |

Jack-Up InvestCo 3 Plc. (registered office: Qormi, Malta (share of ownership 50%))
Jack-Up InvestCo 2 A/S (registered office: Horsens, Denmark (share of ownership 100%))
ZITON Contractors A/S (registered office: Horsens, Denmark (share of ownership 100%))

### 3.4 DEFERRED TAX

| EUR '000 | | PARENT COMPANY<br>2017 | 2016 |
|---|---|---|---|
| Deferred tax 1 January | | 1,425 | 177 |
| Currency translation | | - | 1 |
| Change in deferred tax - recognised in the income statement | | 1,740 | 2,213 |
| Utilisation of tax loss in joint taxation | | - | -967 |
| Adjustments related to previous years | | -47 | 2 |
| Adjustment to deferred tax asset | | - | -1 |
| **Total deferred tax, net at 31 December** | **B/S** | **3,118** | **1,425** |
| **Deferred tax gross** | | | |
| Deferred tax asset | | 5,487 | 4,259 |
| Deferred tax liabilities | | -2,369 | -2,834 |
| **Total deferred tax, net at 31 December** | **B/S** | **3,118** | **1,425** |

## 4.1 LOANS

| | | PARENT COMPANY | | | |
|---|---|---|---|---|---|
| | | Current debt | Non-current debt | | |
| 2017<br>EUR '000 | | 0-1 year | 1-5 years | After 5 years | Total |
| Subordinated loans | | - | 35,560 | - | 35,560 |
| Bonds | | 5,437 | 85,486 | - | 90,923 |
| Lease liabilities | | 55 | 110 | - | 165 |
| **Total** | **B/S** | **5,492** | **121,156** | **-** | **126,648** |

| | | | | | |
|---|---|---|---|---|---|
| | | Current debt | Non-current debt | | |
| 2016<br>EUR '000 | | 0-1 year | 1-5 years | After 5 years | Total |
| Subordinated loans | | - | 32,373 | - | 32,373 |
| Bonds | | 4,937 | 90,919 | - | 95,856 |
| Lease liabilities | | 37 | - | - | 37 |
| **Total** | **B/S** | **4,974** | **123,292** | **-** | **128,266** |

## 4.2 PROPOSED DISTRIBUTION OF PROFIT

| | PARENT COMPANY | |
|---|---|---|
| EUR '000 | 2017 | 2016 |
| Reserve for equity value | 3,315 | 159 |
| Accumulated profit (loss) | -9,635 | -8,343 |
| **Proposed distribution of profit** | **-6,320** | **-8,184** |

## 5.1 COMMITMENTS AND CONTINGENCIES

**Commitments (operating lease arrangements)**
See note 6.1 to the consolidated financial statements.

**Contingencies**

**Security**
A vessel with a total carrying amount of EUR 22,357k (2016: EUR 24,283k) has been pledged as security for bond and bank debt at a total carrying amount of EUR 40,002k (2016: EUR 40,002k).

ZITON A/S has pledged the shares in the 50% ownership in Jack-Up InvestCo 3 Plc. and the shares in the wholly owned Jack-Up InvestCo 2 A/S. Furthermore, all intercompany receivables have been pledged as security for bond and bank debt.

**Guarantees**
See note 6.1 to the consolidated financial statements.

**Unrecognised contingent liabilities**
See note 6.1 to the consolidated financial statements.

## 5.2 SHARE-BASED PAYMENTS

See note 6.2 to the consolidated financial statements

## 5.3 FEES TO AUDITORS

See note 6.3 to the consolidated financial statements

## 5.4 RELATED PARTY TRANSACTIONS

See note 6.4 to the consolidated financial statements.

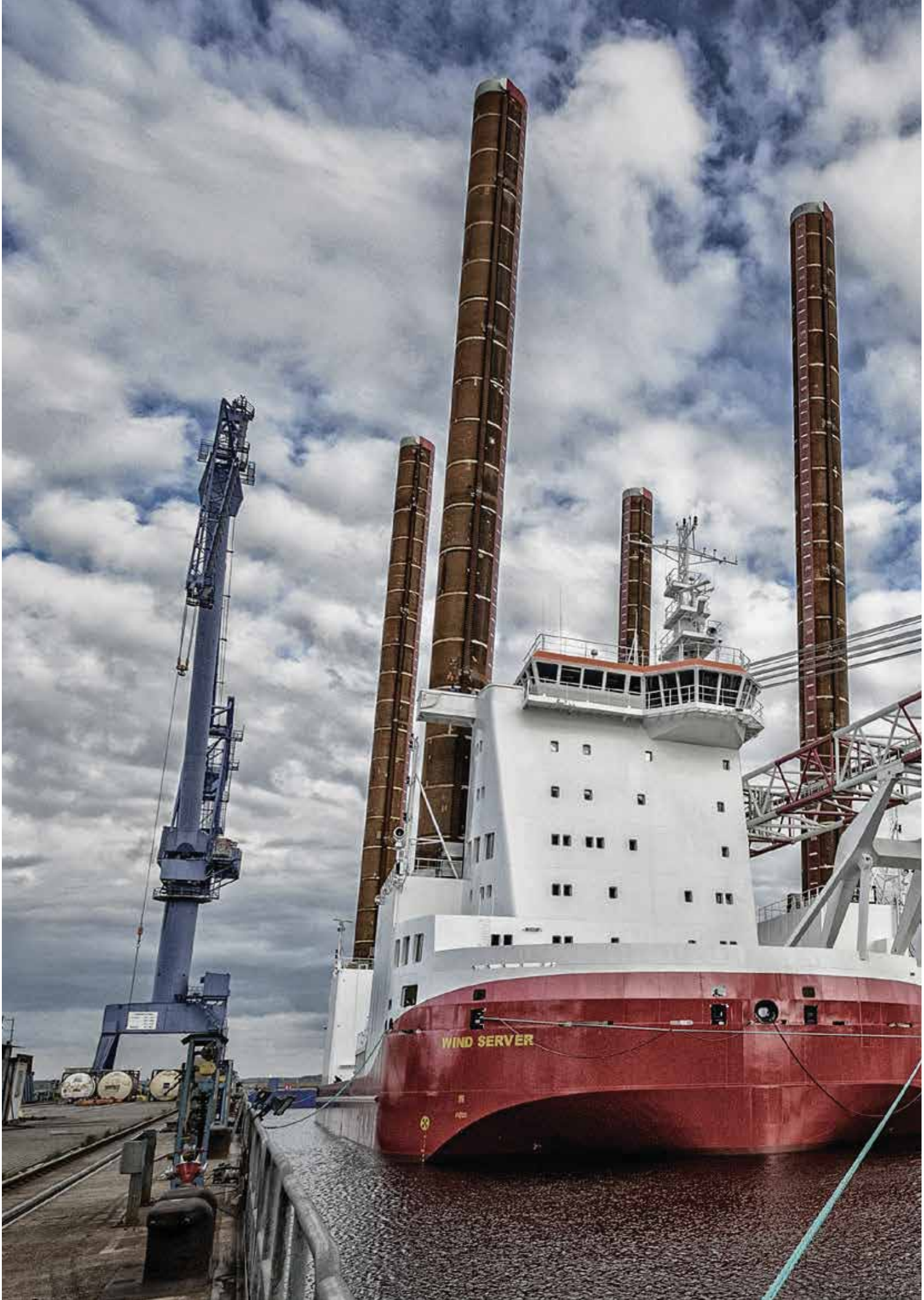
All agreements relating to transactions between ZITON A/S and subsidiaries are based on market prices (arm's length).

The ownership share above 5% is listed on page 14 in the consolidated financial statements.

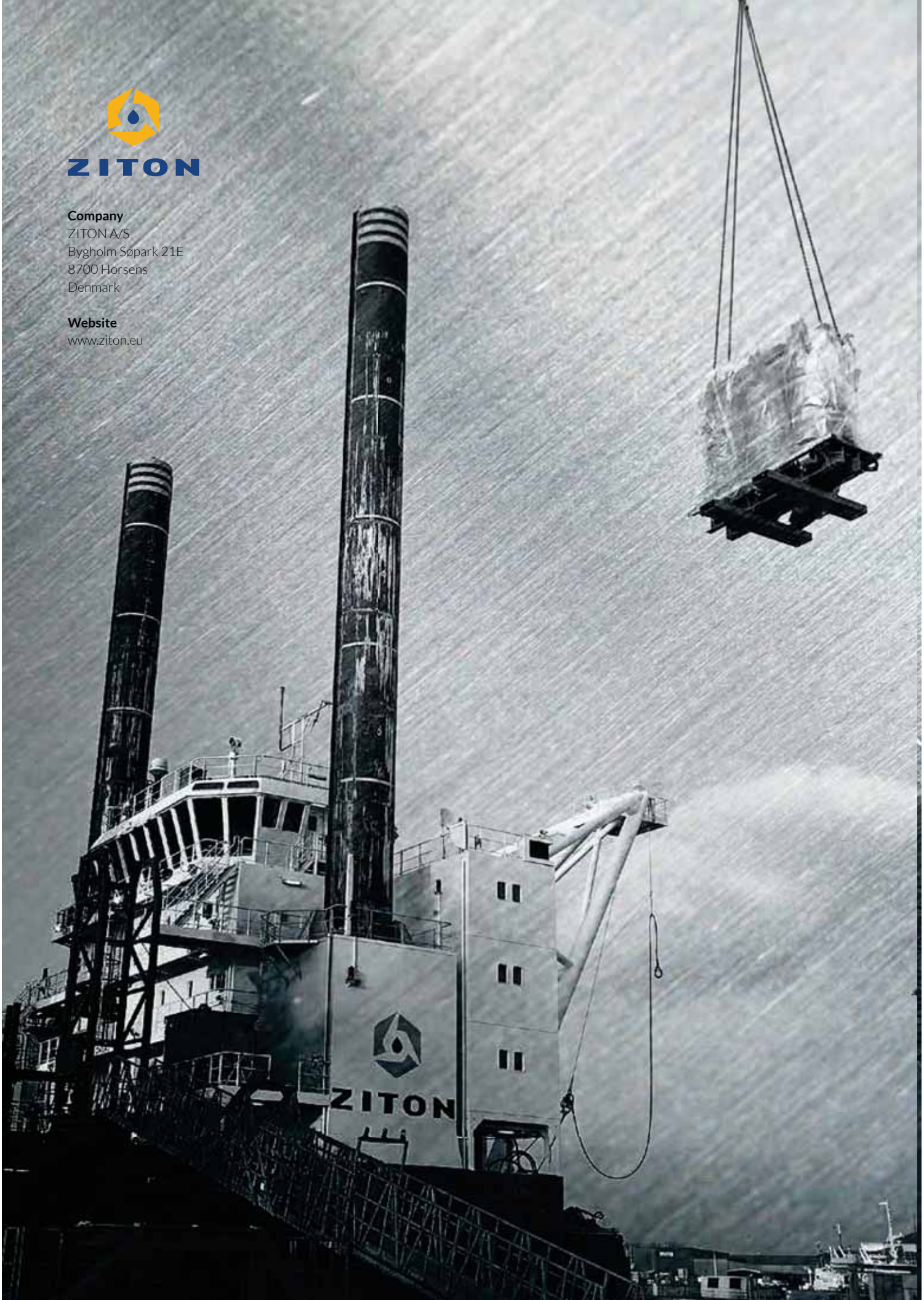
## 5.5 SUBSEQUENT EVENTS

See note 6.5 to the consolidated financial statements

ZITON


WIND SERVER

PN300
ARNOLD

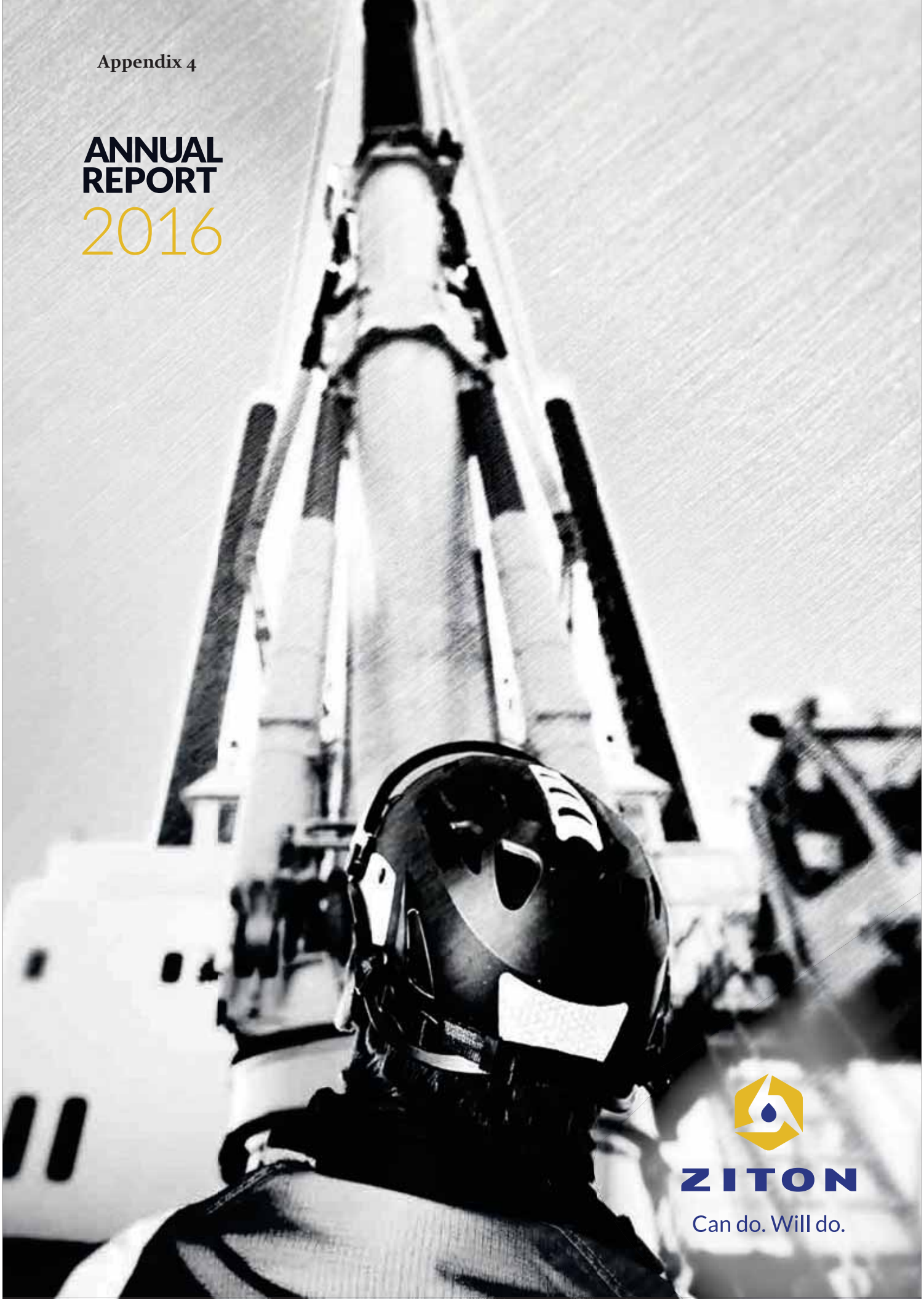



**Company**
ZITON A/S
Bygholm Søpark 21E
8700 Horsens
Denmark

**Website**
www.ziton.eu

Appendix 4

# ANNUAL REPORT 2016



ZITON

Can do. Will do.

**COMPANY**
ZITON A/S
Bygholm Søpark 21E
8700 Horsens
Denmark

**WEBSITE**
www.ziton.eu

**PRODUCTION**
Datagraf
Communications A/S

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# ZITON
# AT A GLANCE

ZITON is the market-leading service provider within offshore wind operations & maintenance. ZITON has carried out more than 530 service interventions at 40 wind farms.

Our customers are leading wind turbine manufacturers and wind farm owners. ZITON owns and operates three jack-up vessels:

- J/U WIND SERVER is the first jack-up vessel purpose built to provide offshore wind operations & maintenance services
- J/U WIND PIONEER is a converted jack-up vessel adapted to the offshore wind industry
- J/U WIND has the longest proven track-record in the industry in terms of major component replacements

ZITON has about 70 employees offshore, and about 25 onshore at the office in Horsens, Denmark.

ZITON's primary business is to provide jack-up services for major component replacements, including gearboxes, generators, blades, transformers, main bearings, main shafts, full rotors etc.

In addition, ZITON provides jack-up services such as installation support, blade repair and decommissioning of turbines, foundations and met masts.

> The offshore wind power industry is evolving fast and ZITON remains an accountable and committed partner in delivering modern solutions for offshore operations and maintenance. This is especially important for us as more and more wind turbines are installed in increasingly challenging conditions.
>
> Rene Cornelis Wigmans, Head of Maritime and Aviation Solutions, Siemens Wind Power Service

**FOUR MAIN PHASES OF AN OFFSHORE WIND FARM**

Orange shading indicates services provided by ZITON.

| | SURVEY AND DEVELOPMENT (typically 2-5 years) | | CONSTRUCTION (around 2 years) | | O&M (20-25 years) | | DECOMMISSIONING (1-2 years) | |
|---|---|---|---|---|---|---|---|---|
| SERVICES | Environmental survey | Geophysical survey | Turbine foundation installation | Substation and cable installation | Remote monitoring | Major component replacement | Turbine foundation decom-missioning | Met mast decom-missioning |
| | Geotechnical survey | Installation of met mast | Turbine installation | Installation support | O&M routines | Blade repair | Turbine decom-missioning | Substation decom-missioning |

ZITON provides jack-up services for replacement of the major components shown in the illustration.

# HIGHLIGHTS **OF THE YEAR**

In this section, ZITON CEO Thorsten Jalk comments on the performance of 2016 and the outlook for the coming year.

## Q&A

**Q:** What were your main achievements in 2016?
**A:** We entered into the three-year charter for J/U WIND SERVER with Siemens Wind Power effective from 14 March 2016. This first year of operations has enabled Siemens Wind Power to reduce downtime through shorter lead times required to mobilise, securing a faster response to unscheduled replacement of major offshore wind turbine components. In order to keep the vessel operational at all times, we have built redundancy into its design, and we maintain a very high level of preventive maintenance and carry an inventory of critical spare parts. As a result, we have operated the vessel with no off-hire days. Our two other vessels, J/U WIND PIONEER and J/U WIND, continue to perform well. I'm pleased to say, we have the industry's largest fleet of dedicated O&M jack-ups for the offshore wind industry.

**Q:** What is your contract situation?
**A:** We are very pleased with our portfolio of important contracts and agreements going into 2017. We signed with DONG Energy and Vattenfall in the second half of 2016. Very importantly, these contracts complement our existing contracts with Siemens Wind Power and MHI Vestas Offshore Wind. We have now signed agreements with Europe's two largest OEMs and the two largest wind farm operators. Clearly, this makes us the market-leading provider of O&M jack-ups for the offshore wind industry, a position we are very proud of and will work hard to maintain and defend in the years to come.

**Q:** How do you contribute to lowering levelized cost of energy?
**A:** Recent tenders for Kriegers Flak and Borssele III & IV shows that the industry continues to reduce the levelized cost of energy ("LCOE"), and offshore wind may in the foreseeable future be able to compete with fossil fuels without subsidies. The O&M phase amounts to about one third of LCOE, so it is important to continue to improve our efficiency. This is also the reason why customers like DONG Energy and Vattenfall have entered into long-term framework agreements with us. By consistently using the same people to carry out major component replacements, we are able to carry out projects faster, using fewer resources, and reducing waiting time between projects.
Increasingly, our customers tell us that they see a mutual benefit from ZITON gradually taking over more and more of major component replacement operations. They understand that, as the market leader, we are able to add to our skills base at a scale that provides mutual benefits. As a result, we offer services that are complementary to our core jack-up business, such as turbine technicians, yoke operators, lifting equipment etc. It was for this purpose we established ZITON Contractors A/S at the beginning of 2017. The overall objective and main goal is to become more efficient and to lower LCOE for the benefit of our customers.

**Q:** What is the outlook for the market for operations & maintenance of offshore wind turbines?
**A:** The market size is determined by the failure rates of major components in turbines and by the number of turbines installed.

Failure rates mainly depend on wear and tear. It is important to remember that this is a very young industry. The first big-scale offshore turbines were installed only fifteen years ago, and the number of installations has only begun to accelerate over the past five years. Only one in ten turbines is more than ten years old. Also, we have to remember that offshore wind farms are exposed to highly variable and harsh weather conditions, including calm to severe winds, lightning and hail. We only have a small fact base about what years of wear and tear in offshore locations in very harsh weather conditions do to the turbines, but I can tell you this much: we have the industry's largest documented insight into main component failure rates for offshore wind turbines. As we are our customers' preferred provider of major component replacements, our data and insights into failure rates grows year by year. Our proprietary documented insights allow us to prepare scenarios for the predicted development

Thorsten Jalk, CEO, ZITON.

in failure rates during the coming years, enabling us to balance our vessel capacity with demand, for the benefit of our customers.

The offshore wind market has grown tremendously in recent years. We ended 2016 with about 3,400 grid-connected turbines in northern Europe, and growth is projected to continue in the foreseeable future. However, turbine technology innovation implies that turbines are becoming larger and larger, and this is a trend that is progressing much faster than anyone in the industry expected only a few years ago. Moreover, wind farms are being placed at ever greater water depths. This requires jack-up vessels with longer legs and a higher reach than previously expected. As the market leader and a dedicated provider of end-to-end services for major component replacement to the offshore wind industry, we are obviously exploring every option to continue to serve our customers and the future generation of wind farms.

> ZITON and MHI Vestas Offshore Wind have a long and successful track record of working together. Building on their solid experience and mutual trust, the parties have drawn up a framework agreement ensuring that we can at any time carry out projects, at short notice and with a common goal in the safest and most efficient way for the benefit and satisfaction of all parties.
>
> **Thomas Rasmussen, Project Manager, Special Projects, Operation Support, MHI Vestas Offshore Wind A/S**

# J/U WIND SERVER

## TECHNICAL SPECIFICATIONS

### GENERAL INFORMATION
**Length, overall:** 79.5 m
**Width, overall:** 32.3 m
**Hull depth:** 7.4 m
**Pre-loading capacity, active:** 3,000 t/leg
**Elevating speed:** 1.0 m/minute
**Transit speed:** approx. 9 knots
**Accommodation:** 24 single cabins for charterer and 15 single cabins for crew

### CARGO CAPACITY
**Payload:** 1,760 t
**Main deck area:** Approx. 1,200 m$^2$

### MAIN CRANE AND LIFTING CAPACITY
**Main crane:** Liebherr BOS 14000
**Main crane boom length:** 87 m
**Main crane max. lifting capacity:** 400 t at 20 m radius at 96 m height above deck

### OPERATING CONDITIONS
**Service:** Unrestricted (as per DNV rules)
**Endurance:** 30 days
**Jacking operations - wave height:** Up to 2.6 m
**Jacking operations - wind:** Up to 15 m/s
**Jacking operations - tidal current:** Up to 3 kn.
**Jacking operations – max. depth:** Up to 45 m

# J/U WIND PIONEER

## TECHNICAL SPECIFICATIONS

### GENERAL INFORMATION
**Length, overall:** 56.0 m
**Width, overall:** 28.0 m
**Hull depth:** 4.5 m
**Pre-loading capacity, active:** 1,200 t/leg
**Elevating speed:** 0.5 m/minute
**Transit speed:** 5 knots (towed)
**Accommodation:** 22 single cabins for charterer and 12 single cabins for crew

### CARGO CAPACITY
**Payload:** 650 t
**Main deck area:** Approx. 530 m²

### MAIN CRANE AND LIFTING CAPACITY
**Main crane:** Liebherr BOS 7500
**Main crane boom length:** 78 m
**Main crane max. lifting capacity:** 150 t at 19 m radius at 78 m height above deck

### OPERATING CONDITIONS
**Service:** Unrestricted (as per DNV rules)
**Endurance:** 30 days
**Jacking operations - wave height:** Up to 1.35 m
**Jacking operations - wind:** Up to 15 m/s
**Jacking operations - tidal current:** Up to 2.5 kn.
**Jacking operations – max. depth:** Up to 34 m

# J/U WIND

## TECHNICAL SPECIFICATIONS

### GENERAL INFORMATION

**Length, overall:** 55.1 m
**Width, overall:** 18.1 m
**Hull depth:** 4.0 m
**Pre-loading capacity, active:** 600 t/leg
**Elevating speed:** 0.7 m/minute
**Transit speed:** 6 knots
**Accommodation:** 20 single cabins for charterer and 11 single cabins for crew

### CARGO CAPACITY

**Payload:** 220 t
**Main deck area:** Approx. 430 $m^2$

### MAIN CRANE AND LIFTING CAPACITY

**Main crane:** Liebherr LTR 11200
**Main crane boom length:** 28-110 m (telescopic)
Main crane max. lifting capacity: 40 tons at 20 m radius at 100 m height above deck

### OPERATING CONDITIONS

**Service:** Weather restricted, site specific
**Endurance:** 30 days
**Jacking operations - wave height:** Up to 0.75 m
**Jacking operations - wind:** Up to 10 m/s
**Jacking operations - tidal current:** Up to 1 kn.
**Jacking operations – max. depth:** Up to 35 m

# MANAGEMENT AND BOARD
## EXECUTIVE MANAGEMENT TEAM

**THORSTEN JALK**
Chief Executive Officer
Appointed CEO in 2011
Born 1967

Mr Jalk has more than 15 years of experience from the offshore wind industry and held numerous high-level positions prior to being appointed CEO of ZITON A/S.
**Previous engagements:** Mr Jalk has experience from being an owner and senior consultant with WayPoint Consult ApS in Denmark. During the period 2000 to 2011, Mr Jalk worked for A2SEA A/S where he held the following positions: Head of Service Solutions, Director of Marine Operations and Logistics Manager. Mr Jalk served in the Danish armed forces from 1987 to 2000.
**Educational background:** Master of Transport and Maritime Management (MTMM) from the University of Southern Denmark, 2010. In addition, Mr Jalk has completed the Executive Management Programme at INSEAD.

**JENS MICHAEL HAURUM**
Chief Financial Officer
Appointed CFO in April 2015
Born 1966

**Previous engagements:** Mr Haurum was CFO at Borg Automotive A/S and Head of Group Finance and Investor Relations at BioMar Group A/S. Prior to this he held various positions in the financial services industry.
**Educational background:** Mr Haurum holds an HD Graduate Diploma in Business Administration (Accounting) from Aarhus University, an HD Graduate Diploma in Business Administration (International Management) from Copenhagen Business School and a Master of Business Administration from Henley Business School in the UK.

**RASMUS MÜHLEBACH**
Chief Legal Officer
Appointed CLO in April 2015
Born 1980

Mr Mühlebach joined ZITON A/S in June 2012 as Chief Financial Officer and was appointed Chief Legal Officer in April 2015.
**Previous engagements:** Prior to joining ZITON A/S, Mr Mühlebach held positions as Chief Financial Officer and Business Developer with NordEstate A/S.
**Educational background:** Mr Mühlebach graduated in 2007 with a Master of Science in Business Administration and Commercial Law and a Bachelor of Science in Economics and Corporate Law from the Aarhus School of Business (Aarhus University).

**BENT THAMBO JENSEN**
Chief Commercial Officer
Appointed CCO in September 2015
Born 1972

**Previous engagements:** Prior to joining ZITON, Mr Jensen held positions as Key Account Manager with A2SEA A/S, Sales and Marketing Manager with Statoil Gazelle A/S, Commercial Sales Manager at Siemens Wind Power A/S and as regional manager with Energi Danmark A/S.
**Educational background:** MA in Business, Language and Culture (cand. negot) from Odense University.

**MADS ALBÉR**
Chief Operating Officer
Appointed COO in April 2015
Born 1970

**Previous engagements:** Prior to joining ZITON A/S, Mr Albér worked as an Operations Manager with Fred. Olsen Windcarrier. He worked for ZITON A/S from 2008 to 2011 as Master Mariner (2009-2011) and HSEQ Manager (2008-2009). After graduating and before joining ZITON A/S, Mr Albér held positions as SQE Manager (2008) and Marine Superintendent (2006-2008) with the Clipper Group.
**Educational background:** Mr Albér is Master Mariner and holds a degree in navigation from Marstal Navigationsskole.

# BOARD OF DIRECTORS

Members of the Board of Directors are elected for terms of one year. In 2016, the Board of Directors held a total of six board meetings. The Board of Directors has established an Audit Committee consisting of the entire Board of Directors.

**VAGN LEHD MØLLER**
Chairman of the board since March 2012
Born 1946
Appointed by BWB Partners

**Current engagements:** Mr Møller is Chairman of the Board of Directors of ZITON A/S. He is also a member of the board of directors of Jack-Up InvestCo 3 Plc and Costamare Inc.
**Previous engagements:** Mr Møller has held different positions with A.P. Møller-Maersk during his entire career. He has also held numerous positions as chairman or a member of the board(s) of directors of a number of A.P. Møller-Maersk affiliated companies and as chairman of the board of Scan Global Logistics A/S.
**Educational background:** Management studies at CEDEP (European Center for Executive Development), INSEAD and the University of Western Ontario.

**ESBEN BAY JØRGENSEN**
Member of the board since January 2012
Born 1969
Appointed by BWB Partners

**Current engagements:** Mr Jørgensen is a founder and partner of BWB Partners. He serves as a member of the board of directors of Hydratech Industries A/S, SH Group A/S, System Frugt A/S and Qubiqa Esbjerg A/S.
**Previous engagements:** Prior to founding Odin Equity Partners (today known as BWB Partners) in 2005, Mr Jørgensen worked with the consultancy firm AlixPartners and previously also spent some eight years with The Boston Consulting Group.
**Educational background:** Master of Science in Economics and Business Administration from Copenhagen Business School, McGill University, Montreal, and Università degli Studi di Siena, Italy.

**LARS THORSGAARD JENSEN**
Member of the board since January 2012
Born 1974
Appointed by BWB Partners

**Current engagements:** Mr Jensen is a partner of BWB Partners. He serves as a member of the board of directors of Heatex AB, SSG Group A/S and Weiss A/S.
**Previous engagements:** Mr Jensen has a background in investment banking. He previously worked for six years as a director at Carnegie Investment Banking in Copenhagen, prior to which he worked for two years with Morgan Stanley Investment Banking in London.
**Educational background:** Master of Science in Management & Economics (cand. oecon) from Aarhus University.

## DIVERSITY IN MANAGEMENT

ZITON aims to employ the best candidates, and a candidate's qualifications must therefore always be the decisive factor in external and internal recruitment processes. ZITON recognises the value of diversity, including gender-related diversity. The Board of Directors has set target figures for the share of the underrepresented gender on the Board of Directors and has formulated a policy to increase the share of the underrepresented gender at other management levels. The target is for an increase from 0% (0 out of 6) to 33% (2 out of 6). The measurement period runs from the annual general meeting held on 25 April 2017 to the annual general meeting to be held in April 2020. It is our ambition at ZITON to increase diversity at all management levels by providing equal opportunities for men and women. ZITON sets targets for gender diversity at all management levels and seeks to have both genders presented as candidates in all recruitment processes. ZITON has had relatively little success in increasing the share of women at management levels. We believe this is due to employment patterns in the offshore wind and shipping industries, where men are generally overrepresented.

### OVE C. ERIKSEN

Member of the board
since January 2008
Born 1960
Appointed by Dansk Bjergning og Bugsering Holding ApS

**Current engagements:** Mr Eriksen serves as a director of Dansk Bjergning og Bugsering A/S.
**Previous engagements:** Founded Dansk Bjergning og Bugsering A/S in 1987. Founded DBB Jack-Up Services A/S in 2008.
**Educational background:** Electrician.

### MORTEN MELIN

Member of the board
since April 2017
Born 1968
Appointed by BWB Partners

**Current engagements:** Mr Melin is an independent consultant providing strategic management consultancy services to the Energy and Project sector.
**Previous engagements:** Mr Melin has held a number of positions with both wind turbine manufacturers and utility organisations, most recently as Vice President EPC & Construction Management with DONG Energy Wind Power and as a member of the board of A2SEA A/S. Previously served as Vice President Project & Technology with Vestas Offshore.
**Educational background:** BSc. Mechanical Engineering from the Engineering College of Aarhus (Aarhus Teknikum). Advanced Corporate Finance Programme from London Business School and Executive Leadership Development from INSEAD.

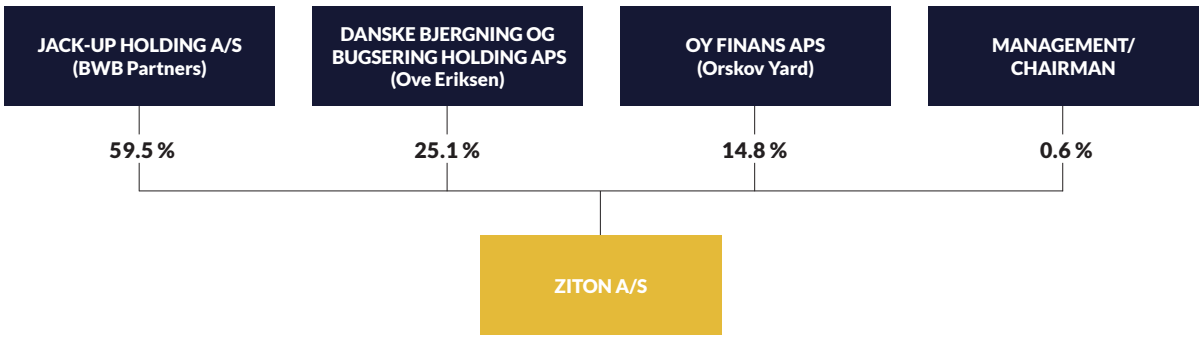
### NIELS ØRSKOV CHRISTENSEN

Member of the board
since December 2016
Born 1943
Appointed by OY Finans ApS

**Current engagements:** Mr Ørskov Christensen serves as a Chairman of the Board of Director of Orskov Yard A/S and OY Finans ApS.
**Previous engagements:** Mr Ørskov Christensen has worked his entire career in the shipyard industry, both as a naval architect and as CEO. He is a former chairman of the Danish Shipyard Industry Association (Skibsværftsforeningen – now Danske Maritime), a position he held for several years while also serving on the board of representatives of Danish Ship Finance (Danmarks Skibskreditfond).
**Educational Background:** Naval architect.

# OWNERSHIP STRUCTURE

**THE OWNERSHIP STRUCTURE AND CURRENT SHAREHOLDINGS IN THE COMPANY ARE SET OUT BELOW**



## JACK-UP HOLDING A/S - BWB PARTNERS

BWB Partners is an independent owner-led Danish investment firm investing in small and medium-sized companies with a turnover of up to EUR 100 million and a strong growth potential.

BWB Partners was founded in 2015 in connection with the reorganisation of the former Odin Equity Partners' funds. As part of this reorganisation the investor base was renewed, a generational change in the management of BWB Partners was concluded, and investors added further commitments to the funds.

BWB Partners manages two funds investing on behalf of Danish and international investors. Both funds are actively investing and looking at new investment opportunities. BWB Partners I has a committed capital of EUR 175 million, while BWB Partners II has a capital commitment of EUR 130 million. ZITON is an investment held in BWB Partners II K/S.

The investor base at BWB Partners includes Danish and international institutional investors and dedicated private-equity investors (fund-of-funds). BWB Partners II consists of Danish pension funds (15.1%), foreign financial investors (83.7%) and other foreign investors (1.2%).

BWB Partners takes an active ownership approach in respect of its portfolio companies. The aim is to drive each company towards becoming an attractive medium-sized business with a strong market position and healthy earnings. As achieving such transformation of a company can be a major task, the investment horizon is usually four to seven years.

BWB Partners is a member of the DVCA trade association and follows the DVCA guidelines on corporate governance and its recommendations on responsible ownership. Consequently, ZITON is also subject to DVCA's corporate governance guidelines. For further information, please visit DVCA's homepage at www.dvca.dk.

## DANSK BJERGNING OG BUGSERING HOLDING APS

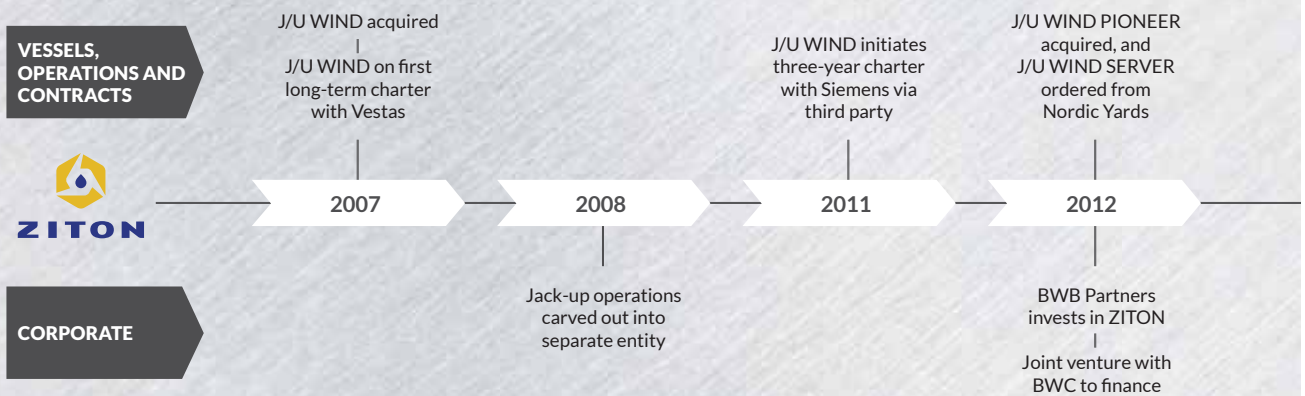
In addition to its shareholding in ZITON A/S, the company owns Dansk Bjergning og Bugsering A/S which focuses on salvage and towing operations, specialised heavy lift and ROV operations. The founder and owner, Mr Ove Eriksen, is in charge of the day-to-day management of the company and the vessels.

## OY FINANS APS

OY Finans ApS is part of the Orskov Group, which owns and operates Orskov Yard in Frederikshavn, where the conversion of J/U WIND PIONEER took place. The yard employs 200 people and comprises three docks.

# HISTORY OF THE COMPANY

The Company was renamed ZITON A/S in June 2016. The change of name signals our ongoing commitment to providing specialised services within operating and maintaining offshore wind turbines. Eliminating jack-up services from our name signifies that we are prepared to further expand our scope of services.

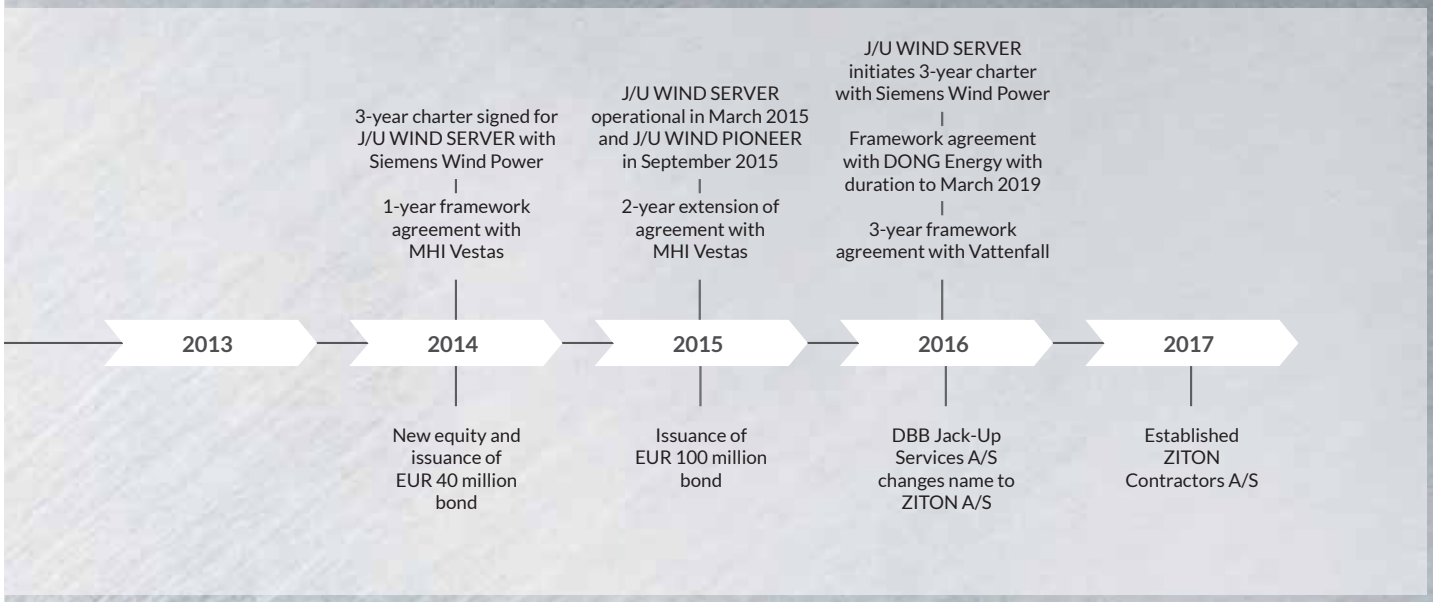



## LEGAL STRUCTURE AND VESSEL OWNERSHIP

ZITON Group consists of the parent company ZITON A/S, the wholly owned subsidiary Jack-Up InvestCo 2 A/S and a 50 per cent ownership of Jack-Up InvestCo 3 Plc. Jack-Up InvestCo 3 Plc. is owned in a joint venture with Blue Water Capital S.A. In accordance with IFRS, Jack-Up InvestCo 3 Plc. is fully consolidated in the accounts of ZITON A/S, as explained in note 1.1 to the financial statements. Blue Water Capital S.A. is an investment company whose promoter is Slim Bouricha. Mr. Bouricha serves on the board of Jack-Up InvestCo 3 Plc.

J/U WIND is wholly owned by ZITON A/S. J/U WIND PIONEER is owned by Jack-Up InvestCo 2 A/S. J/U WIND SERVER is owned by Jack-Up InvestCo 3 Plc. When J/U WIND SERVER was delivered in December 2014, ZITON A/S entered into a 10-year modified BIMCO standard bareboat charter agreement with Jack-Up InvestCo 3 Plc. Under the terms of the agreement, each party is entitled to terminate the charter upon default, bankruptcy or similar event by the other party. ZITON A/S is responsible for operating all three vessels commercially, is party to all external contracts and employs all crew.

Dansk Bjergning og Bugsering A/S was founded in 1989 by Ove Eriksen. In 2007, Dansk Bjergning og Bugsering A/S acquired the vessel J/U WIND, and in 2008 the jack-up operations were carved out into a separate company with ownership of J/U WIND. BWB Partners invested in the Company in 2012, appointing Thorsten Jalk as CEO. The company has since accelerated both commercially and through the acquisition of the two vessels J/U WIND PIONEER and J/U WIND SERVER.



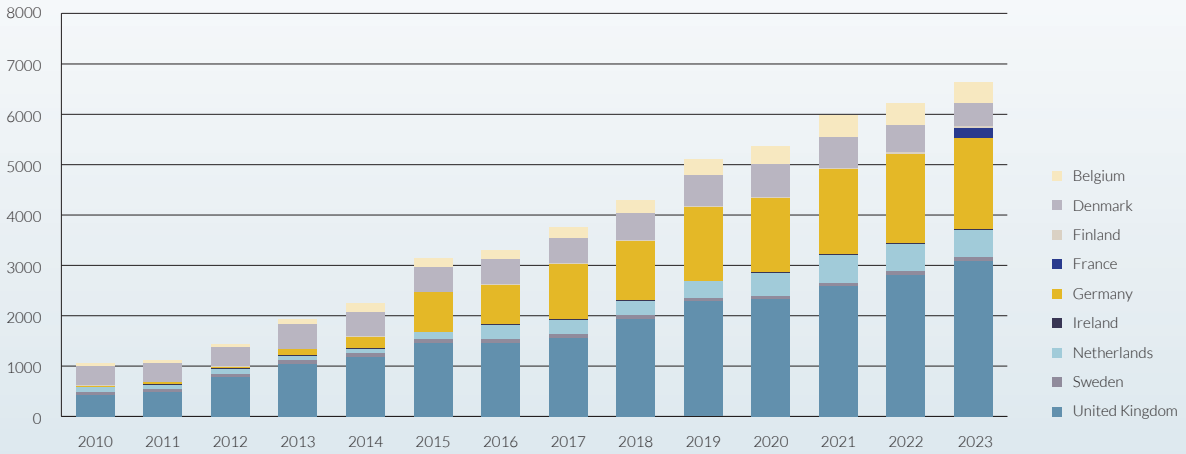

## LEGAL STRUCTURE OF ZITON

*Effective from February 2017

# MARKET TRENDS

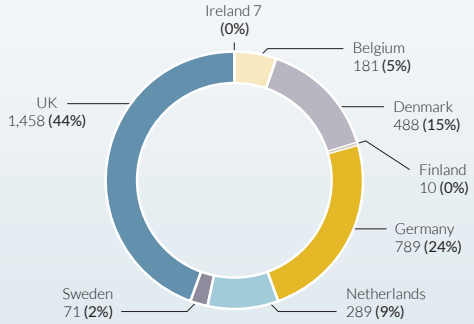
The offshore wind industry has grown tremendously in recent years. This growth is expected to continue, with an increased need for O&M Services.

**Expected growth in number of turbines installed**
Turbines grid connected



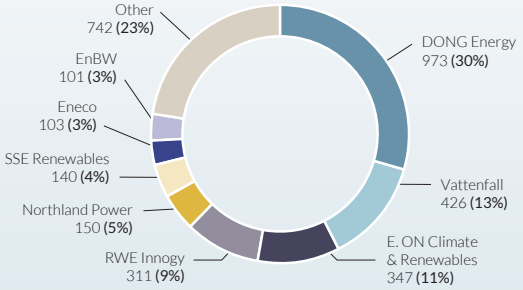

- The number of turbines installed is projected to grow by 11% annually during the next seven years
- Strong growth projected in the UK and Germany

**Country distribution**
Turbines installed in Europe, end 2016



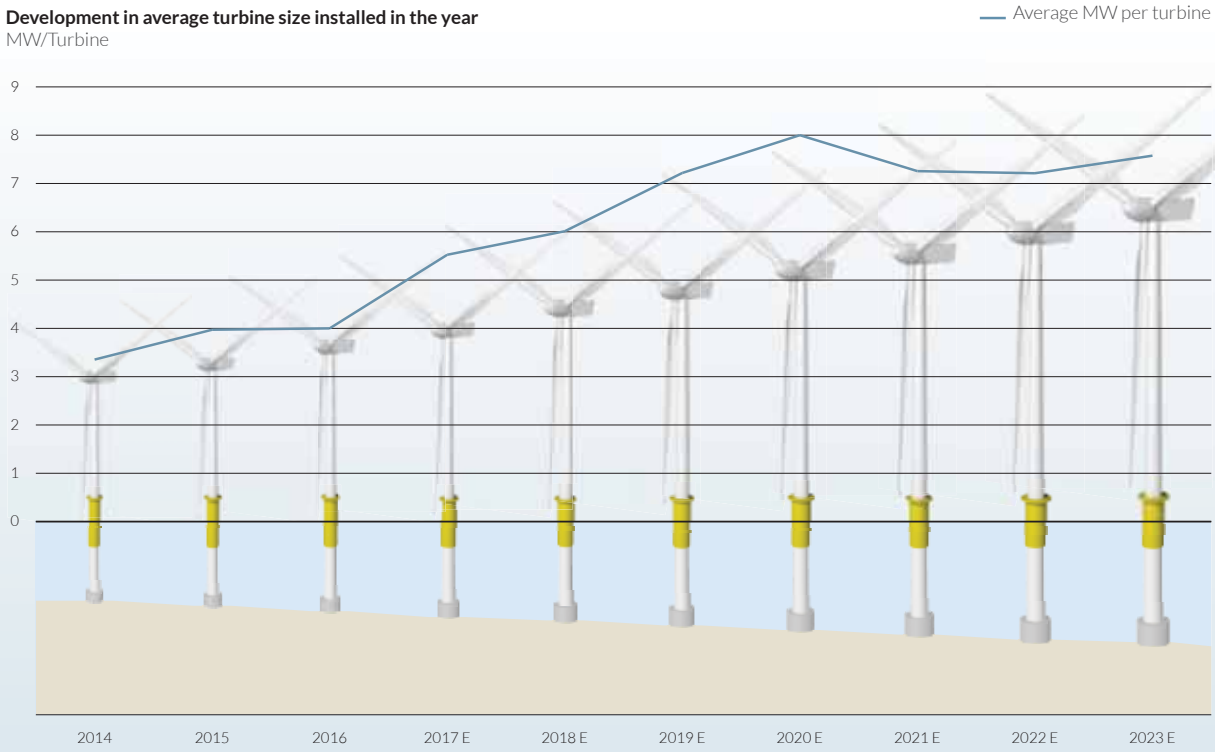

- All significant offshore wind farms are located in only six European countries
- UK and Germany are clearly dominant, accounting for almost 70% of the installed number of turbines

**Wind farm operator distribution**
Turbines installed in Europe, end 2016



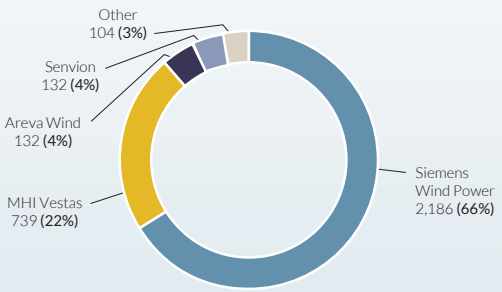

- DONG Energy operates the largest installed base of turbines in Europe, ahead of Vattenfall

**Development in average turbine size installed in the year**
MW/Turbine



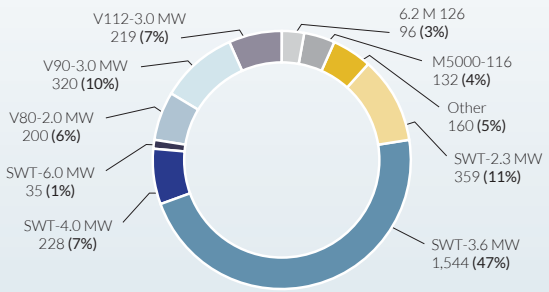

- Turbine technology innovation implies that turbines are becoming larger and larger, and this is a trend that is progressing much faster than expected only a few years ago.
- Moreover, wind farms are being placed at ever greater water depths. This requires jack-up vessels with longer legs and a higher reach than previously expected.

**Turbine OEM distribution**
Turbines installed in Europe, end 2016




- Siemens Wind Power has the largest installed base of turbines in Europe, ahead of MHI Vestas Offshore Wind

**Turbine model distribution**
Turbines installed in Europe, end 2016




- The Siemens SWT-3.6 MW turbine is the most frequently installed model in Europe

84 Beatrice SWT-7.0 MW SSE Renewables
11 European Offshore Wind Deployment Centre - EOWDC V164-8.0 MW Vattenfall
5 Blyth demo V164-8.0 MW 2-B Energy
27 Teesside SWT-2.3 MW EDF
58 Robin Rigg V90-3.0 MW E.ON Climate & Renewables
Walney Phase 2 SWT-3.6 MW DONG Energy
Walney Phase 1 SWT-3.6 MW DONG Energy
Walney Extension V164-8.0 MW DONG Energy
Ormonde 5M 126 Vattenfall
47 40 51 51 30 108 30
Walney Extension East SWT-7.0 MW DONG Energy
Barrow V90-3.0 MW DONG Energy
West of Duddon Sands SWT-3.6 MW DONG Energy
Burbo Bank Extension V164-8.0 MW DONG Energy
Gwynt y Mor SWT-3.6 MW RWE Innogy
160 32 25
Burbo Bank SWT-3.6 MW DONG Energy
25 30
Liverpool
Rhyl Flats SWT-3.6 MW RWE Innogy
North Hoyle V80-2.0 MW RWE Innogy
7 Arklow Bank Phase 1 GE 3.6-104 GE Energy
Deutsche Bucht V164-8.0 MW Northland Power
Veja Mate SWT-6.0 MW Highland Group Holdings
Trianel Windpark Borkum - phase 2 6.2M 126 Trianel
Gemini SWT-4.0 MW Northland Power
Trianel Windpark Borkum - phase 1 M5000-116 Trianel
Westermost Rough SWT-6.0 MW DONG Energy
174 Hornsea Project One SWT-7.0 MW DONG Energy
35
Humber Gateway V112-3.0 MW E.ON Climate & Renewables
73
Race Bank SWT-6.0 MW DONG Energy
Inner Dowsing SWT-3.6 MW UK Green Investment Bank
27 75 91 67
Dudgeon SWT-6.0 MW Statoil ASA
27 88
Sheringham Shoal SWT-3.6 MW Statkraft
East Anglia One SWT-7.0 MW Iberdrola
Lynn SWT-3.6 MW UK Green Investment Bank
Lincs SWT-3.6 MW DONG Energy
Egmond aan Zee V90-3.0 MW Vattenfall
36
30
Scroby Sands V80-2.0 MW E.ON Climate & Renewables
Prinses Amalia V80-2.0 MW Eneco
60
Galloper Wind Farm SWT-6.0 MW SSE Renewables
102
43
Eneco Luchterduinen V112-3.0 MW Eneco
IJmuiden
Greater Gabbard SWT-3.6 MW SSE Renewables
Borssele IV V164-8.2 MW Eneco
Borssele III V164-8.2 MW Eneco
Gunfleet Sands I + II SWT-3.6 MW DONG Energy
140 56
Belwind I V90-3.0 MW Belwind
42 42 42
Nobelwind V112-3.3 MW Parkwind BV
Borssele II V164-8.2 MW DONG Energy
Harwich
48
Northwester 2 V164-8.0 MW InControl S.A.
35 55 50 42
Borssele I V164-8.2 MW DONG Energy
London Array Phase 1 SWT-3.6 MW DONG Energy
175
72 42
Vlissingen
30 15 42 100
6 30 18 44
Rentel SWT-7.0 MW Electrawinds Offshore NV
Kentish Flats V90-3.0 MW Vattenfall
Kentish Flats Extension V112-3.0 MW Vattenfall
Ramsgate
Norther V164-8.0 MW Eneco
Thorntonbank Phase III 6.2M 126 RWE Innogy
Thanet Extension V164-8.0 MW Vattenfall
Northwind V112-3.0 MW Aspiravi
Thorntonbank Phase II 6.2M 126 RWE Innogy
116 Rampion V112-3.45 MW E.ON Climate & Renewables
Thanet V90-3.0 MW Vattenfall
Thorntonbank Phase I 5M 126 C-Power nv

# OFFSHORE WIND FARMS

# GROWTH OF OFFSHORE WIND O&M

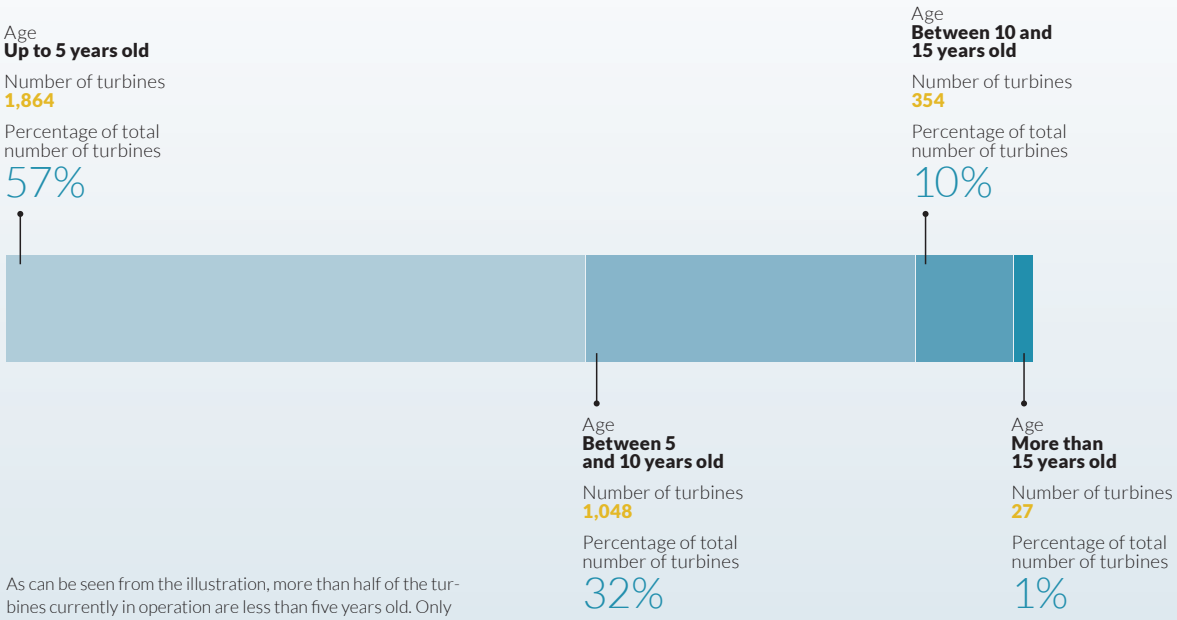
The market for major component replacement, such as gearboxes, generators and blades, is determined by the number of turbines installed and turbine failure rates.

The first of these drivers, the number of turbines installed, suggests a very encouraging outlook as explained in the "Market trends" section.

The second major driver of demand for O&M jack-up vessels is turbine failure rates. Depending on the particular model, a turbine may suffer from serial defects due to its design or to substandard components. These defects will often manifest themselves within the first few years after installation. Longer-term failure rates mainly depend on wear and tear. Offshore wind farms are like remote power plants, but unlike conventional power stations, they are also exposed to highly variable and harsh weather conditions, including calm to severe winds, lightning and hail. Due to these external variations, offshore wind turbines undergo constantly changing loads, which result in highly variable operating conditions that cause intense mechanical stress.

ZITON has been performing major component replacements since 2007 when J/U WIND was acquired. ZITON has carried out more than 530 service interventions at 40 wind farms and is the market-leading service provider within offshore wind operations & maintenance. In other words, we have the industry's greatest documented insight into offshore wind turbine failure rates. We consistently collect and analyse major component replacement data, adding to our experience base year by year. Our proprietary insights allow us to prepare scenarios for a predicted trend in failure rates over the coming years, enabling us to align our vessel capacity with the projected demand for the benefit of our customers.

**AGE OF TURBINES INSTALLED**




As can be seen from the illustration, more than half of the turbines currently in operation are less than five years old. Only 381 of the installed turbine base, equivalent to 11%, are over ten years old. As a result, no long-term studies exist on failure rates of major components and the industry is still compiling insights into failure rates over the complete life cycle of offshore wind farms which is estimated at 20 years.

40

**wind farms**

FROM THE BALTIC SEA
TO THE IRISH SEA.
DEEP TO SHALLOW
- ANY SEABED

27

**years in business**

PROVIDING OFFSHORE
SERVICES ABOVE AND BELOW
SEA LEVEL

530

**WTGs serviced**

TURBINES, BLADES,
GEAR BOXES, GENERATORS
TRANSFORMERS, SHAFTS,
BEARINGS

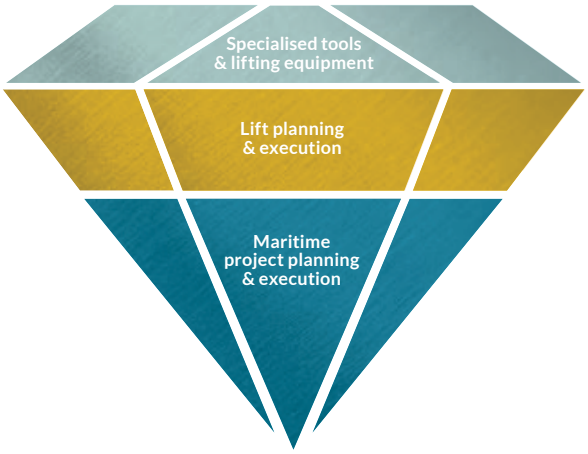
# ZITON'S SERVICE OFFERING

ZITON's core business is to own, charter and operate jack-up vessels designed to carry out O&M services on turbines at offshore wind farms. The business is gradually developing to encompass a full-service solution to selected customers.

ZITON's core business has always been to own and operate jack-up vessels. While that will not change, we are getting requests from certain customer segments for assistance in a number of services closely related to our core business.

This has its obvious advantages from the customers' point of view. They have built their skills and expertise in day-to-day O&M routines, but major component replacement is not part of their day-to-day routines. Even for a large wind farm with 100 turbines, the wind farm operator may only need to perform a major component replacement every three months. That makes it difficult to build the experience necessary to carry out major component replacements smoothly and efficiently. ZITON has performed more than five hundred major component replacements and has developed processes and procedures enabling safe and efficient operations. We have invested significant resources in the ZITON Portal, which enables us to deliver project documentation cost effectively and to collaborate with our customers on such operations.

As a result, we have established ZITON Contractors A/S to offer customers specialised tools & lifting equipment, yoke operators and technicians, thus expanding our scope of solutions as illustrated below.




**CORE BUSINESS**
**A JACK-UP WITH A CRANE**

## TYPICAL O&M SETUP

OEMs or wind farm operators monitor offshore turbines remotely, as wind farms are often located in harsh and difficult-to-access areas. Remote monitoring is an important part of O&M, and includes supervision of the turbines and diagnostics should a malfunction occur. In many cases, turbine restarts can also be performed remotely.

Day-to-day O&M routines include inspections, minor repairs, greasing, electrical work etc. on a weekly or monthly basis. An offshore wind farm with about 100 turbines usually operates two or three small crew transfer vessels (CTV) on a full-time basis as part of its O&M setup. For wind farms further offshore, the use of larger service operation vessels (SOV) helps reduce travel times, because SOVs also function as a spare-part warehouse, hotel and workshop.

Jack-up vessels such as those operated by ZITON are required for major component replacement jobs involving gearboxes, blades, generators etc.

## MAJOR COMPONENT REPLACEMENT

ZITON's scope of business in relation to major component repair or replacement covers the entire spectrum of the operation, from maritime project planning and documentation to execution. Normally, ZITON receives site information from the wind farm owner with the latest site survey including information on seabed cabling tracks, turbine positions, scour protection areas, seabed drill samples, unexploded ordnances and Bartholomew maps (seabed maps). Based on this information, a consultant prepares a leg penetration analysis ("LPA") report. The penetration analysis is based on the exact jack-up vessel for each location or for a group of locations depending on the seabed structure. Based on this LPA, a site specific assessment ("SSA") is carried out by another consultant. The SSA provides calculations that in turn determine the weather conditions under which the vessel can and must operate. The SSA is normally then subject to approval by the client's marine warranty surveyor.

For lifts of gearboxes, blades, generators etc., is a lifting plan is safety requirement. The lifting plan includes engineering calculations of strength of the lifting equipment, specifies the lifting equipment to be used, such as georgia, yoke, chain slings etc., and provides drawings of the lift from various angles. For some

A typical O&M setup is illustrated on the next page

customer segments, ZITON prepares a lifting plan. The lifting plan is prepared by an appointed person with thorough qualifications, in-depth knowledge and prior experience from preparing lifting plans. A lifting supervisor is present at the vessel to ensure that the lifts are carried out according to the lifting plan.

> The ZITON Portal is an extremely useful and optimal solution for document sharing. It's a valuable tool that improves the way we collaborate and communicate because it enables us to work directly in a document, archive project documents and thereby reuse information for upcoming projects.
>
> Jamal Alimbayev, Special Projects, Support Engineer,
> Lifting Specialist (AP-NVQ), MHI Vestas Offshore Wind A/S

Normally, the required spare parts are loaded onto the jack-up vessel in a base port near the site. After securing the components, sea and weather permitting, the vessel sails out to the repair location. Offshore wind farms are deliberately placed in areas with harsh weather to maximise the energy output, and hence a window of benign weather conditions that fall within the vessel's operational capability is required. The length of this window depends on the type of repair work to be carried out, but it ranges from six to thirty-six hours. Wind speeds above the operational threshold is the most common factor causing delays or limitations to the work carried out, resulting in "waiting-for-weather". Before the jack-up service vessel commences its procedure, the turbine will be switched off and prepared by the wind farm's technical staff. Once the technical staff assess that the turbine is ready, the jack-up vessel moves into position, assisted by dynamic positioning systems which calculate and maintain an optimal vessel position throughout the procedure. Once the vessel is in position, jacking up commences. Having reached stable seabed pressure and after a sufficiently long pre-drive period, the crane is released for operation and a safe transfer from the vessel to the turbine foundation is established via a gangway. Subsequently, old parts are lifted from the turbine onto the deck of the vessel and replaced with new parts which are then lifted onto the turbine and installed. Upon completion of the procedure, the vessel jacks down and sails on, either to the next location or back to its base port.

# O&M SETUP FOR OFFSHORE WIND FARMS

### ONSHORE OFFICES AND OPERATIONS

Onshore hub for daily operations.

### SUBSTATION

The substation connects the offshore wind farm to the onshore electricity network and converts and transmits the power.

### CREW TRANSFER VESSEL (CTV)

Used for near-shore wind farms for transporting technicians to the turbines for everyday O&M routines.

### MET MAST

The met mast is erected prior to installation of the wind farm to provide actual measurement of the weather conditions at the site.

### SERVICE OPERATION VESSEL (SOV)

Used for far-offshore wind farms for transporting technicians to the turbines for everyday O&M routines.

### DEDICATED O&M JACK-UP FOR MAJOR COMPONENT REPLACEMENT

Occasionally, it is necessary to exchange a major component, such as a gearbox, blades, generators, etc. This requires a dedicated O&M jack-up positioned next to the turbine.

# CUSTOMER CONTRACTS

Customers in the offshore wind O&M industry include both OEM turbine manufacturers and wind farm operators.

Once an offshore wind farm has been installed, turbine O&M is normally provided by turbine manufacturers under a warranty agreement. In many cases, warranty agreements are of a five-year duration. For wind farms operated by a utility, it is customary for the owner to assume full O&M responsibility when the warranty period ends. The purpose is to reduce O&M costs during the remainder of a wind farm's lifetime. Some wind farms are fully owned by financial investors that are inclined to outsource O&M responsibility to third parties or OEMs. Since none of the major offshore wind farm operators or OEMs own or operate O&M jack-up vessels in-house, both groups are customers or potential customers of ZITON. Wind farms operated by utilities are often partly owned by financial investors.

ZITON applies different types of contracts with its customers: Time charter (T/C), framework agreements or turnkey contracts.

A T/C is characterised by being a hire of a vessel for a certain predetermined period at a fixed day rate. T/C can be short-term (up to three months), medium-term (from 3 to 24 months) or long-term (beyond two years). Customers often have extension options at the end of a contract period. Contracts generally follow international standards for T/C contracts, typically a BIMCO standard. Under T/C contracts, the customer is generally required to pay for fuel, port calls and for necessary logistical support from supply boats in addition to the day rate. The cost of delays resulting from adverse weather lies with the customer.

ZITON also enters into framework agreements with its customers. Framework agreements ensure that contract terms including pricing are agreed upon beforehand, thus reducing the time required by ZITON to respond to requests for major component replacements. Framework agreements are based on either lump sum prices or T/C rates. If T/C rates apply, they are based on a short term rate and are often somewhat higher than long-term T/C rates. For the replacement of major components such as gearboxes, generators, transformers, blades or main shafts, ZITON also offers customers fixed lump sum prices per replacement. When quoting lump sum prices, ZITON bears all costs including fuel, port calls, etc., as well as costs incurred due to delays resulting from adverse weather or maintenance work on the vessel. During the winter period when the weather is harsher, weeks can go by without the weather permitting any major component replacement. In the summer period, on the other hand, several components can be replaced in a week if the turbines are located in close proximity to one another.

**ZITON'S MAIN CONTRACTS**

| | OEMs | | Operators | |
|---|---|---|---|---|
| **CUSTOMER** | **SIEMENS** | **MHI VESTAS** | **DONG ENERGY** | **VATTENFALL** |
| **CONTRACT TYPE** | Time charter | Framework agreement | Framework agreement | Framework agreement |
| **CONTRACT DURATION** | Mar 2016 - Mar 2019 | Dec 2014 - Dec 2017 | Aug 2016 - Mar 2019 | Nov 2016 - Nov 2019 |

ZITON enters into turnkey contracts in market segments where it has a competitive edge. In general, this is in segments where maritime knowledge, availability of a jack-up vessel with a crane combined with strong knowledge of the offshore wind industry is essential. These market segments include decommissioning of met masts, foundations and/or turbines. As for lump sum agreements, costs related to fuel, port calls and delays due to adverse weather, etc. are borne by ZITON, as are the risks related to subpar performance of any subcontractors hired to perform, for instance, subsea operations. The responsibility of a turnkey project requires strong project management skills in order to avoid cost overruns. Contracts are generally entered into following a tender process initiated by the customer issuing a request for a quotation. The request is sent to a number of vessel operators either directly, through shipbrokers or through supplier management communities. Tender processes normally require a price indication, evaluation of contractual conditions, description of HSEQ systems, proposed project execution plans, availability of proposed vessels and vessel specifications including water depth, load, crane load, accommodation facilities, etc. Participating in tender processes requires substantial documentation, in particular in relation to more complex turnkey solutions. ZITON's management team has significant experience in managing tender processes and preparing tender documentation.

ZITON has entered into contracts with four of the leading customers within offshore wind O&M.

> The combination of being a designated O&M provider with the newly entered framework agreement makes ZITON a unique partner for DONG Energy Wind Power.
>
> Luis Bustamante Storey, Head of Jack-up & Heavy Lifting Solutions, DONG Energy - Wind Power

### THREE-YEAR CHARTER WITH SIEMENS WIND POWER

ZITON commenced a three-year T/C for J/U WIND SERVER with Siemens Wind Power on 14 March 2016. Siemens Wind Power is the OEM with the largest installed base of turbines in Europe. The vessel is part of an initiative to service offshore wind power projects installed by Siemens Wind Power across northern Europe. This highly innovative, purpose-built jack-up vessel allows Siemens Wind Power to keep the vessel ready for fast mobilisation, reducing the required lead time for servicing turbines. During the tenor of the three-year contract, ZITON will be remunerated on the basis of a fixed day rate. Siemens has an option to extend the charter contract by two one-year periods.

### FRAMEWORK AGREEMENT WITH MHI VESTAS OFFSHORE WIND

ZITON has secured a framework agreement with MHI Vestas Offshore Wind covering the period 2015-2017. MHI Vestas Offshore Wind is the OEM with the second-largest installed base of turbines in Europe. Demonstrating the strong relationship between the parties, the agreement grants ZITON the right of first refusal on all service interventions on the majority of MHI Vestas' offshore turbines until the end of 2017. The agreement is not vessel specific. In principle, this means that ZITON has the option to carry out an intervention if it can mobilise a vessel appropriate for the assignment to the relevant site within a predetermined time period. Remuneration to ZITON takes place on a lump sum basis, with the price varying with the type and site of the intervention.

### FRAMEWORK AGREEMENT WITH DONG ENERGY

ZITON has secured a framework agreement with DONG Energy covering the period from August 2016 until March 2019. At 31 December 2016, DONG Energy was Europe's largest operator of offshore wind farms. The agreement is not vessel specific. Remuneration to ZITON takes place on a lump sum basis, with the price varying with the type and site of the intervention.

### FRAMEWORK AGREEMENT WITH VATTENFALL

ZITON has secured a three-year framework agreement with Vattenfall covering the period from November 2016 to November 2019. At 31 December 2016, Vattenfall was Europe's second-largest operator of offshore wind farms. The agreement is not vessel specific. Remuneration to ZITON takes place on a lump sum basis, with the price varying with the type and site of the intervention, and ZITON's response time to Vattenfall's request. According to the contract, Vattenfall is required to perform a minimum number of major component replacements annually.

# CORPORATE SOCIAL RESPONSIBILITY

ZITON maintains various policies and certifications in relation to corporate social responsibility.

These policies are maintained within the areas of Human Rights and Labour, Environment, Anti-Corruption, and Safety and Quality management. The Safety and Quality management policies are fundamental to working at sea and are elaborated upon separately on the next page.

## HUMAN RIGHTS AND LABOUR

Within the area of Human Rights and Labour, ZITON maintains a policy of not employing young people under the age of 18 on board the company's vessels. The aim is to avoid young people performing dangerous work when working for ZITON. We have been certified to the Maritime Labour Convention by the Danish Maritime Authority. We enforce this policy for all work carried out on board our vessels by our own employees and by those of our suppliers or sub-contractors. The policy was successfully applied in 2016, as no direct employees or employees of suppliers or sub-contractors under the age of 18 worked on our vessels during the year.

## ENVIRONMENT

Environment includes climate effects. In this area, ZITON maintains a policy for Garbage Management. The aim is to minimise the production of waste on board our vessels and at our office premises. Our Garbage Management policy is part of Annex V of the MARPOL 73/78 convention and IMO Resolution MEPC20(62). The policy stresses, among other things, that the volume of packaging brought on board our vessels must be kept at an absolute minimum, and where packaging is imperative, we prefer two-way-packaging or recyclable material. All crew members must be fully familiar with the content of the ZITON Garbage Management policy. Crew members are required to sign a statement confirming that they have familiarised themselves with and fully understand the Garbage Management policy. The policy was successfully applied in 2016, as there were no incidents of garbage being disposed of overboard from any of our vessels at sea.

## ANTI-CORRUPTION

ZITON maintains an anti-bribery and anti-corruption policy. The aim is to conduct our business in a lawful and ethical manner with integrity towards our stakeholders. We enforce this policy mainly by our management promoting our values across our organisation. In addition, we require receipts for all costs consumed and all costs must be approved by a superior to the person consuming the costs. To the best of our knowledge, the policy was successfully applied in 2016, as we have not identified any indicators of corruption.

# SAFETY AND QUALITY MANAGEMENT

Working at sea can be hazardous. Safety First is therefore a cornerstone of the way we work and how we approach each assignment, as reflected in our 'Can Do, Will Do' approach. We set our standards high and our objective is always zero injuries to personnel and zero damage to the environment.

At ZITON, our relentless focus on health, safety, environment and quality (HSEQ) for our employees, subcontractors and customers and our Safety First culture permeates our entire organisation and is the all-encompassing rule onboard our vessels. Group management diligently monitors that the established procedures for operations, projects and work on all vessels are followed to the letter and carefully reviews the monthly HSEQ report.

ZITON's HSEQ system has been certified by Bureau Veritas to satisfy the requirements of the ISM Code /MLC2006 and to the ISO9001:2008 / ISO14001:2004 & OHSAS 18001:2008 standards. The ISO and OHSAS standards are all voluntary, but the company uses them to strengthen its safety and quality standards.

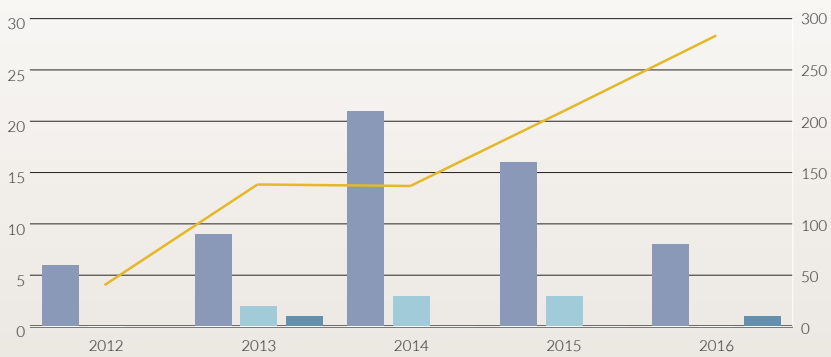
We fully support well-integrated international health and safety policies and we apply a vessel risk assessment management system which includes a toolbox talk and safety card system. We use the BIMCO Shipping KPI system to benchmark our HSEQ performance for the purpose of implementing best practice recommendations.

Our vessels are at all times manned by highly qualified staff who follow the ZITON code of conduct in which zero drug and alcohol tolerance is indisputable and never open to question.

Routine examinations are standard procedure and are conducted by an external agency with expertise in implementing drug and alcohol programs.

> Safety has a high priority for ZITON which is of critical importance to DONG. The crew on-board are always very helpful and professional and the vessels are operated and maintained to very high standards, which only speaks well of the company.
>
> **Luis Bustamante Storey, Head of Jack-up & Heavy Lifting Solutions, DONG Energy - Wind Power**

**HSEQ performance**

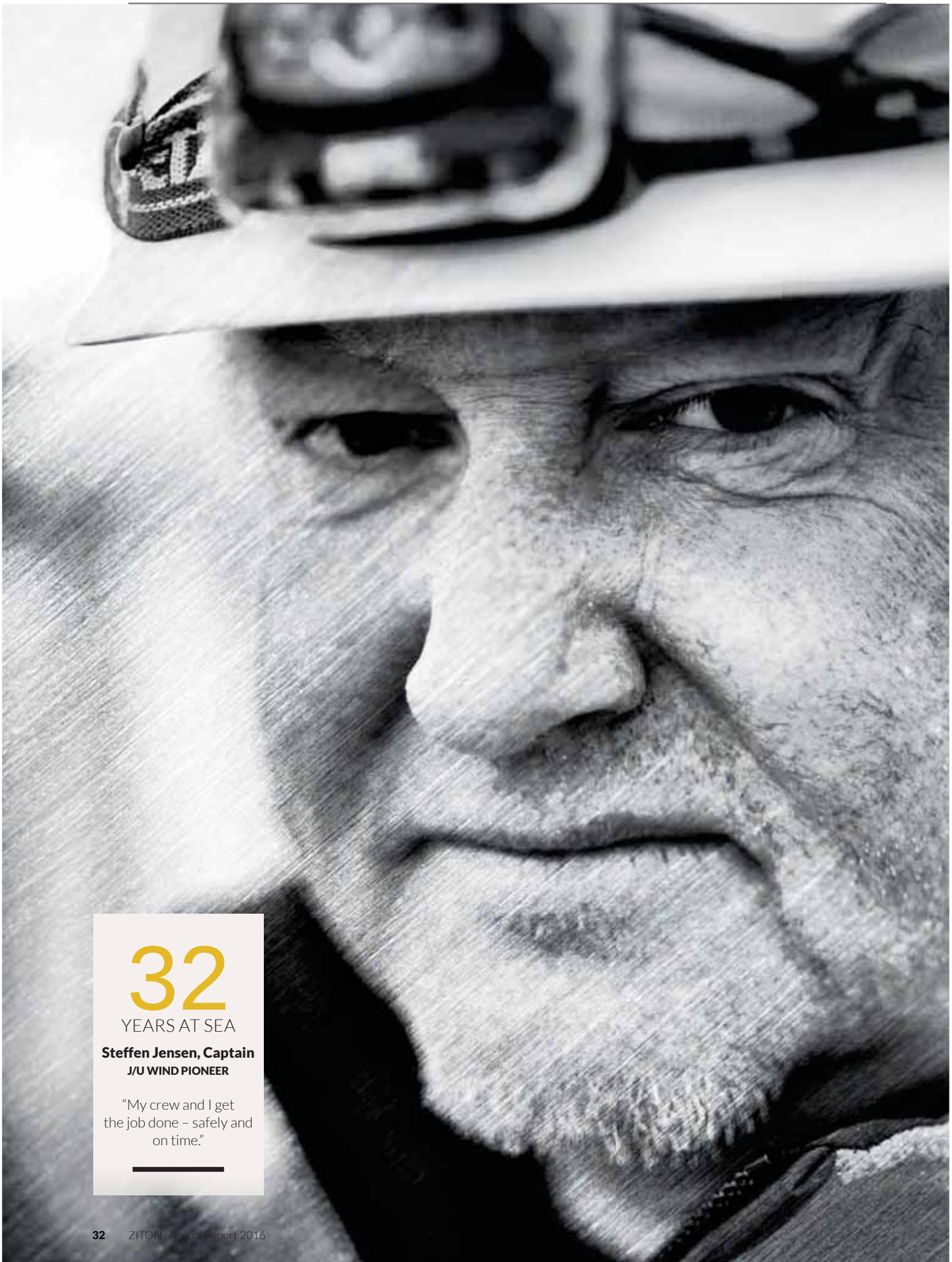



**Near Miss Reports – NMR**
An event or sequence of events which did not result in an injury but which, under slightly different conditions, could have done so.

**Medical Treatment Case – MTC**
Any work-related loss of consciousness (unless due to ill health), injury or illness requiring more than first aid treatment by a physician, dentist, surgeon or registered medical personnel.

**Lost-Time Incident – LTI**
Any work-related incident where the injured person is not able to work the day after the incident taking place. Period one calendar year.

**Man-hours**
Man-hours worked onboard by the crew.



32

YEARS AT SEA

**Steffen Jensen, Captain**

**J/U WIND PIONEER**

"My crew and I get the job done – safely and on time."

# Can do. Will do.

# VISION AND MISSION

## OUR VISION

Offshore renewables are the preferred future source of energy.

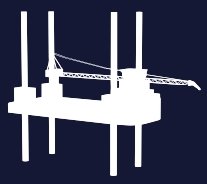
## OUR MISSION

To provide second-to-none solutions to the offshore renewables industry through our dedication to skilled people, specialist equipment and safe operations.

# BUSINESS MODEL

A business model for jack-up operations involves a high initial investment and high operating costs with only a minor variable cost component. Accordingly, most costs are fixed, and ZITON's key drivers of cash flow generation are day rates and the fleet utilisation rate.

> At Greater Gabbard we were looking for a simple and market leading solution to our decommissioning project, and ZITON provided just that. Their flexibility and enthusiasm to get the job done safely and on time was demonstrated at all stages and exceeded our expectations with regards to competence and ability, and they managed to get all work completed well ahead of schedule.
>
> Magnus Blomquist, Lead Offshore Asset Engineer, SSE



### KEY RESOURCES

Building or acquiring jack-up vessels requires high initial investments, and design requirement know-how.

### VALUE TO CUSTOMERS

For wind farm owners, it is important to avoid any unscheduled downtime that reduce the power production of the wind turbines. Customers use remote condition monitoring of turbines to avoid breakdowns and optimise the timing of major component replacements. Our vessels are dedicated to operations & maintenance and always ready to provide swift assistance to "keep the blades turning" at offshore wind farms.

### CUSTOMER SEGMENTS

There are two customer segments in the offshore wind industry; turbine manufacturers and wind farm operators. Turbine manufacturers include Siemens Wind Power, MHI Vestas Offshore Wind, Senvion, GE Renewable Energy, among others. Wind farm operators are primarily utilities like DONG Energy, E.On, Vattenfall, Innogy, SSE, EnBW, among others. Once an offshore wind farm has been installed, turbine manufacturers normally provide operations & maintenance services under their warranty programme, the typical duration of which is five years. It is customary for wind farm operators to assume full O&M responsibility when the warranty period ends.

### COST STRUCTURE

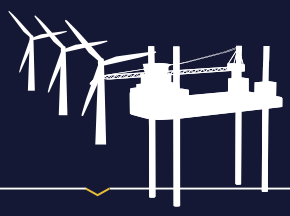
Operating a maritime organisation that serves offshore wind farms implies a predominantly fixed-cost structure with relatively limited variable costs. For example, staff, insurance, catering and other costs are fixed regardless of the level of activity.

Jack-up vessels as a category can be divided into installation jackups, which are large, sophisticated high-cost vessels specially designed for installing offshore turbines, and dedicated O&M jackups, which are flexible, leaner vessels purpose-built for major component replacement operations.

● = best/highest score
○ = worst/lowest score

**CHARACTERISTICS OF VESSELS**

| | | DEDICATED O&M JACK-UPS | INSTALLATION JACK-UPS |
|---|---|---|---|
| Vessel characteristics | Operational flexibility | ● | ◔ |
| | Deck load | ◔ | ● |
| | Crane height | ◑ – ◕ | ◑ – ◕ |
| | Crane lifting capacity | ◑ | ◕ – ● |
| | Max. water depth | ◑ – ◕ | ◑ – ◕ |
| | Bunker consumption | ● | ○ |
| | Impact on seabed | ◕ | ○ |



## REVENUE STREAMS

Due to the high initial investments and the fixed-cost base, achieving a satisfactory return on invested capital requires high vessel utilisation rates at adequate day rates. The Company endeavours to secure longer-term contracts with customers. Preferably, this is in the form of time charter contracts or right-of-first refusal framework agreements that provides a predictable revenue stream.

## THE DIFFERENCES BETWEEN DEDICATED O&M SUPPLIER AND INSTALLATION JACK-UPS

There are some 30 jack-up vessels regularly operating in the offshore wind industry. Most of them by far are used for installing new wind farms. ZITON is the only dedicated provider of jack-ups for major component replacement. There are certain important differences between a dedicated O&M supplier and providers of installation jack-ups, such as:

**Technical capability of the vessel**
Our fleet of dedicated O&M jack-ups provides us with the flexibility and versatility to operate at many different locations. However, our vessels do not require large deck space and crane lifting capacity, such as installation jack-ups generally do. Moreover, being lighter and smaller, O&M jack-ups consume less bunker fuel than their installation counterparts and smaller crews are required to operate them. This results in significantly higher OPEX and CAPEX for installation jack-ups and a need for higher charter rates relative to dedicated O&M jack-ups. Thus, owners of installation jack-ups are less inclined to use their jack-ups for O&M. See the illustration above.

**Experience of the crew**
Crews with 10 years of experience are rarely seen in this young industry, but that is what we can provide at ZITON. Our crew has experience from working with a variety of wind turbine models, sites, ports and under various operating conditions. Everyone in our crew knows exactly the sequence and details of operations including the imperative of 'safety first' in all operations. Our crew's experience enables us execute major component replacement with unrivalled efficiency.

**Organisation**
ZITON has a lean organisation, geared towards completing efficient major component replacement operations in a matter of days, and often at the short leadtimes requested by customers. The costs of O&M operations would simply be too high for large organisations geared towards the complexity of projects with a duration of six months and beyond. We have invested significant resources in the ZITON Portal, which enables us to cost effectively deliver project documentation and to collaborate with customers on operations.

# RISK MANAGEMENT

At ZITON, we define risk as "anything that can adversely affect our ability to execute our strategy and achieve our objectives".

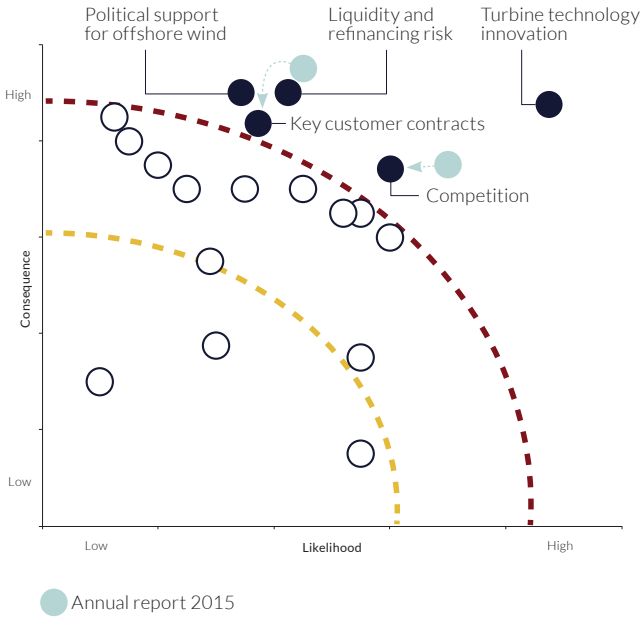
## RISK MANAGEMENT PROCESS

The risk assessment process is anchored in the Executive Management team, which periodically goes through the process of risk identification, analysis, evaluation and consideration of treatment, as illustrated below. At regular board meetings, the Board of Directors and the Executive Management assess and discuss main changes in key risks.

Risk factors are divided by origin as strategic, operational, financial or compliance risk. Risk factors are not only perceived as risks, but also as opportunities to continue developing the strategy. Strategic responses to risk factors may consequently lead to an improved market position.

## RISK HEAT MAP

To help visualise risks and opportunities, a heat map is prepared with the net risk presented after possible mitigation. The risks beyond the dotted red line are assessed to be the most significant risks to which the Company is exposed.



## MAIN CHANGES OF RISK EVALUATION

Two main changes have occurred to the risk assessment compared to last years' annual report. The changes are illustrated in the risk heat map on the previous page.

Firstly, the likelihood and consequences of the risk to key customer contracts are assessed to be lower. The three-year charter with Siemens is the company's single largest customer contract. This contract was commenced on 14 March 2016 with J/U WIND SERVER operating under the contract for the remainder of the year with no off-hire days. As a result, it is our assessment that the likelihood of risk under the contract has been reduced. Furthermore, we also assess that the consequence of losing a key customer contract has been reduced, the main reason being that we have entered into framework agreements with DONG Energy and Vattenfall, making ZITON less dependent upon individual customer contracts.

Secondly, the likelihood of risk from competition is assessed to have been reduced. The main reason is that A2SEA decided in early 2016 to withdraw from offering O&M services and to focus on its core business of installing new turbines. Furthermore, having entered into the framework agreements with DONG Energy and Vattenfall has also strengthened our competitive position.

## INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO THE FINANCIAL REPORTING PROCESS

The Board of Directors has the overall responsibility for ZITON's control environment. The Board of Directors has established an Audit Committee consisting of the entire Board of Directors. The Audit Committee, is responsible for monitoring the internal control and risk management systems related to the financial reporting process on an ongoing basis. The board of directors approves the overall policies and procedures in key areas of financial reporting. ZITON has implemented formalised processes for internal & external financial reporting.

**THE FIVE MOST NOTICEABLE RISK FACTORS SHOWN IN THE RISK HEAT MAP ARE ELABORATED UPON BELOW.**

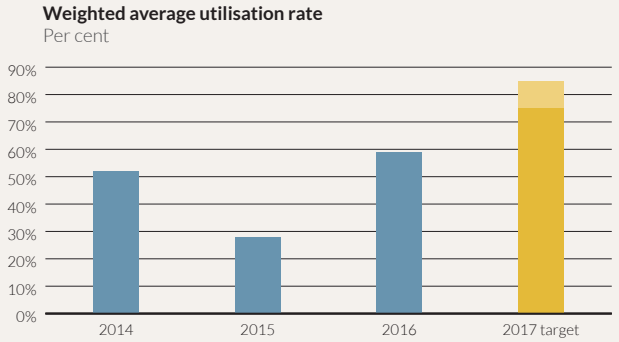
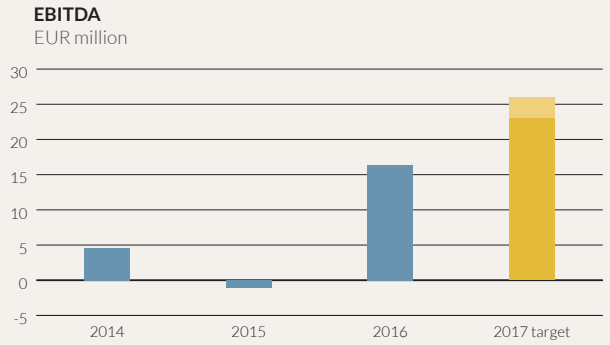
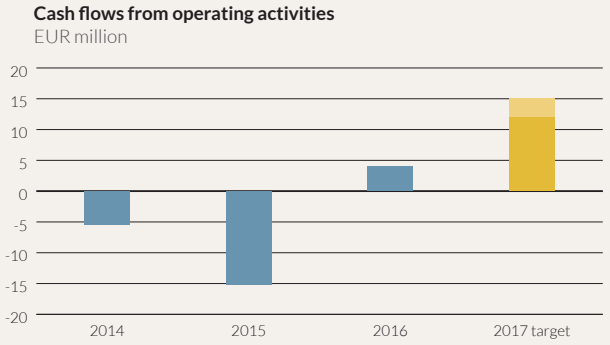
| RISK FACTORS | POSSIBLE CAUSES | POTENTIAL CONSEQUENCES | ENSUING MITIGATION |
|---|---|---|---|
| TURBINE TECHNOLOGY INNOVATION | • Technology innovation enabling the industry to build larger turbines with a height that exceeds the lifting heights of the company's current fleet<br>• Turbine technology innovation making it possible to carry out major component replacement offshore without the need for a jack-up<br>• Development of more reliable turbine technology with fewer defects | • Uncertainty about future market demand for the Company's current fleet | • Continue investing in vessels capable of meeting technology trends of increasingly larger turbines. The bond issue contains a limitation of EUR 2.0m on Newbuild CAPEX during the tenor of the bond. This amount is thus likely to be used for the initial specification and design of a new vessel |
| COMPETITION | • O&M services for major component replacements at offshore wind farms is currently offered by only a few companies. New entrants may invest in jack-ups to offer major component replacements.<br>• In addition, companies with jack-ups used for new wind farm installations could offer O&M services if there is inadequate demand for installation of new wind farms | • Excess capacity of jack-up vessels could lead to low utilisation rates and price competition | • Seek to increase differentiation from competition and create value to customers that peers are unable to match<br>• Build barriers to entry that will make ZITON dedicated O&M services more difficult to compete with |
| POLITICAL SUPPORT FOR OFFSHORE WIND | • Development of new wind farms relies on continued political support to decarbonise the economy. This involves maintaining regulatory regimes that make investing in offshore wind farms attractive | • A drop in the number of new wind farms will reduce the projected demand for O&M services, although O&M services will still be needed for existing turbines. This may also lead to excess capacity of jack-up vessels and price competition | • ZITON accepts this event as a risk inherent to being in the offshore wind industry<br>• A continued reduction of the Levelized Cost of Energy (LCOE) reduces the need for subsidies. More efficient O&M services is an important factor in reducing LCOE |
| KEY CUSTOMER CONTRACTS | • ZITON relies on being able to fulfil contracts with its key customers to secure future revenue. Inability to fulfil requirements of contracts with key customers will have material consequences to the company's cash flows. In the medium-term, the company relies on the prolongation of existing contracts or on winning new contracts | • Contracts with Siemens Wind Power, DONG Energy, Vattenfall and MHI Vestas collectively account for the majority of projected revenue in 2017 | • To reduce the risk of going off-hire redundancy is built into design of J/U WIND SERVER. We also ensure a very high level of preventive maintenance in all aspects of the vessel and keep an inventory of critical spare parts |
| LIQUIDITY AND REFINANCING RISK | • Liquidity and refinancing risk includes the risk of the group experiencing a liquidity shortage and the inability to refinance its maturing bond loan and credit lines as needed | • If refinancing of the company is not possible when the bond loan matures or if the company encounters liquidity risk the cost may be critical and the ability to operate the Company may be hampered | • The company currently has a loan to book value of vessels ratio of approx. 60% and plans to reduce that percentage before the current bond issue comes due for refinancing (matures 26 November 2019) |

# KPIs

The Board of Directors and Executive Management monitor a number of key performance indicators ("KPIs") to evaluate the performance of our strategy over time.

| KPIs | DEFINITION | WHY WE USE THE MEASURE | COMMENTS ON 2016 PERFORMANCE |
|---|---|---|---|
| **WEIGHTED AVERAGE UTILISATION RATE** | Weighted average utilisation rate is defined as revenue during the period divided by full utilisation at standard rates. Each vessel has a different weighting depending on its specifications. J/U WIND PIONEER and J/U WIND SERVER were included in 2015 | A high utilisation rate is driven by the level of sales to customers, as well as our own ability to make the vessel available to customers. The measure shows the combined efficiency of sales and operations | We had guided a target of 65–70% in the 2015 annual report, but achieved a utilisation rate of 59%. The main reason for the shortfall was lower than expected customer demand for major component replacement in the first half of 2016. Utilisation improved in the second half of the year, mainly due to the new framework agreements signed with DONG Energy and Vattenfall |
| **EBITDA** | EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation | EBITDA is a good measure for operating efficiency and the ability to generate cash flows | The target set out in the 2015 annual report was EUR 18-21m. The guidance was lowered to EUR 16-19m in the Q2 2016 interim report, as utilisation and revenue were lower than expected in the first half 2016. We realised EBITDA of EUR 16.4m, in line with the revised guidance |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | Cash flows from operating activities is EBITDA mainly less working capital adjustments and financial items | Cash flows from operating activities is useful for assessing our ability to amortise debt, and cash available for CAPEX | We did not publish an external target for cash flows from operating activities in 2016. We realised EUR 4.0m in 2016, as can be seen from the consolidated cash flow statement |

The KPIs applied are both financial and operational, internal and external, leading and lagging indicators. KPIs are maintained for different purposes in the organisation. To monitor the operational performance of individual vessels, we employ BIMCO's Shipping KPI system. At Group level, we monitor, among other things, utilisation of individual vessels, realised day rates, return on invested capital and employee turnover. The three main KPIs, disclosed externally, are elaborated upon in the table below.

| TARGETS FOR 2017 | PERFORMANCE |
|---|---|
| We target a weighted average utilisation rate of 75-85% for 2017. The projected improvement is based on the framework agreements signed in 2016 with DONG Energy and Vattenfall. In addition, J/U WIND SERVER will be on time charter for the entire year, compared to 8½ months in 2016 |  |
| We target EBITDA in the range of EUR 23-26m for 2017. The projected improvement is largely a result of higher revenue, as fixed costs account for most of the overall vessel OPEX |  |
| We target cash flows from operating activities in the range of EUR 12-15m for 2017. The main reason for the projected improvement is the higher EBITDA forecast |  |

# KEY FIGURES

| EUR '000 | Danish GAAP* 2012 | Danish GAAP* 2013 | IFRS 2014 | IFRS 2015 | IFRS 2016 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 11,506 | 11,044 | 10,433 | 9,138 | 29,042 |
| EBITDA | 7,841 | 5,502 | 4,635 | -966 | 16,411 |
| Income before tax | 4,822 | 3,767 | 1,929 | -21,154 | -4,550 |
| **Balance sheet items** | | | | | |
| Non-current assets | 55,645 | 105,330 | 164,966 | 173,108 | 167,370 |
| Current assets | 15,638 | 8,104 | 6,320 | 2,756 | 6,398 |
| Total assets | 71,283 | 113,434 | 171,286 | 175,864 | 173,768 |
| Equity and subordinated capital | 52,681 | 64,486 | 88,229 | 71,892 | 69,197 |
| Current liabilities | 7,670 | 21,426 | 11,442 | 5,983 | 10,975 |
| **Cash flows** | | | | | |
| Net cash flows from operating activities | 5,381 | 16,644 | -5,427 | -15,071 | 4,049 |
| Net cash used in investing activities | -27,740 | -51,418 | -29,535 | -11,061 | -2,378 |
| Net cash used/received in financing activities | 35,388 | 27,722 | 33,415 | 25,029 | -2,500 |
| Net change in cash and cash equivalents | 13,029 | -7,052 | -1,547 | -1,103 | -829 |
| **Financial ratios and other key figures** | | | | | |
| EBITDA margin | 68% | 50% | 44% | -11% | 57% |
| Subordinated capital ratio | 74% | 57% | 52% | 41% | 40% |
| NIBD (adjusted for capitalised financing costs) | 3,771 | 30,496 | 68,928 | 99,888 | 98,209 |
| Loan to vessel ratio | 8% | 31% | 42% | 60% | 61% |
| Total number of operating vessels (average) | 1 | 1 | 1 | 2 | 3 |

*The key figures from 2012 to 2013 have not been restated to comply with the International Financial Reporting Standards (IFRS).

**KEY RATIOS HAVE BEEN PREPARED IN ACCORDANCE THE DESCRIPTION BELOW**

**EBITDA margin** = $\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Revenue}}$

**Subordinated capital ratio** = $\frac{\text{Total equity + Subordinated loans}}{\text{Total assets}}$

**NIBD (adjusted for capitalised financing costs)**
Senior Net Interest-Bearing Debt (NIBD) includes bond debt (adjusted for capitalised expenses), draw on working capital facility and finance lease liabilities less cash and cash equivalents.

**Loan to vessel ratio** = $\frac{\text{NIBD}}{\text{Vessel book value}}$

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# CAPITAL STRUCTURE

A revised capital structure implemented in November 2015 significantly strengthened the Company's financial position.

On 26 November 2015, the company issued a EUR 100 million bond, the proceeds of which were used to refinance existing debt. The bond was listed on the Oslo Stock Exchange in November 2016. The key terms of the bond are available in note 4.3.

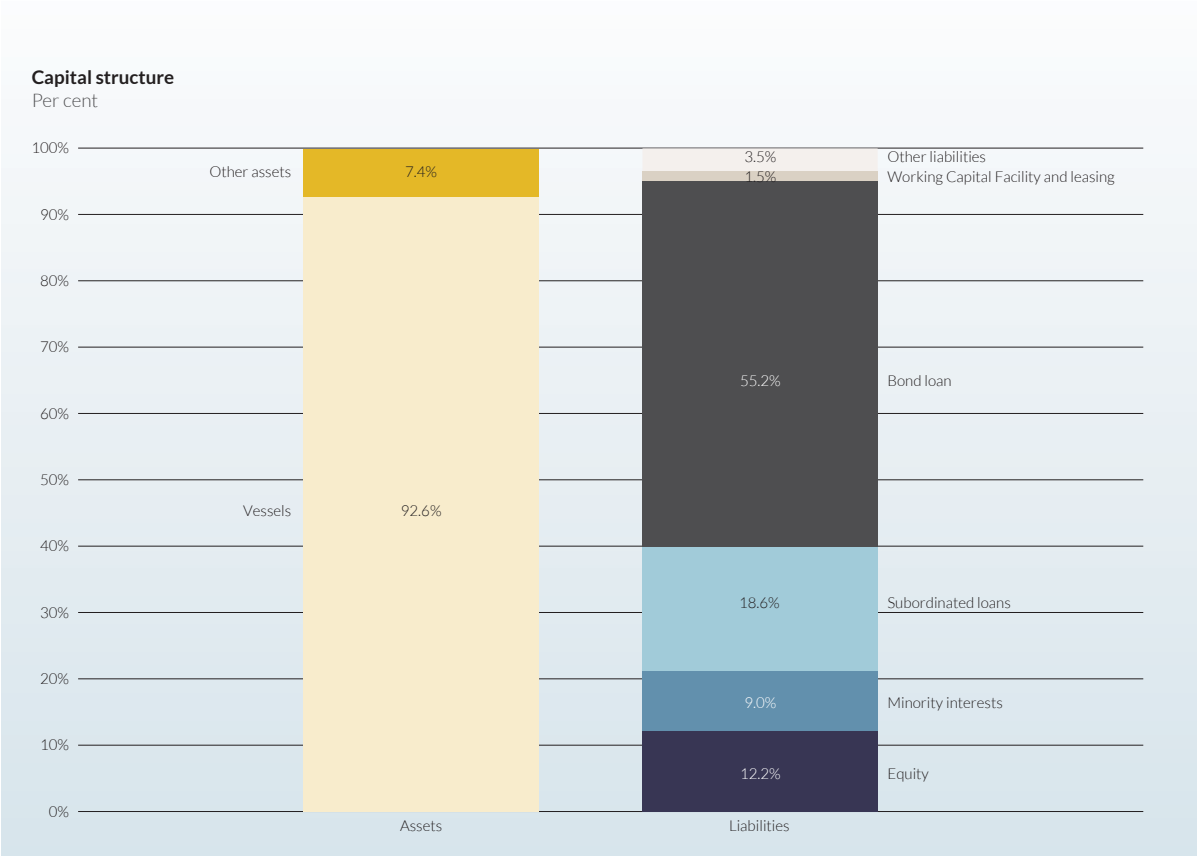
The illustration below shows the capital structure of the ZITON Group. The three vessels make up approximately 93% of the assets.

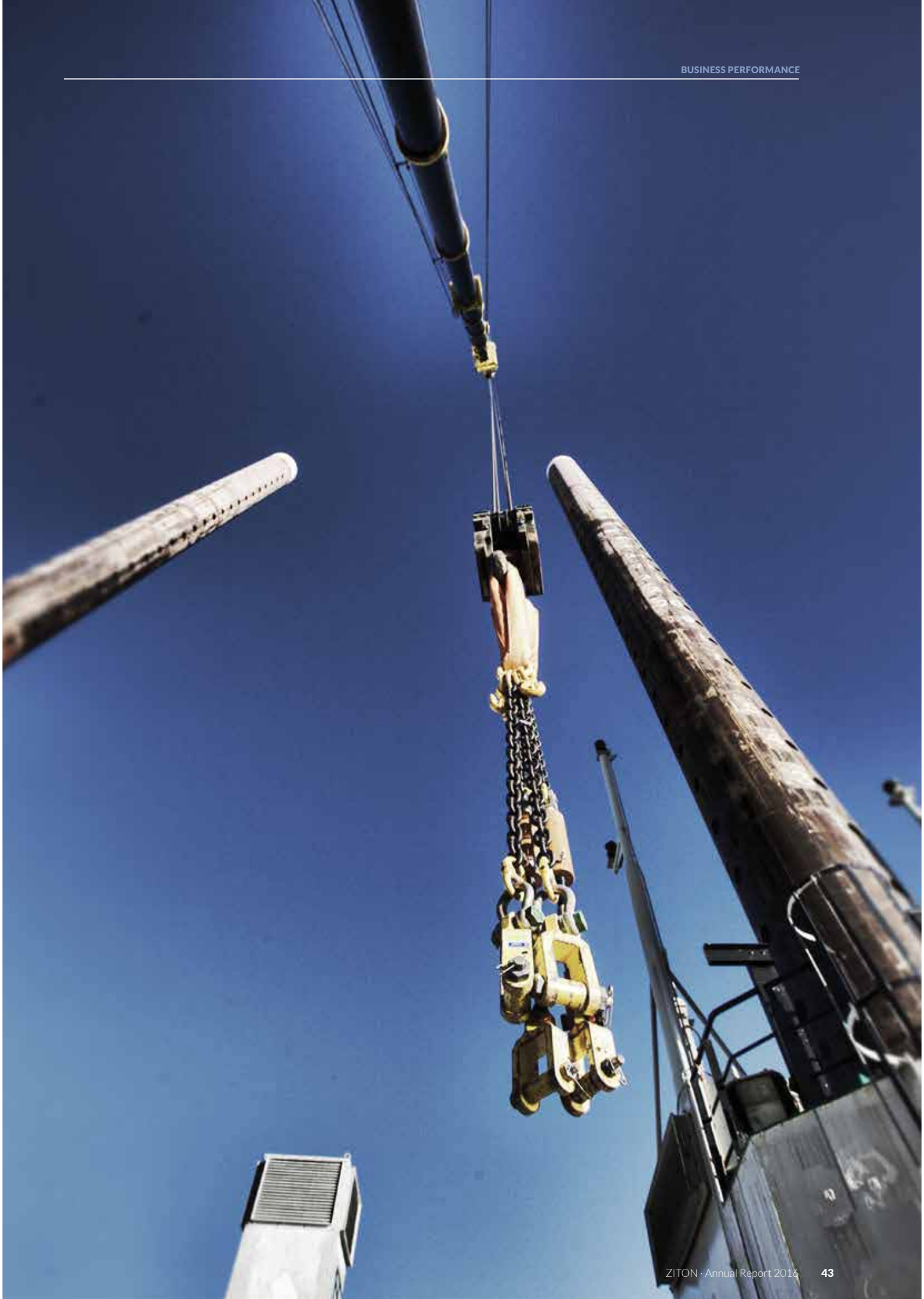
Subordinated capital makes up 39.8% of the assets. The equity is owned by BWB partners, Dansk Bjergning og Bugsering Holding ApS, OY Finans ApS and management. Equity minority interests relate to Blue Water Capital's 50% ownership of Jack-Up InvestCo 3 Plc. The subordinated capital was provided by a Danish pension fund.

The senior debt consists of the original EUR 100m bond loan and a DKK 50m (≈EUR 6.7m) working capital facility. The working capital facility and the bond loan holds a joint security package with 1st lien security in all three vessels.

The subordinated loan matures in December 2019. There are no instalments on the subordinated loan, and interest accrues until maturity with the exception of 2% annual interest payable in cash. The bond issue matures on 26 November 2019, and the working capital facility is renewed annually. In 2017, instalments on the bond loan are EUR 2.5m on 26 May 2017, the amount is increasing to EUR 3.0 semi-annually until maturity.

In addition, there is a cash sweep of liquidity in excess of EUR 5.0m. The cash sweep is measured semi-annually at the end of June and December, and the excess amount is repaid to bondholders at the subsequent interest payment date as a prepayment at a 2.0% premium.





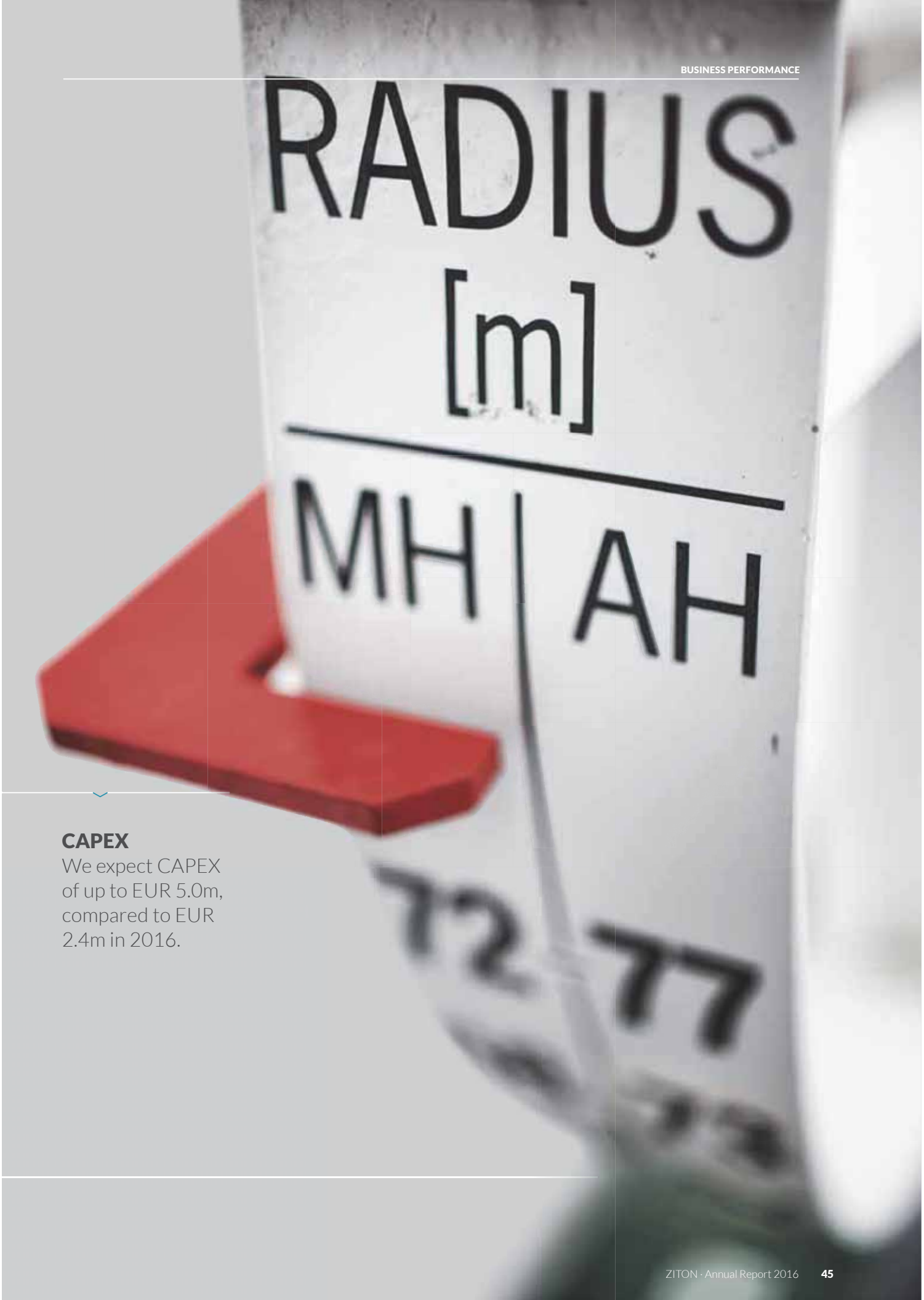
# OUTLOOK FOR 2017

Our strong contract portfolio underpins the outlook for 2017. The following sets out our guidance for our key performance indicators in 2017:

**Weighted average utilisation rate**
We expect a utilisation rate in the range of 75%-85%. The 2016 weighted average utilisation rate was 59%. The projected improvement is mainly based on the framework agreements signed in 2016, and on J/U WIND SERVER being on time charter for the entire year.

**EBITDA**
We expect EBITDA to be in the range of EUR 23-26m. This is a projected improvement from the 2016 EBITDA of EUR 16.4m driven mainly by higher revenue, as fixed costs account for most of the overall vessel OPEX.

**Cash flow from operating activities**
is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 12-15m, up from EUR 4.0m in 2016. The main reason for the projected improvement is the higher EBITDA forecast.




**CAPEX**
We expect CAPEX of up to EUR 5.0m, compared to EUR 2.4m in 2016.

# STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Executive Management and the Board of Directors have today considered and adopted the annual report of ZITON A/S for the financial year 1 January to 31 December 2016.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company are prepared in accordance with the Danish Financial Statements Act. The management commentary is also prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the financial position at 31 December 2016 of the Group and the parent company and of the results of the Group's and the parent company's operations and the Group's consolidated cash flows for the financial year 2016.

In our opinion, the management commentary provides a fair review of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty, which the Group and the parent company are facing.

We recommend that the annual report be adopted at the annual general meeting.

Horsens, 25 April 2017

**EXECUTIVE MANAGEMENT**

Thorsten Henrik Jalk

**BOARD OF DIRECTORS**

Vagn Lehd Møller
Chairman

Niels Ørskov Christensen

Esben Bay Jørgensen

Ove Carsten Eriksen

Lars Thorsgaard Jensen

Morten Melin

# INDEPENDENT AUDITOR'S REPORT

## OPINION

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ZITON A/S for the financial year 1 January - 31 December 2016, which comprise income statement, total income statement, balance sheet, statement of changes in equity, cash flow statement, notes and a summary of significant accounting policies, for both the Group and the Parent Company. The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act, and the parent company financial statements are prepared according to the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group and of the results of the Group operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Further in our opinion the Parent Company Financial Statements give a true and fair view of the financial position of the Parent Company's and of the results of the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2016. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

***Key Audit Matter***

Impairment test of jack-up vessels.

The value of the Group and the Parent Company tangible assets, of which the majority relates to jack-up vessels, is supported by value in use calculations, which are based on future cash flow forecasts.

We focused on this area because the impairment assessments of these assets are dependent on complex and subjective judgements by Management. The most critical assumptions are Management's review on expected revenue and WACC. Expected revenue has been forecast on expected utilisation rates and time charter rates.

Management's assessment is based on the cash-generating unit (CGU) for all three jack-up vessels.

The key assumptions related to jack-up vessels are described in note 3.1.

***How our audit addressed the Key Audit Matter***

We considered the overall impairment assessments prepared by the Management and tested the relevant internal controls in place to check that the Group's assets are valued appropriately according to the requirements in International Financial Reporting Standards.

We considered the assumptions and estimates used to determine the value in use of these assets. This includes those relating to time charter rates, expected utilisation rates and daily running costs. We tested these assumptions by reference to third-party documentation where available, such as signed charter contracts and signed framework agreements with customers.

We also assessed the Management's underlying key assumptions including review of future short- and long-term charter rates and utilisation rates. We used valuation specialists to assess the discount rates (WACC) used by Management.

We assessed the appropriateness of Management's presentation of these matters in the financial statements.

## STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements or the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

## MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the International

Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and Parent Company Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hobro, 25 April 2017
BDO Statsautoriseret revisionsaktieselskab
CVR-no. 20 22 26 70

Michael Graversen
State Authorised Public Accountant

Claus Muhlig
State Authorised Public Accountant

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**READING GUIDE:**
In the notes the following abbreviations I/S, B/S and C/F show which amount in the notes can be found in the income statement, balance sheet and cash flow.

# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME **1 JANUARY - 31 DECEMBER**

## INCOME STATEMENT

| EUR '000 | Note | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | 2.1 | **29,042** | **9,138** |
| Project-related expenses | | -1,161 | -272 |
| Operating expenses | | -7,846 | -6,193 |
| **Gross profit** | | **20,035** | **2,673** |
| Administrative expenses | | -1,294 | -1,778 |
| Staff costs, office staff | 2.2 | -2,330 | -1,862 |
| **EBITDA** | | **16,411** | **-966** |
| Depreciation | 3.1 | -7,775 | -5,967 |
| **EBIT** | | **8,636** | **-6,933** |
| Financial income | 4.4 | 954 | 108 |
| Financial expenses | 4.4 | -14,140 | -14,329 |
| **Income before tax** | | **-4,550** | **-21,154** |
| Tax on profit (loss) | 5.1 | -1,254 | 4,630 |
| **Income for the year** | | **-5,804** | **-16,524** |
| Attributable to: | | | |
| Owners of ZITON A/S | | -8,184 | -14,859 |
| Non-controlling interests | | 2,380 | -1,665 |
| **Income for the year** | | **-5,804** | **-16,524** |

## STATEMENT OF COMPREHENSIVE INCOME

| EUR '000 | Note | 2016 | 2015 |
|---|---|---|---|
| **Income for the year** | | **-5,804** | **-16,524** |
| Items that will be reclassified subsequently to the income statement when specific conditions are met: | | | |
| Reserve for equity settled warrants | | 7 | - |
| Exchange adjustments of foreign entities, net of tax | | 41 | -40 |
| **Total comprehensive income for the year, after tax** | | **-5,756** | **-16,564** |
| Attributable to: | | | |
| Owners of ZITON A/S | | -8,136 | -14,899 |
| Non-controlling interests | | 2,380 | -1,665 |
| **Total comprehensive income for the year, after tax** | | **-5,756** | **-16,564** |

# REVIEW OF THE INCOME STATEMENT FOR 2016

**Revenue**
For the full year 2016, net revenue was EUR 29.0m compared to EUR 9.1m in 2015. The main reason for the increase in revenue is that J/U WIND SERVER has been on charter with Siemens Wind Power since 14 March 2016, following limited revenue during 2015. Furthermore, we have benefitted from new framework agreements with DONG Energy and Vattenfall. In addition, the competitive situation has improved as A2SEA in March 2016 announced they will focus on their core business of installation of new turbines, withdrawing from O&M services.

**Expenses**
Total expenses in ZITON increased to EUR 12.6m in 2016 from EUR 10.1m in 2015.

**Project-related expenses**
Project-related expenses increased to EUR 1.2m in 2016 from EUR 0.3m in 2015. The main reason for the EUR 0.9m increase is costs related to a decommissioning project, as well as a higher activity level.

**Operating expenses**
Operating expenses increased to EUR 7.8m in 2016 from EUR 6.2m in 2015. The main reason for the increase of EUR 1.6m is due to a higher activity level.

**Administrative expenses**
Administrative expenses amounted to EUR 1.3m in 2016 compared to EUR 1.8m in 2015. The reduction of EUR 0.5m is primarily a consequence of one-off costs in 2015 related to the bond issue in November 2015.

**Staff costs, office staff**
Salaries for office staff increased to EUR 2.3m in 2016 from EUR 1.9m in 2015. The main reason for the increase of EUR 0.4m is an increase in office staff as a consequence of the higher activity level.

**EBITDA**
EBITDA for the full year 2016 was a EUR 16.4m profit, which was within the expected range of EUR 16-19m, as announced in the quarterly report for second quarter of 2016. It is below the original expectation of EUR 18-21m, announced in the beginning of 2016.

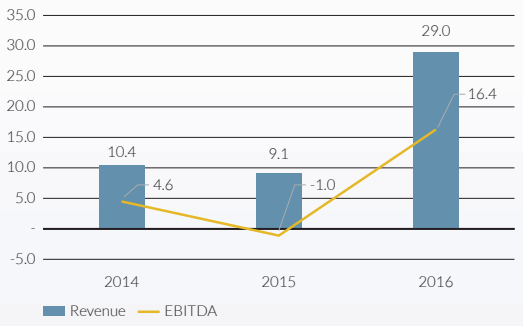
**Depreciation**
Depreciation charges increased to EUR 7.8m in 2016 from EUR 6.0m in 2015. The increase of EUR 1.8m reflects the full year depreciation of J/U WIND PIONEER in 2016. The vessel became operational during 2015.

**Net financials**
Financials, net was EUR -13.2m in 2016 compared to EUR -14.2m in 2015. Financial income and expenses are described further in note 4.4.

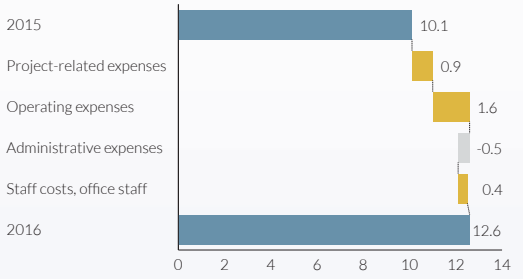
**Tax on profit**
Income before tax was a loss of EUR 4.6m and tax on profit was an expense of EUR 1.2m. Taxation is described further in note 5.1

**Non-controlling interests**
BWC S.A. owns 50% of the Malta-based company Jack-Up InvestCo 3 Plc. Non-controlling interests of EUR 2.4m is 50% of the Income for the year in Jack-Up InvestCo 3 Plc.
ZITON A/S bareboat charter J/U WIND SERVER from Jack-Up InvestCo 3 Plc.

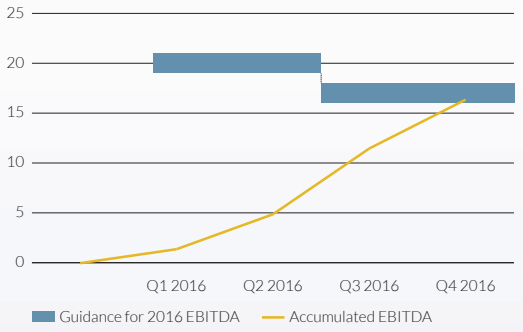
**Revenue & EBITDA**
EUR million




**Expenses**
EUR million




**Accumulated EBITDA & Expected range**
EUR million



# BALANCE SHEET
# 31 DECEMBER

## ASSETS

| EUR '000 | Note | 2016 | 2015 |
|---|---|---|---|
| **Non-current assets** | | | |
| Vessels, including fixtures & equipment | 3.1 | 161,313 | 166,352 |
| Financial assets | 3.2 | 6,057 | 6,057 |
| Deferred tax assets | 5.2 | - | 699 |
| **Non-current assets** | | **167,370** | **173,108** |
| **Current assets** | | | |
| Trade and other receivables | 3.4 | 4,454 | 634 |
| Cash and cash equivalents | 4.2 | 1,944 | 2,122 |
| **Current assets** | | **6,398** | **2,756** |
| **Total assets** | | **173,768** | **175,864** |

## EQUITY AND LIABILITIES

| EUR '000 | Note | 2016 | 2015 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | 11,093 | 11,093 |
| Reserves | | 188 | 140 |
| Retained earnings | | 9,838 | 18,021 |
| **Total equity attributable to owners of ZITON A/S** | | **21,119** | **29,254** |
| Non-controlling interests | | 15,705 | 13,326 |
| **Total equity** | | **36,824** | **42,580** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Subordinated loans | 4.3 | 32,373 | 29,312 |
| Bank and bond loans | 4.3 | 90,919 | 95,849 |
| Deferred income tax liabilities | 5.2 | 2,441 | 1,909 |
| Provision for other liabilities | 3.3 | 236 | 231 |
| **Total non-current liabilities** | | **125,969** | **127,301** |
| **Current liabilities** | | | |
| Bank and bond loans | 4.3 | 7,590 | 3,960 |
| Trade and other payables | 3.5 | 2,762 | 1,675 |
| Provision for other liabilities | 3.3 | 623 | 348 |
| **Total current liabilities** | | **10,975** | **5,983** |
| **Total liabilities** | | **136,944** | **133,284** |
| **Total equity and liabilities** | | **173,768** | **175,864** |

# REVIEW OF THE BALANCE SHEET 2016

**Vessels, including fixtures & equipment**
The total value of the vessels amounted to EUR 161.3m at the end of 2016, compared to EUR 166.4m at the end of 2015. The reduced value of EUR 5.1m reflects depreciation that is partly counterbalanced by CAPEX of EUR 2.5m.

**Net working capital**
Changes in working capital were negative in the amount of EUR 3.3m in 2016, due to changes in trade receivables and trade payables

**Trade receivables**
Trade receivables increased from EUR 0.3m in 2015 to EUR 4.2m mainly due to higher revenue in 2016.

**Trade payables**
Trade payables increased from EUR 0.8m in 2015 to EUR 1.5m, due to higher activity in 2016 and in particular in Q4 2016.

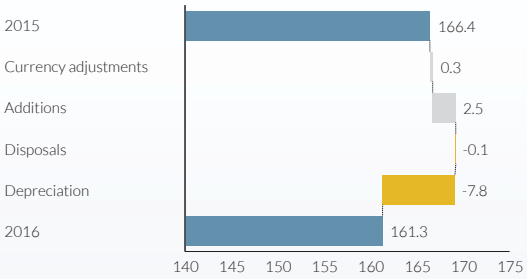
**Equity**
Total equity declined to EUR 36.8m at the end of 2016 from EUR 42.6m at end 2015. The EUR 5.8m decline mainly relates to losses during the period.

**Subordinated capital ratio**
The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at end 2016 was 39.8%. This is a decline compared to 40.9% at the end of 2015. The decline is mainly a consequence of losses during the period. The subordinated capital ratio has a safe margin relative to the company's only financial covenant, which requires a subordinated capital ratio of 33.0% or higher, at the end of 2016.

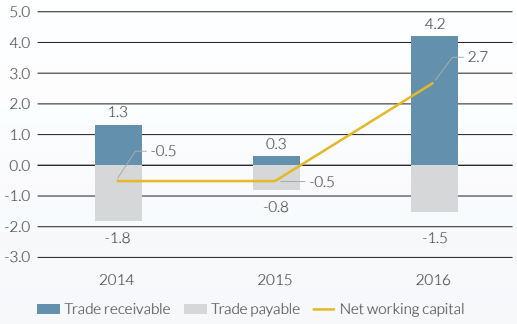
**Net Interest Bearing Debt (NIBD)**
NIBD includes bond debt (adjusted for capitalised expenses), working capital facility and finance lease liabilities less cash and cash equivalents.

**Change in NIBD:**
NIBD decreased from EUR 99.9m in 2015 to 98.2m in 2016. The decrease is due to a positive EBITDA of EUR 16.4m, which is partly offset against working capital adjustments, capex and finance costs.

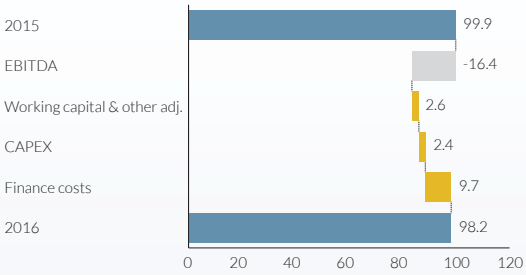
**Vessels, including fixtures & equipment**
EUR million



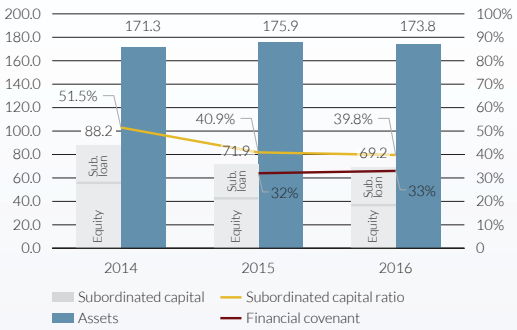

**Net working capital**
EUR million




**Change in NIBD**
EUR million




**Subordinated capital ratio**
EUR million



# CASH FLOW STATEMENT
# 1 JANUARY - 31 DECEMBER

| EUR '000 | Note | 2016 | 2015 |
|---|---|---|---|
| **Income before tax** | | **-4,550** | **-21,154** |
| **OPERATING ACTIVITIES** | | | |
| **Adjustments for non-cash items** | | | |
| Reversal of financial expenses, net | 4.4 | 13,186 | 14,221 |
| Depreciation and writedowns for the period | 3.1 | 7,775 | 5,967 |
| Other adjustments | | 632 | -73 |
| **Working capital adjustments** | | | |
| Change in trade receivables | | -3,872 | 954 |
| Change in trade payables | | 619 | -1,000 |
| **Financial payments** | | | |
| Financial receipts | | - | 108 |
| Financial payments | | -9,741 | -14,094 |
| **Income tax expense** | | | |
| Income tax expense | | - | - |
| **Net cash flows from operating activities** | | **4,049** | **-15,071** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of vessel, including fixtures & equipment (excl. interest) | 4.4 + 3.1 | -2,378 | -5,004 |
| Other cash flows from investing activities | 3.2 | - | -6,057 |
| **Net cash used in investing activities** | | **-2,378** | **-11,061** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of ordinary shares | | - | 3,330 |
| Proceeds from bank and bond loans | | - | 100,000 |
| Change of subordinated loans | | - | 6,700 |
| Repayment of debt to bank and bond holders | | -2,500 | -85,001 |
| **Net cash used/received in financing activities** | | **-2,500** | **25,029** |
| **Net change in cash and cash equivalents** | | **-829** | **-1,103** |
| Cash and cash equivalents at beginning of period | 4.2 | 162 | 1,267 |
| Exchange gains/losses on cash and cash equivalents | | -3 | -2 |
| **Cash and cash equivalents at end of period** [1] | 4.2 | **-670** | **162** |

1) Cash and cash equivalents in the cash flow statement include drawings on working capital facility.

# REVIEW OF CASH FLOWS FOR 2016

**Operating activities**
Cash flows from operating activities were positive at EUR 4.0m in 2016 as a result of positive EBITDA, which was partly offset by working capital adjustments and financial payments.

**Investing activities**
Investing activities were insignificant in 2016 at EUR 2.4m compared to previous years, when investment in J/U WIND SERVER and J/U WIND PIONEER were ongoing. The guidance for 2017 is for CAPEX up to EUR 5.0m.

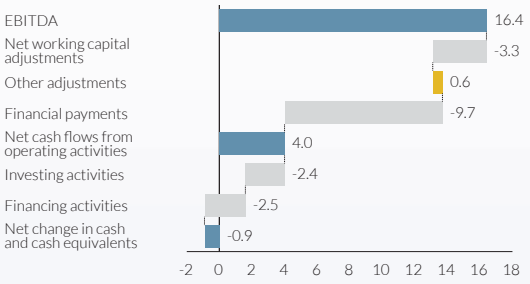
**Financing activities**
EUR 2.5m was repaid to bondholders in November 2016. In 2017, EUR 5.5m will be repaid to bondholders, excluding eventual cash sweep.

**Available liquidity**
According to the bond agreement, the Super Senior Working Capital Facility was reduced from DKK 75m (≈EUR 10.1m) to DKK 50m (≈EUR 6.7m) on 26 November 2016.

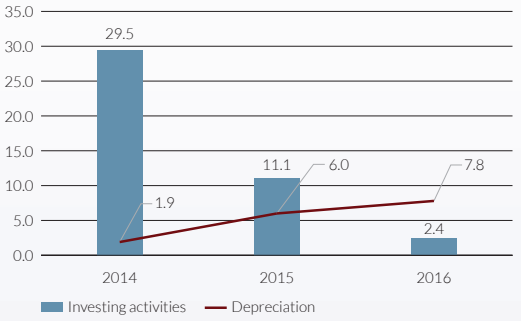
Available liquidity including available draw on working capital facility amounted to EUR 4.9m at the end of 2016, consisting of:

| EUR million | 2014 | 2015 | 2016 |
|---|---|---|---|
| Cash and cash equivalents | 4.6 | 2.1 | 1.9 |
| Cash on retention account | 2.2 | -0.7 | -1.1 |
| **Liquidity** | **6.8** | **1.4** | **0.8** |
| Working capital facility | -3.3 | -2.0 | -2.6 |
| Available draw | 0.7 | 10.1 | 6.7 |
| **Available liquidity** | **4.2** | **9.5** | **4.9** |

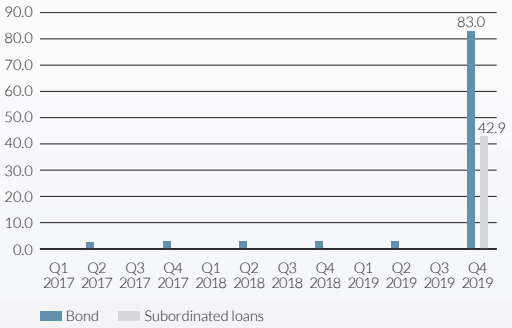
**Cash flows**
EUR million




**Investing activities vs. depreciation**
EUR million




**Debt repayment next three years**
EUR million



# STATEMENT OF CHANGES IN EQUITY

| 2016<br>EUR '000 | Attributable to owners of ZITON A/S | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Reserve for warrants | Translation reserves | Total reserves | Retained earnings | Total | | |
| **Balance at 31 December 2015** | **11,093** | **136** | **4** | **140** | **18,021** | **29,254** | **13,326** | **42,580** |
| Reserve for equity settled warrants | - | 7 | - | 7 | - | 7 | - | 7 |
| Total comprehensive income for the year, after tax | - | - | 41 | 41 | -8,183 | -8,142 | 2,379 | -5,763 |
| **Balance at 31 December 2016** | **11,093** | **143** | **45** | **188** | **9,838** | **21,119** | **15,705** | **36,824** |

**Share capital**
At the end of 2016, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

## ACCOUNTING POLICIES

Reserves on equity consist of the following:
**Reserve for warrants** consist of warrants to management, selected employees and a subordinated loan provider.
**The translation reserve** comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency different from DKK and translation from the functional currency to the presentation currency.

| 2015<br>EUR '000 | Attributable to owners of ZITON A/S | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Reserve for warrants | Translation reserves | Total reserves | Retained earnings | Total | | |
| **Balance at 31 December 2014** | **7,763** | **136** | **44** | **180** | **32,880** | **40,823** | **14,990** | **55,813** |
| Total Comprehensive Income for the year, after tax | - | - | -40 | -40 | -14,859 | -14,899 | -1,665 | -16,564 |
| Capital increase | 3,330 | - | - | - | - | 3,330 | - | 3,330 |
| **Balance at 31 December 2015** | **11,093** | **136** | **4** | **140** | **18,021** | **29,254** | **13,326** | **42,580** |

**Share capital**
In 2015, the share capital was increased by 25,000,000 B shares of DKK 1 each (EUR 3,330k) by means of a cash payment. At the end of 2015, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 BASIS OF REPORTING

### GENERAL INFORMATION

ZITON A/S is a public limited company incorporated in Horsens, Denmark.

ZITON A/S is controlled by Jack-Up Holding A/S, which holds 59.5% of the share capital in ZITON A/S. Dansk Bjergning & Bugsering Holding ApS and OY Finans ApS hold 25.1% and 14.8% of the share capital respectively. The remaining shares, equivalent to 0.6% of the share capital, are held by management. The ultimate parent of the Group is Jack-Up Holding A/S's holding company Anpartsselskabet af 1. december 2011 ApS.

ZITON A/S is consolidated in the financial statements of Jack-Up Holding A/S (registered office: Fredensborg, Denmark) and 1. december 2011 ApS (registered office: Fredensborg, Denmark).

The consolidated financial statements of ZITON A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class D companies.

The accounting policies are unchanged from last year.

The consolidated financial statements are presented in EUR thousands (EUR ´000).

The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value at the end of each reporting period, as explained in the accounting policies for note 3.2.

Significant accounting policies adopted in the preparation of these consolidated financial statements are disclosed in relevant notes, if no relevant note exists, the accounting policies are listed in this note. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of ZITON A/S and its subsidiaries.

Furthermore, significant accounting judgments, estimates and assumptions used in these consolidated financial statements are disclosed in relevant notes. If no relevant note exists, the significant accounting judgments, estimates and assumptions are listed in this note.

### ACCOUNTING POLICIES

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved when the company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee, and;
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements, and;
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

The consolidated financial statements of the ZITON A/S Group consist of the 100% owned subsidiary Jack-Up InvestCo 2 A/S, and the 50% owned company Jack-Up InvestCo 3 Plc., which management has evaluated can be 100% consolidated according to IFRS 10.

Profit or loss and each component of other comprehensive income are attributed to the owners of ZITON A/S and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The financial details of non-controlling interests are listed below.

| EUR '000 | 2016 | 2015 |
|---|---|---|
| **Income statement** | | |
| Revenue | 7,564 | 4,509 |
| EBITDA | 7,545 | 4,406 |
| Total comprehensive income | 2,380 | -1,665 |
| **Balance sheet items** | | |
| Non-current assets | 38,363 | 40,053 |
| Current assets | 10,393 | 2,343 |
| Equity | 15,705 | 13,324 |
| Non-current liabilities | 33,046 | 29,069 |
| Current liabilites | 5 | 3 |
| **Cash flow** | | |
| Net change in cash and cash equivalents | -18 | -1,880 |
| **Dividends paid to non controlling interests** | - | - |

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Foreign currencies**
**Functional and presentation currency**
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Although the functional currency for ZITON A/S is DKK, the consolidated financial statements are presented in euro because the main financing is in euro.

**Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement under financial income/expenses. All other foreign exchange gains and losses are presented in the income statement on a net basis under revenue or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

**Group companies**
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income.

**Foreign currency translation**
On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

**Leasing**
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 3.1 Vessels and equipment). Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and financial expenses. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 6.1 Commitments and contingencies). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**Income statement**
**Project-related expenses**
Project-related expenses consist of expenses in relation to projects and primarily involve expenses to subcontractors, tugboat, seabed analysis and special equipment used for operations. Like revenue, operating costs are recognised upon delivery of the service.

**Operating expenses**
Operation of vessels comprises expenses other than project-related expenses incurred to generate the revenue for the year. Vessel operating costs are divided into fixed and variable expenses. As vessel are obligated by law to have a minimum crew, staff expenses for employees are considered a fixed expense. Fixed expenses include, insurance, maintenance expenses, staff costs etc. Variable expenses include bunker, grease and other expenses to move the vessel. Like revenue, operating costs are recognised upon delivery of the service.

**Administrative expenses**
Administrative expenses comprise cost of rent, travel, external expenses and other office expenses etc. Administrative expenses are recognised upon delivery of the service.

**Cash flows**
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as the income before tax adjusted for non-cash operating items, changes in working capital, interest payments and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of bank and bond debt, acquisition and disposal of subordinated debt and payment of dividends to shareholders.

**SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial reporting requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of asset and liability affected in future periods.

**Judgments**

In the process of applying ZITON A/S's accounting policies, management has made the following judgments which have the most significant effects on the amounts recognised in the financial statements.

**100% consolidation of Jack-Up InvestCo 3 Plc.**

According to IFRS, the consolidation principle is an overall evaluation of the

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and;
- the ability to use its power over the investee to affect the amount of the investor´s return.

Based on management's evaluation of the above and our unconditional right to purchase the remaining shares, Jack-Up InvestCo 3 Plc. is 100 % consolidated in the balance sheet from 1 January 2014.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that involve a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in relevant notes listed below.

The accounting estimates and assumptions which management deems to be significant to the preparation of the consolidated financial statements are:

- Impairment of vessels (note 3.1)
- Valuation of financial assets (note 3.2)
- Leases (note 3.1 and 6.1)
- Trade receivable (note 3.4)
- Deferred tax (note 5.2)
- Provisions (note 3.3)
- Contingent liabilities (note 6.1)

**RELEVANT NEW ACCOUNTING STANDARDS**

ZITON A/S has adopted the following amended standards and interpretations from 1 January 2016.

Amendments to IAS 1 Disclosure Initiative was published in December 2014 and clarifies that entities are able to use judgment when presenting their financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation was published in May 2014. The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.

Annual improvement to IFRSs 2012-2014 cycle covering 4 standards, from September 2014.
The adoption of the amended standards and interpretations has not had a significant impact on recognition or measurement in the consolidated financial statments for 2016, and is not anticipated to have a significant impact on future periods.

**NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

The IASB has issued a number of new or amended standards and interpretations that are not mandatory for the consolidated financial statements for 2016, some of which have not yet been endorsed by the EU. ZITON A/S expects to adopt the standards and interpretations when they become mandatory. None of these are expected to have a significant impact on recognition and measurement, but may lead to further disclosures in the notes.

IFRS 15 – Revenue from Contracts with Customers was published in May 2014 and established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard requires extensive disclosures. The standard is effective for annual periods beginning on or after 1 January 2018. During 2016 we have used the five-step model framework on our current revenue streams and have not identified any significant effect on recognition and measurement. However it is expected that disclosure requirements will increase.

IFRS 16 - Leases. For the lessee, the distinction between finance and operating leases will be removed. In the future, operating leases must be recognised in the balance sheet with an asset and a corresponding lease commitment. The standard takes effect in 2019 and is not expected to have a significant effect on the consolidated financial statements.

IFRS 9 - Financial instruments. The number of categories of financial assets is reduced to 3: amortised cost category, fair value through other comprehensive income category or fair value through the income statement category. Simplified rules regarding hedge accounting are introduced, and impairment of receivables must be based on expected loss. The standard comes into force in 2018 and is not expected to have a significant effect on the consolidated financial statements.

## 2.1 SEGMENT REPORTING

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 revenue and expenses. As all three jack-up vessels operate on similar assignments, management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

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

**Geographical distribution of revenue**

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| Denmark | | 11,528 | 378 |
| United Kingdom | | 12,586 | 1,439 |
| Germany | | 3,990 | 5,433 |
| Holland | | 756 | 1,633 |
| Belgium | | 182 | 255 |
| **Total** | **I/S** | **29,042** | **9,138** |

Sales to the two largest customers made up 68% and 15%, respectively, of total revenue in 2016 (2015: 59% and 32%, respectively).

### ACCOUNTING POLICIES

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are reduced for estimates for trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

For vessels on time charters, that is operating leases, charter hire is recognised on a straight-line basis over the term of the lease.

## 2.2 STAFF COSTS

**Total staff costs in the Group**

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| **Staff costs, office staff** | | | |
| Wages and salaries | | 2,147 | 1,740 |
| Pensions – defined contribution plans | | 146 | 120 |
| Other social security costs | | 38 | 2 |
| **Total office staff** | **I/S** | **2,330** | **1,862** |
| **Vessel staff - the amount is included in "Operating expenses"** | | | |
| Wages and salaries | | 2,817 | 2,405 |
| Pensions – defined contribution plans | | 207 | 166 |
| Other social security costs | | 29 | 38 |
| **Total vessel staff** | | **3,053** | **2,609** |
| **Total staff costs** | | **5,383** | **4,470** |

**Average number of employees**

| | 2016 | 2015 |
|---|---|---|
| Office staff | 21 | 17 |
| Vessel staff, Danish nationalities | 50 | 44 |
| Vessel staff, other EU nationalities | 18 | 10 |
| **Total employees** | **90** | **72** |

The increase in employees, was made to support the operation of three vessels in 2016, compared to 2015 when J/U WIND PIONEER came in operation during the year.

The Group measures the employee turnover in accordance with Bimco shipping KPI system, for whole of 2016 the officer retention rate is 93%.

### 3.1 VESSELS AND EQUIPMENT

| 2016<br>EUR '000 | | Fixtures & equipment | Vessels | Total |
|---|---|---|---|---|
| Cost at 1 January | | 779 | 180,679 | 181,458 |
| Exchange rate adjustments | | 1 | 365 | 366 |
| Additions | | 131 | 2,351 | 2,482 |
| Disposals | | -219 | - | -219 |
| **Cost at 31 December** | | **692** | **183,395** | **184,087** |
| Depreciation at 1 January | | -301 | -14,805 | -15,106 |
| Exchange rate adjustments | | -1 | -43 | -44 |
| Depreciation | I/S | -164 | -7,609 | -7,773 |
| Disposals | | 149 | - | 149 |
| **Depreciation at 31 December** | | **-317** | **-22,457** | **-22,774** |
| Impairment losses at 1 January | | - | - | - |
| Impairment losses at 31 December | | - | - | - |
| **Carrying amount at 31 December** | **B/S** | **375** | **160,938** | **161,313** |
| – of which capitalised interests, with an average interest rate of 11.7% | | | 18,141 | 18,141 |

At 31 December 2016, EUR 37k of the book value of fixtures & equipment was financial leases of cars.

### 3.1 VESSELS AND EQUIPMENT (CONTINUED)

| 2015<br>EUR '000 | | Fixtures & equipment | Vessels under construction | Vessels | Total |
|---|---|---|---|---|---|
| Cost at 1 January | | 626 | 84,449 | 89,056 | 174,131 |
| Exchange rate adjustments | | -2 | -214 | -226 | -442 |
| Additions | | 154 | 5,915 | 1,700 | 7,769 |
| Disposals | | - | - | - | - |
| Transferred during the year | | | -90,149 | 90,149 | - |
| **Cost at 31 December** | | **779** | **-** | **180,679** | **181,458** |
| Depreciation at 1 January | | -137 | - | -9,028 | -9,165 |
| Exchange rate adjustments | | 1 | - | 25 | 26 |
| Depreciation | I/S | -165 | - | -5,802 | -5,967 |
| Disposals | | - | - | - | - |
| **Depreciation at 31 December** | | **-301** | **-** | **-14,805** | **-15,106** |
| Impairment losses at 1 January | | - | | - | - |
| Impairment losses at 31 December | | - | | - | - |
| **Carrying amount at 31 December** | **B/S** | **478** | **-** | **165,874** | **166,352** |
| – of which capitalised interests, with an average interest rate of 11.7% | | | | 18,833 | 18,833 |

At 31 December 2015, EUR 60k of the book value of fixtures & equipment was financial leases of cars.

**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 at the amount by which the 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 the total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters and by using estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on projected future installation of offshore turbines, the average rate which a turbine needs assistance from a jack-up vessel in the turbine's lifetime and ZITON´s expected market share.
- Average day rates are based on either already signed framework agreement or historical prices.

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

Management's assessment of indication of impairment on vessels is based on the cash-generating unit (CGU) in which all jack-up vessels are included (jack-up vessel segment).

### 3.1 VESSELS AND EQUIPMENT (CONTINUED)

As cash flows from the CGU in 2016 were lower than expected, 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 and a determined WACC of 8.2% and a growth rate in the terminal period of 0%. The value in use was estimated to be materially higher than the carrying amount of EUR 160,938k.

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

#### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – IMPAIRMENT OF VESSELS

Significant accounting estimates include i.e. estimates of useful lives, residual values and impairment on tangible assets.

**Useful lives of the vessels**
The useful lives of the vessel are assessed annually by the Chief Operating Officer. At the current depreciation rate, the vessel are fully depreciated over 12 to 26 years.

**Residual values**
The residual values of the vessels are estimated at zero as it is expected that scrapping of the vessels will include expenses equivalent to the price of steel.

**Impairment**
Revenue for "open charter periods" is estimated based on projected future installation of offshore turbines, the average rate which a turbine needs assistance from a jack-up vessel in the turbine's lifetime and ZITON´s expected market share. Average day rates are based on either already signed framework agreement or historical prices. The value in use calculation is sensitive to fluctuations in expected day rate and utilisation of the vessels. However, an increase of the WACC of 2 basis point to 10.2% and a reduction of either 10% in utilisation or day rates will not lead to a value in use lower than the current carrying amount of the vessels.

#### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – LEASES

Management's assessment of whether leases on vessels should be classified as finance or operating leases is based on an overall evaluation of each lease. In finance leases, a non-current asset and a payable are recognised. In classification as operating leases, the regular lease payments are generally recognised in the income statement.

#### ACCOUNTING POLICIES

The Group's accounting policy for vessels and fixtures and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This includes capitalised staff costs and interest.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The basis of depreciation is allocated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Vessels: | Between 20 and 30 years |
| Installed equipment on vessels: | Between 3 and 12 years |
| Machinery & tools: | Between 3 and 10 years |

Docking costs of the vessels are capitalised and depreciated over the period until the next docking, typically 5 years.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### 3.2 FINANCIAL ASSETS

ZITON A/S has a call option to acquire all remaining shares in Jack-Up InvestCo 3 Plc. from the co-investor (the non-controlling interests).

In 2015, a prepayment of EUR 6,057k on the call option was made to the non-controlling interest as part of the revised capital structure for the Group.

As there is no active market for this option, the financial assets are measured at cost less impairment.

| 2016<br>EUR '000 | | Assets at fair value through P/L | Total |
|---|---|---|---|
| Fair value at 1 January | | 6,057 | 6,057 |
| **Fair value at 31 December** | **B/S** | **6,057** | **6,057** |

| 2015<br>EUR '000 | | Assets at fair value through P/L | Total |
|---|---|---|---|
| Fair value at 1 January | | - | - |
| Prepayment on call option | | 6,057 | 6,057 |
| **Fair value at 31 December** | **B/S** | **6,057** | **6,057** |

#### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – FINANCIAL ASSETS

As the financial asset is measured at cost less impairment, significant accounting estimates include estimates of impairment on financial assets.

Impairment will occur if management does not intend to use the call option, or if the vessel owned by Jack-Up InvestCo 3 Plc. does not generate the expected future value.

As part of the vessel impairment test we did not recognise any impairment losses, hence the value of EUR 6.057k for the prepayment of the call option is appropriate.

#### ACCOUNTING POLICIES

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

At initial recognition, the group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value for 'financial assets at fair value through profit or loss' are recognised as follows in profit or loss within other income or other expenses. If there is no active market for the financial assets and the range of reasonable fair values is significant and these estimates cannot be made reliably, then the financial assets is measured at cost less impairment.

## 3.3 PROVISIONS

### Provisions for employee benefits

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| **Provisions at 1 January** | | **580** | **487** |
| Change in long-term employee bonus provision | | 152 | 94 |
| Change in holiday provisions for employees | | 127 | - |
| **Provisions at 31 December** | | **859** | **580** |
| | | | |
| Recognised in the balance sheet as follows: | | | |
| Non-current | B/S | 236 | 231 |
| Current | B/S | 623 | 348 |
| **Total trade and other receivables** | | **859** | **580** |

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The determination of provisions is based on management's best estimate of future events and is therefore subject to significant uncertainty. The employees bonus programme is based on realised EBITDA figures. It is estimated that the target will be met for the short- and long-term bonus. This affects the change in bonus provision by EUR 152k in 2016. It is expected that the short-term bonus will be paid in 2017 and the long-term bonus will be paid in 2018.

Holiday provisions are estimated based on employee turnover, number of expected vacation days, and future salary increases. The provision is increased with EUR 127k, due to the increase of employees.

### ACCOUNTING POLICIES

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**Employee bonus**

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**Holiday provision**

Liabilities for holiday provisions are expected to be settled within 12 months after the end of the period in which the employees render the related service and are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**Post-employment obligations**

The Group operates only post-employment schemes, which is defined as contribution pension plans. For defined contribution plans, the Group pays contributions to publicly and /or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee expense (pension - defined contribution plans) when they are due.

### 3.4 TRADE AND OTHER RECEIVABLES

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| Trade receivables | | 4,183 | 311 |
| Provision for impairment | | - | - |
| Other receivables | | 119 | 181 |
| Intercompany receivables | | 29 | 29 |
| Prepayments | | 124 | 111 |
| **Total trade and other receivables** | **B/S** | **4,455** | **634** |
| | | | |
| Recognised in the balance sheet as follows: | | | |
| Non-current | | - | - |
| Current | | 4,455 | 634 |
| **Total** | | **4,455** | **634** |

The carrying amount of receivables is in all material respects equal to the fair value.

Trade receivables of total EUR 846k were overdue, by less than 30 days at 31 December 2016. All payments were received during January 2017. (2015: Trade receivable of EUR 280 was overdue by less than 30 days at 31 December 2015. Payment was received during January 2016).

#### SIGNIFICANT ESTIMATES AND ASSUMPTIONS – TRADE RECEIVABLE

Provisions for bad debts are determined on the basis of customers' ability to pay, considering historical information about payment patterns, doubtful debts, customer concentrations, customer creditworthiness and collateral received as well as prevailing economic conditions. Estimates made are updated if the debtor's ability to pay changes.

Management estimated that there are no need for provisions on receivables at 31 December 2016 (2015: No provision on receivables).

#### ACCOUNTING POLICIES

**Trade receivables**

Trade receivables are recognised at amortised cost less provision for impairment where it is assessed that an objective indication of impairment has occurred. Impairment is performed on an individual basis.

**Other receivables and prepayments**

Other receivables comprise VAT receivables and deposits and other receivables.

Prepaid expenses comprise expenses paid relating to subsequent financial years such as rent, insurance premiums, subscription fees and interest and fees.

Other receivables and prepaid expenses are measured at the lower of amortised cost and net realisable value.

### 3.5 TRADE AND OTHER PAYABLES

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| Trade payables | | 1,450 | 831 |
| Other liabilities | | 1,312 | 844 |
| **Total trade and other payables** | **B/S** | **2,762** | **1,675** |

#### ACCOUNTING POLICIES

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other liabilities represent accruals for primarily interest and VAT.

Trade payables and Other liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 4.1 RISK MANAGEMENT

The Group's risk management is described in the section "Risk management" earlier in this annual report. The financial risks are elaborated on below.

**Credit risk**
Credit risk arises from cash and cash equivalents and trade receivables but is considered to be modest for the Group.

Cash and cash equivalents are only placed in reputable banks.

The Group has not suffered any losses from any single major debtor in the last couple of years. The Group's customers are primarily large international utilities and wind turbine manufacturers with a strong financial position.

**Liquidity risk**
Liquidity risk includes the risk of the Group becoming short of liquidity and unable to refinance its maturing credit lines as and when needed. ZITON completed a revised financial structure in November 2015, obtaining a solid capital structure with subordinated loans maturing, in December 2019 and the bond issue maturing in November 2019.

The terms to maturity of financial assets and liabilities are disclosed by category and class distributed on maturity periods. All interest payments and repayments of financial assets and liabilities are based on contractual agreements.

| | Maturities | | | | |
|---|---|---|---|---|---|
| EUR '000 | in 2017 | Between 2018 to 2019 | 2020 and onwards | Total | Book value |
| **Loans and receivables** | | | | | |
| Cash | 1,944 | - | - | **1,944** | 1,944 |
| Trade receivables | 4,183 | - | - | **4,183** | 4,183 |
| Other receivables | 119 | - | - | **119** | 119 |
| **Financial liabilities** | | | | | |
| Subordinated loans | - | 42,998 | - | **42,998** | 32,373 |
| Bank and bond loans | 13,795 | 107,082 | - | **120,877** | 95,856 |
| Trade and other payables | 1,450 | - | - | **1,450** | 1,450 |
| Working capital facility, incl. lease liability | 2,653 | - | - | **2,653** | 2,653 |

Response:
The Group currently has a loan-to-value ratio for its vessels of approx. 60%, which it plans to reduce before refinancing of the bond.

**Covenants**
The bond loan agreement includes financial covenants that, if broken, involve default on credit facilities. The subordinated capital ratio must not fall below 33% at the end of 2016.

**Market risk**
**Bunker price risk**
The Group is exposed to fluctuating bunker prices. Bunker expenses in 2016 amounted to EUR 280k (2015: EUR 656k).

If bunker prices increase by 50%, the Group's expenses are assessed to increase by less than EUR 500k.

Response:
Given the modest impact on cash flows, the Group accepts that bunker expenses will vary and are unpredictable. The Group has chosen not to hedge bunker prices.

## 4.1 RISK MANAGEMENT (CONTINUED)

**Interest rate risk**
Most of the Group's financing, including the EUR 100 million bond issue, carries a floating rate of interest. Consequently, an increase in the general interest level, as denoted by 3 months EURIBOR, will have an adverse effect on the Group's interest expenses.

An increase of 1 percentage point in interest rates will increase interest expenses by approx. EUR 1 million. If EURIBOR rates fall below 0%, it will not benefit the Group to any major extent as there is a floor of 0% on ZITON A/S´s bond issue.

Response:
Given the modest impact on cash flows, the Group accepts that interest rates will vary. The company has chosen not to swap floating interest into fixed interest.

## 4.2 WORKING CAPITAL FACILITY

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| **Cash and bank overdraft** | | | |
| Cash and cash equivalents | B/S | 1,944 | 2,122 |
| Working capital facility | | -2,614 | -1,960 |
| **Total** | **C/F** | **-670** | **162** |

At 31 December 2016, total cash at bank included EUR 1,121k on retention account, in favour of bond amortisation and interest (2015: EUR 708k).

At 31 December 2016, the Group had an undrawn working facility with the bank of EUR 4,111k (2015: EUR 8,111k).

## 4.3 LOANS

| 2016<br>EUR '000 | | Interests type | Current debt | Non-current debt | Total |
|---|---|---|---|---|---|
| Subordinated loan | | Fixed rate | - | 32,373 | 32,373 |
| Bond | | Floating rate | 4,937 | 90,919 | 95,856 |
| Lease liabilities | | Floating rate | 39 | - | 39 |
| Working capital facility | | Floating rate | 2,614 | - | 2,614 |
| **Total loans** | **B/S** | | **7,590** | **123,292** | **130,882** |

**Fair value:**
At 31 December 2016, the latest trading price quoted for the bond on the Oslo Stock Exchange was 97.67. The fair value (hierarchy level 1) of the bond is equivalent to EUR 95,228k, compared to the carrying amount of 97,500k (adjusted for capitalised fees of EUR 1,644k).
The fair value of the remaining loans are equivalent to the carrying amounts. Hence the total fair value of loans at 31 December 2016 was EUR 130,254k, excluding capitalised fees of EUR 1,644k.

**Financial covenants:**
BOND: FRN ZITON A/S 2015/2019 - ISIN NO0010751332
Subordinated capital ratio: The Issuer shall at all times maintain a subordinated capital ratio of at least 32% in the first 12 months from the Issue Date and increase it by 1% each subsequent year. At 31 December 2016, the minimum ratio is 33%. The key terms of the bond is listed below accounting policies.

### 4.3 LOANS (CONTINUED)

| 2015<br>EUR '000 | Interests type | Current debt | Non-current debt | Total |
|---|---|---|---|---|
| Subordinated loans | Fixed rate | - | 29,312 | 29,312 |
| Bond | Floating rate | 1,950 | 95,849 | 97,799 |
| Lease liabilities | Floating rate | 50 | - | 50 |
| Working capital facility | Floating rate | 1,960 | - | 1,960 |
| **Total loans** | **B/S** | **3,960** | **125,161** | **129,121** |

**Fair value:**
At 31 December 2015, the bond was traded close to par value. Hence, the fair value of the loans is equivalent to the carrying amount excluding capitalised fees. The total fair value of loans at 31 December 2015 was EUR 131,322k, excluding capitalised fees of EUR 2,201k.

**Financial covenants:**
BOND: FRN ZITON A/S 2015/2019 - ISIN NO0010751332
Subordinated capital ratio: The Issuer shall at all times maintain a subordinated capital ratio of at least 32% in the first 12 months from the Issue Date and increase it by 1% each subsequent year. At 31 December 2015, the minimum ratio is 32%.

#### ACCOUNTING POLICIES

Loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost.

Loans are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**Key terms for the BOND: FRN ZITON A/S 2015/2019 - ISIN NO0010751332**

| | |
|---|---|
| Coupon | Floating rate note 3m EURIBOR (floor at 0%) + 8.5% p.a.<br>Quarterly coupon payments |
| Issue size | EUR 100 million |
| ISIN & listing | ISIN: NO0010751332. Listed on the Oslo Stock Exchange |
| Maturity | 26 Nov 2019 |
| Maintenance covenant | Subordinated capital ratio >33% (increasing by 1%-point annually) |
| Call option | Make whole first 2 years at 104.31+PV of remaining interest.<br>Thereafter 104.31/103.02/101.72/100.43 after 24/30/36/42 months respectively |
| Change of control | Change of control with new owner obtaining above 50% ownership allows bondholders to sell the bond at 101.00 |
| Security | 1st lien security in J/U WIND SERVER, J/U WIND PIONEER and J/U WIND |
| Amortisation | 2.5 MEUR semi-annually from 12 months after issue date<br>3.0 MEUR semi-annually from 24 months after issue date |
| Cash sweep | Semi-annual (30.06 & 31.12) cash sweep of cash in excess of 5 MEUR in free liquidity (at 102% of par) |
| Carve out for negative pledge | WCF of 50 MDKK + performance guarantees. Financial lease etc. limited to 0.5 MEUR |
| CAPEX restrictions | Newbuild CAPEX limited to 2 MEUR during tenor. Any debt on a non-recourse basis to ZITON. |
| Capital distribution | No distribution of dividend or repayment of subordinated capital (net) |

## 4.4 NET FINANCIAL EXPENSES

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| **Financial income:** | | | |
| Foreign exchange gains on financing activities | | 949 | 107 |
| Other | | 5 | 1 |
| **Total financial income** | **I/S** | **954** | **108** |
| | | | |
| **Interest expense** | | | |
| Subordinated loans | | 3,535 | 5,192 |
| Bank loans | | 317 | 1,572 |
| Transaction costs, incl. premium for 2015 bond option call | | 581 | 7,747 |
| Bond loans | | 8,679 | 4,700 |
| Finance lease liabilities | | 2 | 12 |
| Foreign exchange loss on financing activities | | 750 | 125 |
| Other interest expense | | 276 | - |
| **Total** | | **14,140** | **19,349** |
| | | | |
| Less: amounts capitalised on qualifying assets | | - | -2,767 |
| Less: fees capitalised to offset loans | | - | -2,253 |
| **Total financial expenses** | **I/S** | **14,140** | **14,329** |
| | | | |
| **Net financial expenses** | | **13,186** | **14,221** |

### ACCOUNTING POLICIES

**Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Any difference between the proceeds of loans (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method, as transaction costs.

Other borrowing costs are expensed in the period in which they are incurred.

## 5.1 INCOME TAX EXPENSE

**Income tax expense**

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| **Current tax:** | | | |
| Current tax on income for the year | | - | - |
| Adjustments in respect of prior years – current tax | | - | - |
| **Total current tax** | | **-** | **-** |
| **Deferred tax (note 5,2):** | | | |
| Deferred tax on the income (profit/loss) for the year | | -1,229 | 4,520 |
| Adjustments in respect of prior years – deferred tax | | -25 | 110 |
| **Total deferred tax** | | **-1,254** | **4,630** |
| **Income tax expense** | **I/S** | **-1,254** | **4,630** |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Danish tax rate to profits of the consolidated entities as follows:

**Reconciliation of tax rate**

| EUR '000 | 2016 | 2015 |
|---|---|---|
| **Profit/loss before tax** | **-4,550** | **-21,154** |
| **Danish tax rate (2016 = 22%; 2015 = 23.5%)** | **1,001** | **4,971** |
| Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate | -944 | 585 |
| Impact of change in the Danish tax rate | - | -241 |
| Non-deductible interest | -1,268 | -798 |
| Other adjustments | -18 | 3 |
| **Income tax expense for the year** | **-1,229** | **4,520** |

The reason for the tax expense of EUR 1.2m is due to the effect of the Malta tax rate of 35% and non-deductible interest in Denmark. Hence the taxable income is a profit of EUR 5.6m which result in a taxable expense of EUR 1.2m.

### ACCOUNTING POLICIES

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 5.2 DEFERRED TAX

| EUR '000 | 2016 | 2015 |
|---|---|---|
| Deferred tax 1 January | -1,209 | -5,795 |
| Currency translation | -7 | 0 |
| Change in deferred tax - recognised in the income statement | -1,229 | 4,520 |
| Adjustments related to previous years | 4 | 110 |
| Adjustment to deferred tax asset | | -44 |
| **Total deferred tax, net at 31 December** | **-2,441** | **-1,209** |
| | | |
| Deferred tax gross: | | |
| Deferred tax asset | 5,122 | 9,337 |
| Deferred tax liabilities | -7,563 | -10,545 |
| **Total deferred tax, net at 31 December** | **-2,441** | **-1,209** |

**Specification of deferred tax**

| EUR '000 | 2016 | 2015 |
|---|---|---|
| Vessel and equipment | -7,563 | -10,545 |
| Tax-loss carry forwards | 5,122 | 9,337 |
| **Total deferred tax at 31 December** | **-2,441** | **-1,209** |

**Deferred tax in balance sheet**

| EUR '000 | | 2016 | 2015 |
|---|---|---|---|
| Deferred tax assets | B/S | - | 699 |
| Deferred income tax liabilities | B/S | -2,441 | -1,909 |
| **Total deferred tax at 31 December** | | **-2,441** | **-1,209** |

In 2016, total deferred tax consists of an asset from Jack-Up InvestCo 3 Plc. of EUR 1,799k and a deferred tax asset of EUR 642k concerning the Danish joint taxation, in total EUR 2,441k. In 2015, total deferred tax was spilt between an asset concerning Jack-Up InvestCo 3 Plc. of EUR 699k and a deferred tax liability of EUR 1,909k concerning the Danish joint taxation.

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS

Deferred tax is recognised based on the assumption that ZITON A/S continues under the corporate tax regime, and on expectations of future activity.

## 5.2 DEFERRED TAX (CONTINUED)

### ACCOUNTING POLICIES

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

ZITON A/S is jointly taxed with the subsidiary Jack-Up InvestCo 2 A/S and the parent company Jack-up Holding A/S and the ultimate parent company Anpartsselskabet af 1. december 2011. Anpartsselskabet af 1. december 2011 is the administration company for the jointly taxed companies. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income.

## 6.1 COMMITMENTS AND CONTINGENCIES

**Commitments (operating lease arrangements)**
Operating leases relate to leases of office and cars.

**Recognised in the income statement in respect of rentals incl. commitments**

| EUR '000 | 2016 | 2015 |
|---|---|---|
| Recognised in the income statement in respect of rentals | 230 | 146 |
| Lease commitments: | | |
| 0 - 1 year | 123 | 113 |
| 1 - 5 years | 108 | 193 |
| After 5 years | - | - |
| **Total lease commitments** | **230** | **306** |

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS

Management's assessment of whether leases on vessels should be classified as finance or operating leases is based on an overall evaluation of each lease. In finance leases, a non-current asset and a payable are recognised. In classification as operating leases, the regular lease payments are generally recognised in the income statement.

### ACCOUNTING POLICIES

Agreements to charter vessels and to lease other tangible assets where all substantial risks and rewards of ownership have been transferred to the Group (finance leases) are recognised in the balance sheet (Note 3.1 - Vessels and equipment). Other agreements to charter vessels and other leases are considered operating leases. Payments in connection with operating leases are recognised on a straight-line basis in the income statement over the terms of the leases.

## 6.1 COMMITMENTS AND CONTINGENCIES (CONTINUED)

### Contingencies

**Security**
In November 2015, the company issued a bond for an amount of EUR 100,000k and obtained a working capital facility consisting of an overdraft facility and performance guarantees. The overdraft facility is limited to DKK 50,000k (EUR 6,702k). The bondholders and the provider of the working capital facility have entered into an intercreditor agreement sharing the following security:

- The Group's three vessels (J/U WIND, J/U WIND PIONEER and J/U WIND SERVER) with a total carrying amount of EUR 160,938k
- (2015: EUR 165,874k) have been pledged for a total amount of EUR 195,003k (2015: EUR 195,003k).
- The Group's deposit, at any time, on Retention Account in SEB.
- The Group's entitlements under insurances related to its three vessels (J/U WIND, J/U WIND PIONEER and J/U WIND SERVER) other than third party liability insurances.
- The Group's rights and entitlements under the three-year charter of J/U WIND SERVER to Siemens Wind Power A/S.

**Guarantees**
As part of the working capital facility, the Group's bank has provided a performance guarantee in connection with the three-year charter of J/U WIND SERVER to Siemens Wind Power A/S. The guarantee amounts to EUR 5,330k (2015: EUR 7,107k), with a quarterly adjustment during the lifetime of the charter. 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 charter contract. The executed guarantee has been delivered to charterers ninety days prior to the delivery date, and shall remain valid until ninety days after the expiry of this charter contract.

A perfomarnce gurantee is provided by the Group's bank, covering decommission work in the United Kingdom in 2017. The guarentee amounts to EUR 219k ( 2015: EUR 0k) and expires on 1 June 2017 or upon completion of the decommissioning.

**Unrecognised contingent liabilities**
There are pending disputes with individual suppliers. Management believes that the outcome of these will not have a material impact on the Group's financial position.

### SIGNIFICANT ESTIMATES AND ASSUMPTIONS

Information on contingent assets and liabilities and when recognition should be made as an asset and a liability, respectively, is based on assessments of the expected outcome of each claim. The assessments are made on the basis of legal assessments of the signed agreements, which in substantial claims also include assessments obtained from external advisors, including lawyers.

### ACCOUNTING POLICIES

Contingent assets are recognised when it is practically certain that the claim will have a positive outcome for the Group. A contingent liability is recognised if it is likely that the claim will have a negative outcome and when it is possible to esimate the amount. If this is not the case, the matter is an unrecognised contingent liability.

## 6.2 SHARE-BASED PAYMENTS

The Group established two warrant programmes in 2012: one for management and selected employees and one for a subordinated loan provider. Due to increase of capital by conversion of debt to equity in 2014 and a cash payment in 2015, the value of the warrants granted in 2012 has decreased. In line with the warrant agreement from 2012, the Board of Directors has approved an adjustment of the number of warrants to management and selected employees.

**Management and selected employees (granted in 2012):**
The warrants may be exercised in whole or in part during a 10-year period from the date of the holder's subscription for warrants. Each warrant entitles the holder to subscribe for one share of DKK 1 nominal value at a price of DKK 23.98 plus 7% p.a. as from the date of subscription for the warrants until the date of the holder's payment of the subscription amount. If changes are made to the company's capital structure involving a reduction or increase in the value of the warrants, the company's Board of Directors must adjust the subscription price and/or the number of warrants, as applicable, to ensure that the value of the warrants remains unaffected by the change.

**Subordinated loan provider (granted in 2012):**
The warrants may be exercised, in whole or in part, prior to the final repayment date in 2019. Each warrant shall provide the warrant holder with a right, but not an obligation, to subscribe for one share with a nominal value of DKK 1 in the company for an amount of DKK 23.98 (the "Subscription Price"). If changes to the capital structure of the company are implemented, causing the value of the warrants to increase or decline, an adjustment of the Subscription Price will, depending on the circumstances, be made so that the value of the warrants remains unaffected by the changes.

**Management and selected employees (granted in 2016):**
The Board of Directors has approved an adjustment of the number of warrants to management and selected employees by 138,645 additional warrants in 2016. The warrants carry a fair value of EUR 0, as the value has already been recognised in previous years.

Furthermore, the Board of Directors has decided to grant 20,849 additional warrants to management based on the 2012 warrant programme. The warrants carry a fair value of EUR 7k.

| | Staff expenses | | Interest | |
|---|---|---|---|---|
| 2016<br>Warrants – amount and value in EUR | Management | Employees | Subordinated loan provider | Total |
| Outstanding warrants at 1 January 2016 | 187,641 | 31,272 | 99,500 | 318,413 |
| Granted in 2016 | 139,688 | 19,806 | - | 159,494 |
| **Outstanding warrants at 31 December 2015** | **327,329** | **51,078** | **99,500** | **477,907** |
| Number of exercisable options at 31 December 2016 | | | | **477,907** |
| Fair value at the time of grant (EUR´000) at 1 January 2016 | 61 | 10 | 64 | 136 |
| Fair value for granted warrants in 2016 | 7 | - | - | 7 |
| **Fair value at the time of grant (EUR´000) at 31 December 2016** | **68** | **10** | **64** | **143** |

No warrants were exercised or cancelled in 2016. During 2016, the fair value of the new warrants is fully recognised, and a expense of EUR 7k has been recognised in the income statement and equity during 2016.

### ACCOUNTING POLICIES

The Group has established a share-based equity-settled incentive programme. The fair value of the employee services received in exchange for the grant of warrants is calculated using the value of the warrants. The fair value of share-based payment on the grant date is recognised as a staff expense or interest over the period in which the stock options vest. In measuring the fair value, the calculation is based on "Ligningsrådets formel" (Tax approved valuation calculation) and is calculated at EUR 143k, based on a discount rate of 2%. The value of equity-settled programmes is recognised in shareholders' equity.

### 6.2 SHARE-BASED PAYMENTS (CONTINUED)

| 2015<br>Warrants – amount and value in EUR | Staff expenses<br>Management | Employees | Interest<br>Subordinated loan provider | Total |
|---|---|---|---|---|
| Outstanding warrants at 1 January 2015 | 187,641 | 31,272 | 99,500 | 318,413 |
| **Outstanding warrants at 31 December 2015** | **187,641** | **31,272** | **99,500** | **318,413** |
| Number of exercisable options at 31 December 2015 | | | | **318,413** |
| **Fair value at the time of grant (EUR ´000)** | **61** | **10** | **64** | **136** |

No warrants were exercised or cancelled in 2015. The fair value of the warrants is fully recognised, hence there was no effect in the income statement or equity during 2015.

### 6.3 FEES TO AUDITORS

The Group's fees to auditors appointed by the Annual General Meeting, is listed below:

**Fees to auditors appointed by the Annual General Meeting**

| EUR '000 | 2016 | 2015 |
|---|---|---|
| **BDO** | | |
| Statutory audit | 25 | 26 |
| Assurance engagements | - | 2 |
| Tax advisory | 5 | 11 |
| Other services | 12 | 11 |
| **Total** | **42** | **50** |

### 6.4 RELATED PARTY TRANSACTIONS

The Group's transactions with related parties consist of remuneration of Executive Management and Board of Directors and trading with related parties.

**Remuneration**

| | Executive Management | | Board of Directors | |
|---|---|---|---|---|
| EUR '000 | 2016 | 2015 | 2016 | 2015 |
| Wages and salaries | 288 | 251 | 30 | 29 |
| Pensions – defined contributions plans | | | - | - |
| Other social security costs | 0 | 1 | - | - |
| **Total** | **288** | **252** | **30** | **29** |

Please refer to Note 6.2 for a description of the share-based payment.

## 6.4 RELATED PARTY TRANSACTIONS (CONTINUED)

**Trading and accounts with related parties**

| EUR '000 | 2016 | 2015 |
|---|---|---|
| **Income statement items:** | | |
| **Administrative expenses:** | | |
| Rent to Dansk Bjergning og Bugsering A/S [1] | - | 258 |
| **Balance sheet items:** | | |
| **Vessels, including fixtures & equipment** | | |
| CAPEX relating J/U WIND PIONEER to Orskov Yard A/S [2] | - | 523 |
| **Intercompany balances** | | |
| Effect of joint taxation with Jack-Up Holding A/S and Anpartsselskabet af 1. December 2011 | 29 | 30 |

1) Dansk Bjergning og Bugsering A/S is a subsidiary of Dansk Bjergning & Bugsering Holding ApS
2) Orskov Yard A/S is a subsidiary of OY Finans ApS

No other material transactions took place during the year with the Board of Directors, the Executive Management, major shareholders or other related parties.

### ACCOUNTING POLICIES

ZITON A/S is controlled by Jack-Up Holding A/S, which holds 59.5% of the share capital in ZITON A/S. Dansk Bjergning & Bugsering Holding ApS and OY Finans ApS hold 25.1% and 14.8% of the share capital respectively.

The ultimate controlling party of the Group is Jack-Up Holding A/S's holding company Anpartsselskabet af 1. december 2011 ApS.

The above-mentioned companies are considered related parties, including their subsidiaries and associates, board of directors and the executive management of these entities together with their immediate families.

Furthermore, ZITON's subsidiaries, as well as the Board of Directors and the Executive Management of ZITON A/S together with their immediate families, including companies where the above persons have control or joint control, are considered related parties.

All agreements relating to these transactions are based on market price (arm's length).

## 6.5 SUBSEQUENT EVENTS

No significant events have occurred between the reporting period and the publication of the annual report that have not been included and adequately disclosed in the annual report and that materially affect the income statement, balance sheet and disclosure requirements.

The financial statements were approved by the Board of Directors and the annual general meeting and authorised for issue on 25 April 2017.

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# INCOME STATEMENT
# 1 JANUARY - 31 DECEMBER

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | Note | 2016 | 2015 |
| **Revenue** | | **29,042** | **9,138** |
| Project-related expenses | | -1,161 | -272 |
| Operating expenses | | -28,182 | -15,697 |
| **Gross profit (net earnings from vessel activities)** | | **-301** | **-6,831** |
| Administrative expenses | | -1,269 | -1,589 |
| Staff costs | 2.1 | -5,365 | -4,452 |
| **Earnings before interest, tax, depreciation etc. (EBITDA)** | | **-6,935** | **-12,872** |
| Depreciation | 3.2 | -2,095 | -1,825 |
| **Earnings before interest and tax (EBIT)** | | **-9,030** | **-14,697** |
| Income from equity investment | | 2,329 | -2,769 |
| Financial income | 2.2 | 12,055 | 5,942 |
| Financial expenses | 2.2 | -15,747 | -6,678 |
| **Income before tax** | | **-10,393** | **-18,202** |
| Tax on profit (loss) | 2.3 | 2,209 | 3,343 |
| **Income for the year** | | **-8,184** | **-14,859** |
| Proposed distribution of profit | | | |
| Reserve for equity value | | 159 | -596 |
| Accumulated profit | | -8,343 | -14,263 |
| **Total** | | **-8,184** | **-14,859** |

# BALANCE SHEET AT 31 DECEMBER – ASSETS

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | Note | 2016 | 2015 |
| Vessel | 3.1 | 24,283 | 24,145 |
| Fixtures & equipment | 3.1 | 252 | 290 |
| **Tangible assets** | | **24,535** | **24,435** |
| Investments in Jack-Up InvestCo 2 A/S | 3.2 | - | - |
| Investment in Jack-Up InvestCo 3 Plc. | 3.2 | 15,708 | 13,326 |
| Deferred tax asset | 3.3 | 1,425 | 177 |
| Financial assets | 3.2 | 6,057 | 6,057 |
| Long-term receivable in Jack-Up InvestCo 2 A/S | | 68,694 | 63,400 |
| Long-term receivable in Jack-Up InvestCo 3 Plc. | | 63,284 | 58,838 |
| **Financial assets** | | **155,168** | **141,798** |
| Trade receivables | | 4,183 | 311 |
| Other receivables | | 117 | 134 |
| Prepayments | | 123 | 111 |
| Cash and cash equivalents | | 1,884 | 2,023 |
| **Current assets** | | **6,307** | **2,579** |
| **Total assets** | | **186,010** | **168,812** |

# BALANCE SHEET AT 31 DECEMBER – EQUITY AND LIABILITIES

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | Note | 2016 | 2015 |
| **EQUITY** | | | |
| Share capital | | 11,093 | 11,093 |
| Reserves | | 302 | 141 |
| Retained earnings | | 9,724 | 18,020 |
| **Total equity** | | **21,119** | **29,253** |
| **LIABILITIES** | | | |
| Other provisions | | 236 | 231 |
| Subordinated loans | 4.1 | 32,373 | 29,312 |
| Bond loans | 4.1 | 90,919 | 95,849 |
| **Total non-current liabilities** | | **123,528** | **125,392** |
| Other provisions | | 623 | 348 |
| Current portion of long-term loans | 4.1 | 4,974 | 2,001 |
| Debt to bank - Bank overdraft | | 2,615 | 1,959 |
| Trade payables | | 1,234 | 527 |
| Intercompany payable, associated companies | | 92 | 92 |
| Intercompany payable, Jack-Up InvestCo 2 A/S | | 9,987 | 3,055 |
| Intercompany payable, Jack-Up InvestCo 3 Plc. | | 19,725 | 4,596 |
| Other liabilities | | 2,113 | 1,588 |
| **Total current liabilites** | | **41,363** | **14,167** |
| **Total liabilities** | | **164,891** | **139,559** |
| **Total equity and liabilites** | | **186,010** | **168,812** |

# STATEMENT OF CHANGES IN EQUITY

| | PARENT COMPANY | | | | | | |
|---|---|---|---|---|---|---|---|
| 2016<br>EUR '000 | Share capital | Reserve for warrants | Translation reserves | Reserve for equity value | Total reserves | Retained earnings | Total equity |
| **Balance at 31 December 2015** | **11,093** | **136** | **5** | **-** | **141** | **18,020** | **29,254** |
| Exchange rate adjustments | | - | - | - | - | 47 | 47 |
| Reserve for equity settled warrants | - | 7 | - | - | 7 | - | 7 |
| Total comprehensive Income for the year, after tax | - | - | - | 159 | 159 | -8,343 | -8,184 |
| Exchange rate adjustment of Jack-Up InvestCo 3 Plc. | - | - | -5 | - | -5 | - | -5 |
| **Balance at 31 December 2016** | **11,093** | **143** | **-** | **159** | **302** | **9,724** | **21,119** |

**Share capital**

At the end of 2015, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 11,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

**Specification of movements in the share capital**

| EUR '000 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Share capital | 11,093 | 11,093 | 7,763 | 2,026 | 2,026 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1.1 BASIS OF REPORTING

**ACCOUNTING POLICIES**
The financial statements of ZITON A/S have been prepared in accordance with the provisions for class D enterprises of the Danish Financial Statements Act.

As the accounting policies of ZITON A/S only differ from those of the Group, which follows IFRS, with respect to a few items, only those policies that differ from the Group's are detailed below. Reference is made to the accounting policies of the ZITON Group for the other items.

The accounting policies of the parent company, including presentation, are unchanged compared to last year.

**Income statement and balance sheet**
**Earnings from equity investments**
In the parent company's income statement, the proportional share of earnings is recognised under the item "Income from equity investment".

**Investments in Jack-Up InvestCo 2 A/S and Jack-Up InvestCo 3 Plc.**
Investments in Jack-Up InvestCo 2 A/S and Jack-Up InvestCo 3 Plc. are recognised and measured according to the equity method. The proportional ownership share of the companies' net asset value is recognised in the balance sheet under the items "Investments in Jack-Up InvestCo 2 A/S" and "Investment in Jack-Up InvestCo 3 Plc".

The total net revaluation of investments in equity is transferred through the distribution of profits to "Reserve for equity value" under equity. The reserve is reduced by dividend payments to the parent company and is adjusted by other changes in equity in subsidiaries.

Subsidiaries with negative net asset value are recognised at EUR 0 million, and a provision to cover the negative balance is recognised.

**Other accounting policies**
With reference to the provisions of the Danish Financial Statements Act, the company has refrained from preparing a cash flow statement. For this information, see the consolidated financial statements of the ZITON Group.

## 2.1 STAFF COSTS

**Total staff costs**

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | | 2016 | 2015 |
| **Staff costs** | | | |
| Wages and salaries | | 4,945 | 4,125 |
| Pensions - defined contributions plans | | 353 | 286 |
| Other social security costs | | 67 | 41 |
| **Total staff costs** | **I/S** | **5,365** | **4,452** |
| of which remuneration to: | | | |
| Management [1] | | 288 | 250 |
| Board of Directors | | 30 | 30 |

1) Executive Management registered with the Danish Business Authority (Erhvervsstyrelsen)

**Average number of employees**

| | 2015 | 2014 |
|---|---|---|
| **Total employees** | **90** | **72** |

## 2.2 NET FINANCIAL EXPENSES

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | | 2016 | 2015 |
| **Financial income** | | | |
| Financial income, related parties | | 11,102 | 5,836 |
| Other financial income | | 953 | 106 |
| **Total financial income** | **I/S** | **12,055** | **5,942** |
| **Financial expense** | | | |
| Financial expenses, related parties | | 1,610 | 4,605 |
| Other financial expenses | | 14,137 | 4,326 |
| **Total** | | **15,747** | **8,931** |
| Less: fees capitalised to offset loans | | - | -2,253 |
| **Total financial expenses** | **I/S** | **15,747** | **6,678** |
| **Net financial expenses** | | **-3,692** | **-736** |

## 2,3 INCOME TAX EXPENSE

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | | 2016 | 2015 |
| **Current tax** | | | |
| Current tax on income for the year | | - | - |
| Adjustments in respect of prior years - current tax | | - | - |
| **Total current tax** | | - | - |
| **Deferred tax (note 3,3):** | | | |
| Deferred tax on the income (profit/loss) for the year | | 2,209 | 3,326 |
| Adjustments in respect of prior years - deferred tax | | - | 17 |
| **Total deferred tax** | | **2,209** | **3,343** |
| **Income tax expense** | **I/S** | **2,209** | **3,343** |

### 3.1 VESSELS AND EQUIPMENT

| 2016<br>EUR '000 | | PARENT COMPANY<br>Fixtures & equipment | Vessel | Total |
|---|---|---|---|---|
| Cost at 1 January | | 523 | 34,747 | 35,270 |
| Exchange rate adjustments | | 2 | 132 | 134 |
| Additions | | 131 | 2,041 | 2,172 |
| Disposals | | -219 | - | -219 |
| **Cost at 31 December** | | **437** | **36,920** | **37,357** |
| Depreciation at 1 January | | -233 | -10,602 | -10,835 |
| Exchange rate adjustments | | -1 | -40 | -41 |
| Depreciation | | -100 | -1,995 | -2,095 |
| Disposals | | 149 | - | 149 |
| **Depreciation at 31 December** | | **-185** | **-12,637** | **-12,822** |
| Impairment losses at 1 January | | - | - | - |
| Impairment losses at 31 December | | - | - | - |
| **Carrying amount at 31 December** | **B/S** | **252** | **24,283** | **24,535** |
| – of which capitalised interests | | - | - | - |
| – of which financial leases of cars. | | 37 | 0 | 37 |

### 3.2 FINANCIAL ASSETS

| 2016<br>EUR '000 | PARENT COMPANY<br>Equity investment in Jack-Up InvestCo 3 Plc. | Equity investment in Jack-Up InvestCo 2 A/S | Total |
|---|---|---|---|
| Cost at 1 January | 14,000 | 737 | 14,737 |
| Exchange rate adjustments | | 3 | 3 |
| Additions | - | - | - |
| **Cost at 31 December** | **14,000** | **740** | **14,740** |
| Adjustments at 1 January | -674 | -1,492 | -2,166 |
| Exchange rate adjustments | | -6 | -6 |
| Profit during the year | 2,382 | -53 | 2,329 |
| **Adjustments at 31 December** | **1,708** | **-1,551** | **157** |
| **Total** | **15,708** | **-811** | **14,897** |
| Transfer to other liabilities | - | 811 | 811 |
| **Carrying amount at 31 December** | **15,708** | **-** | **15,708** |

Jack-Up InvestCo 3 Plc. (registered office: Qormi, Malta (Share of Ownership 50%))
Jack-Up InvestCo 2 A/S (registered office: Horsens, Denmark (Share of Ownership 100%))

### 3.3 DEFERRED TAX

| | | PARENT COMPANY | |
|---|---|---|---|
| EUR '000 | | 2016 | 2015 |
| Deferred tax 1 January | | 177 | -3,124 |
| Currency translation | | 1 | - |
| Change in deferred tax - recognised in the income statement | | 2,213 | 3,326 |
| Utilisation of tax loss in joint taxation | | -967 | - |
| Adjustments related to previous years | | 2 | 15 |
| Adjustment to deferred tax asset | | -1 | -40 |
| **Total deferred tax, net at 31 December** | **B/S** | **1,425** | **177** |
| **Deferred tax gross** | | | |
| Deferred tax asset | | 4,259 | 3,395 |
| Deferred tax liabilities | | -2,834 | -3,218 |
| **Total deferred tax, net at 31 December** | **B/S** | **1,425** | **177** |

### 4.1 LOANS

| | | PARENT COMPANY | | | |
|---|---|---|---|---|---|
| | | Current debt | Non-current debt | | |
| 2016<br>EUR '000 | | 0-1 year | 1-5 years | After 5 years | Total |
| Subordinated loans | | - | 32,373 | - | 32,373 |
| Bonds | | 4,937 | 90,919 | - | 95,856 |
| Lease liabilities | | 37 | - | - | 37 |
| **Total** | **B/S** | **4,974** | **123,292** | **-** | **128,266** |

| | | Current debt | Non-current debt | | |
|---|---|---|---|---|---|
| 2015<br>EUR '000 | | 0-1 year | 1-5 years | After 5 years | Total |
| Subordinated loans | | - | 29,312 | - | 29,312 |
| Bonds | | 1,950 | 95,849 | - | 97,799 |
| Lease liabilities | | 51 | - | - | 51 |
| **Total** | **B/S** | **2,001** | **125,161** | **-** | **127,162** |

## 5.1 COMMITMENTS AND CONTINGENCIES

**Commitments (operating lease arrangements)**
See note 6.1 to the consolidated financial statements.

**Contingencies**

**Security**
A vessel with a total carrying amount of EUR 24,283k (2015: EUR 24,144k) has been pledged as security for bond and bank debt at a total carrying amount of EUR 40,002k (2015: EUR 40,002k).

ZITON A/S has pledged the shares in the 50% ownership in Jack-Up InvestCo 3 Plc. and the shares in the 100% owned Jack-Up InvestCo 2 A/S. Furthermore, all intercompany receivables have been pledged as security for bond and bank debt.

**Guarantees**
See note 6.1 to the consolidated financial statements.

**Unrecognised contingent liabilities**
See note 6.1 to the consolidated financial statements.

## 5.2 SHARE-BASED PAYMENTS

See note 6.2 to the consolidated financial statements

## 5.3 FEES TO AUDITORS

See note 6.3 to the consolidated financial statements

## 5.4 RELATED PARTY TRANSACTIONS

See note 6.4 to the consolidated financial statements.

All agreements relating to transactions between ZITON A/S and subsidiaries are based on market prices (arm's length).

The ownership share above 5% is listed on page 14 in the consolidated financial statements.

## 5.5 SUBSEQUENT EVENTS

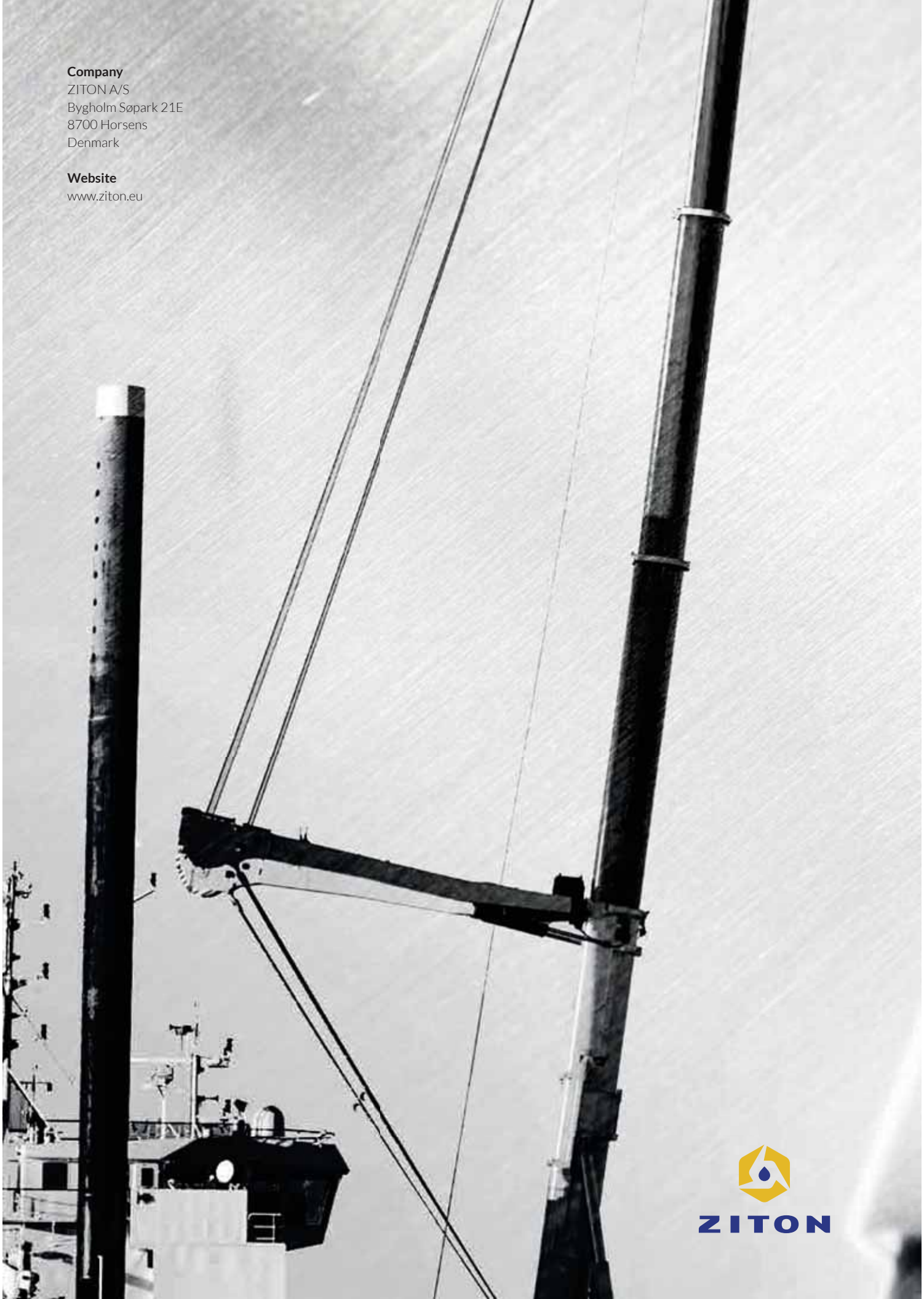
See note 6.5 to the consolidated financial statements

WELCOME TO HOLYHEAD

FOTO: PHILIP H. WILLIAMS

**Company**
ZITON A/S
Bygholm Søpark 21E
8700 Horsens
Denmark

**Website**
www.ziton.eu



ZITON

Appendix 5

# Jack-Up InvestCo 2 A/S

**Årsrapport 2017**
***Annual Report 2017***

CVR-nr. 34 58 98 01
CVR-No. 34 58 98 01

Hjemstedsadresse: Bygholm Søpark 21E, 8700 Horsens
*Address of registered Office: Bygholm Soepark 21E, 8700 Horsens*

Årsrapporten er fremlagt og godkendt på selskabets ordinære generalforsamling den 19. april 2018

*The Annual Report was presented and adopted at the company's Annual General Meeting on 19 April 2018*

Dirigent
*Chairman*

# Indholdsfortegnelse
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# Selskabsoplysninger
*Company Details*

| | |
|---|---|
| **Selskabet**<br>*Company* | Jack-Up InvestCo 2 A/S<br>Bygholm Søpark 21 E<br>8700 Horsens |
| | Telefon: *Telephone:* 87 44 44 00 |
| | Hjemmeside: *Website:* www.ZITON.eu |
| | CVR-nr. *CVR No.:* 34 58 98 01 |
| | Hjemsted: *Registered Office:* Horsens, Danmark *Horsens, Denmark* |
| | Stiftet: *Established:* 8. juni 2012 *8 June 2012* |
| | Regnskabsperiode: *Financial period:* 1. januar - 31. december *1 January - 31 December* |
| **Bestyrelse**<br>*Board of Directors* | Vagn Lehd Møller, formand (Chairman)<br>Ove Carsten Eriksen<br>Thorsten Henrik Jalk |
| **Direktion**<br>*Management* | Thorsten Henrik Jalk |
| **Revision**<br>*Independent Auditor* | BDO Statsautoriseret revisionsaktieselskab<br>Nytorv 12<br>9500 Hobro |

## Ledelsespåtegning
*Management statement*

Bestyrelse og direktion har dags dato behandlet og godkendt årsrapporten for regnskabsåret 1. januar - 31. december 2017 for Jack-Up InvestCo 2 A/S.

*Today, the board of directors and management have discussed and approved the Annual Report of Jack-Up InvestCo 2 A/S for the period 1 January - 31 December 2017.*

Årsrapporten er aflagt i overensstemmelse med årsregnskabsloven.

*The Annual Report has been prepared in accordance with the Danish Financial Statements Act.*

Årsregnskabet giver efter vores opfattelse et retvisende billede af selskabets aktiver, passiver og finansielle stilling pr. 31. december 2017 samt af resultatet af selskabets aktiviteter for regnskabsåret 1. januar - 31. december 2017.

*In our opinion, the Financial Statements give a true and fair view of the Company's financial position on 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.*

Ledelsesberetningen indeholder efter vores opfattelse en retvisende redegørelse for de forhold, beretningen omhandler.

*In our opinion, the Management's Review includes a fair view of the matters dealt with in the review.*

Årsrapporten indstilles til generalforsamlingens godkendelse.

*We recommend that the Annual Report be approved at the annual general meeting.*

Horsens, 19. april 2018
*Horsens, 19 April 2018*

**Direktion**
*Management*

Thorsten Henrik Jalk

**Bestyrelse**
*Board of Directors*

Vagn Lehd Møller,
formand (Chairman)

Ove Carsten Eriksen

Thorsten Henrik Jalk

## DEN UAFHÆNGIGE REVISORS

*Til kapitalejeren i Jack-Up InvestCo 2 A/S*

**Konklusion**
Vi har revideret årsregnskabet for Jack-Up InvestCo 2 A/S for regnskabsåret 1. januar - 31. december 2017, der omfatter resultatopgørelse, balance, noter og anvendt regnskabspraksis. Årsregnskabet udarbejdes efter årsregnskabsloven.

Det er vores opfattelse, at årsregnskabet giver et retvisende billede af selskabets aktiver, passiver og finansielle stilling pr. 31. december 2017 samt af resultatet af selskabets aktiviteter for regnskabsåret 1. januar - 31. december 2017 overensstemmelse med årsregnskabsloven.

**Grundlag for konklusion**
Vi har udført vores revision i overensstemmelse med internationale standarder om revision og de yderligere krav, der er gældende i Danmark. Vores ansvar ifølge disse standarder og krav er nærmere beskrevet i revisionspåtegningens afsnit "Revisors ansvar for revisionen af årsregnskabet". Vi er uafhængige af selskabet i overensstemmelse med internationale etiske regler for revisorer (IESBA's Etiske regler) og de yderligere krav, der er gældende i Danmark, ligesom vi har opfyldt vores øvrige etiske forpligtelser i henhold til disse regler og krav. Det er vores opfattelse, at det opnåede revisionsbevis er tilstrækkeligt og egnet som grundlag for vores konklusion.

**Ledelsens ansvar for årsregnskabet**

Ledelsen har ansvaret for udarbejdelsen af et årsregnskab, der giver et retvisende billede i overensstemmelse med årsregnskabsloven. Ledelsen har endvidere ansvaret for den interne kontrol, som ledelsen anser for nødvendig for at udarbejde et årsregnskab uden væsentlig fejlinformation, uanset om denne skyldes besvigelser eller fejl.

## *INDEPENDENT AUDITOR'S REPORT*

*To the shareholder of Jack-Up InvestCo 2 A/S*

***Opinion***
*We have audited the financial statements of Jack-Up InvestCo 2 A/S for the financial year 1 January - 31 December 2017 which comprise an income statement, balance sheet, notes and summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.*

*In our opinion, the financial statements give a true and fair view of the 's financial position at 31 December 2017 and of the results of the company operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.*

***Basis for Opinion***
*We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

***Management's Responsibilities for the Financial Statements***

*Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.*

Ved udarbejdelsen af årsregnskabet er ledelsen ansvarlig for at vurdere selskabets evne til at fortsætte driften; at oplyse om forhold vedrørende fortsat drift, hvor dette er relevant; samt at udarbejde årsregnskabet på grundlag af regnskabsprincippet om fortsat drift, medmindre ledelsen enten har til hensigt at likvidere selskabet, indstille driften eller ikke har andet realistisk alternativ end at gøre dette.

*In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.*

**Revisors ansvar for revisionen af årsregnskabet**

***Auditor's Responsibilities for the Financial Statements***

Vores mål er at opnå høj grad af sikkerhed for, om årsregnskabet som helhed er uden væsentlig fejlinformation, uanset om denne skyldes besvigelser eller fejl, og at afgive en revisionspåtegning med en konklusion. Høj grad af sikkerhed er et højt niveau af sikkerhed, men er ikke en garanti for, at en revision, der udføres i overensstemmelse med internationale standarder om revision og de yderligere krav, der er gældende i Danmark, altid vil afdække væsentlig fejlinformation, når sådan findes. Fejlinformationer kan opstå som følge af besvigelser eller fejl og kan betragtes som væsentlige, hvis det med rimelighed kan forventes, at de enkeltvis eller samlet har indflydelse på de økonomiske beslutninger, som regnskabsbrugerne træffer på grundlag af årsregnskabet.

*Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.*

Som led i en revision, der udføres i overensstemmelse med internationale standarder om revision og de yderligere krav, der er gældende i Danmark, foretager vi faglige vurderinger og opretholder professionel skepsis under revisionen. Herudover:

*As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:*

- Identificerer og vurderer vi risikoen for væsentlig fejlinformation i årsregnskabet, uanset om denne skyldes besvigelser eller fejl, udformer og udfører revisionshandlinger som reaktion på disse risici samt opnår revisionsbevis, der er tilstrækkeligt og egnet til at danne grundlag for vores konklusion. Risikoen for ikke at opdage væsentlig fejlinformation forårsaget af besvigelser er højere end ved væsentlig fejlinformation forårsaget af fejl, idet besvigelser kan omfatte sammensværgelser, dokumentfalsk, bevidste udeladelser, vildledning eller tilsidesættelse af intern kontrol.

- *Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*

• Opnår vi forståelse af den interne kontrol med relevans for revisionen for at kunne udforme revisionshandlinger, der er passende efter omstændighederne, men ikke for at kunne udtrykke en konklusion om effektiviteten af selskabets interne kontrol.

• Tager vi stilling til, om den regnskabspraksis, som er anvendt af ledelsen, er passende, samt om de regnskabsmæssige skøn og tilknyttede oplysninger, som ledelsen har udarbejdet, er rimelige.

• Konkluderer vi, om ledelsens udarbejdelse af årsregnskabet på grundlag af regnskabsprincippet om fortsat drift er passende, samt om der på grundlag af det opnåede revisionsbevis er væsentlig usikkerhed forbundet med begivenheder eller forhold, der kan skabe betydelig tvivl om selskabets evne til at fortsætte driften. Hvis vi konkluderer, at der er en væsentlig usikkerhed, skal vi i vores revisionspåtegning gøre opmærksom på oplysninger herom i årsregnskabet eller, hvis sådanne oplysninger ikke er tilstrækkelige, modificere vores konklusion. Vores konklusioner er baseret på det revisionsbevis, der er opnået frem til datoen for vores revisionspåtegning. Fremtidige begivenheder eller forhold kan dog medføre, at selskabet ikke længere kan fortsætte driften.

• Tager vi stilling til den samlede præsentation, struktur og indhold af årsregnskabet, herunder noteoplysningerne, samt om årsregnskabet afspejler de underliggende transaktioner og begivenheder på en sådan måde, at der gives et retvisende billede heraf.

Vi kommunikerer med ledelsen om blandt andet det planlagte omfang og den tidsmæssige placering af revisionen samt betydelige revisionsmæssige observationer, herunder eventuelle betydelige mangler i intern kontrol, som vi identificerer under revisionen.

*• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*

*• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.*

*• Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*

*• Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.*

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.*

**Udtalelse om ledelsesberetningen**

Ledelsen er ansvarlig for ledelsesberetningen.

Vores konklusion om årsregnskabet omfatter ikke ledelsesberetningen, og vi udtrykker ingen form for konklusion med sikkerhed om ledelsesberetningen.

I tilknytning til vores revision af årsregnskabet er det vores ansvar at læse ledelsesberetningen og i den forbindelse overveje, om ledelsesberetningen er væsentligt inkonsistent med årsregnskabet eller vores viden opnået ved revisionen eller på anden måde synes at indeholde væsentlig fejlinformation.

Vores ansvar er derudover at overveje, om ledelsesberetningen indeholder krævede oplysninger i henhold til årsregnskabsloven.

Baseret på det udførte arbejde er det vores opfattelse, at ledelsesberetningen er i overensstemmelse med årsregnskabet og er udarbejdet i overensstemmelse med årsregnskabslovens krav. Vi har ikke fundet væsentlig fejlinformation i ledelsesberetningen.

***Statement on Management's Review***

*Management is responsible for Management's Review.*

*Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.*

*In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.*

*Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.*

*Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.*

Hobro 19. april 2018
*Hobro 19 April 2018*

BDO Statsautoriseret revisionsaktieselskab
Cvr. no.: 20 22 26 70

Michael Graversen
Statsautoriseret revisor
*State Authorised Public Accountant*
MNE no.: mne34099

**Væsentligste aktiviteter**

Selskabets væsentligste aktivitet er at eje og udleje (Bareboat) et jack-up skib (J/U WIND PIONEER) til moderselskabet ZITON A/S.

***Principal activities***

*The Company's principal activity is to own and Bareboat charter a jack-up vessel (J/U WIND PIONEER) to the parent company ZITON A/S.*

**Udvikling i aktiviteter og økonomiske forhold**

J/U WIND PIONEER har været udlejet til ZITON A/S i hele 2017. Bruttoresultatet for 2017 udgør TDKK 57424.

Dette er et fald i forhold til sidste år, hvor bruttoresultatet var TDKK 61480. Da der er få omkostninger i selskabet, har omsætningen en direkte effekt på bruttoresultatet. Omsætningen beregnes på baggrund af aktivets værdi, selskabets nettogæld samt et transfer pricing mark-up. Eftersom aktivet afskrives løbende og nettogælden er faldet, er omsætningen tilsvarende faldet.

***Development in activities and financial position***

*J/U WIND PIONEER has been chartered to ZITON A/S throughout 2017. Gross profit for 2017 amounts to TDKK 57424*

*This is a decline from last year, where the gross profit amounted to TDKK 61480. As there limited expenses in the company, the revenue has a direct impact on gross Profit. The revenue is calculated based on the value of the asset, net debt and a transfer pricing mark-up. As the asset is depreciated and the net debt has declined, the revenue has decrease as well.*

Afskrivninger er steget fra TDKK 17119 til TDKK 17278 grundet aktiv tilgange i løbet af 2017 og 2016.

*Depreciation has increase from TDKK 17119 to TDKK 17278 due to CAPEX during 2017 and 2016.*

Netto renteomkostninger er faldet fra TDKK 37568 i 2016 til TDKK 33435 i 2017. Faldet skyldes at netto gælden til ZITON A/S er faldet i 2017.

*Net interest has decline from TDKK 37568 in 2016 to 33435 in 2017. The decline is due a decrase in net debt to ZITON A/S in 2017.*

Resultatet før skat er en indtægt på TDKK 6711 hvilket er inden for forventningerne til 2017. Årets resultat på TDKK 1406 (2016: TDKK -388) er et resultat af en begrænsning i skattefradrag af renter, hvorfor den effektive skatteprocent for 2017 er 79% (2016: 106%).

*The income before tax is a profit of TDKK 6711 which is within the range of our expectation for 2017. The Profit for the year of TDKK 1406 (2016 TDKK -388) is a result of a limitation in tax deduction of interest, hence the effective tax rate for 2017 is 79% (2016: 106%)*

Kapitaltab

Selskabet har ved slutningen af 2015 tabt selskabskapitalen, grundet negativ resultat før skat i 2015 og 2016. Det forventes, at egenkapitelen er genetableret i 2018 eller 2019, grundet lavere renteomkostninger og derved en mindre begræsning i den skattemæssige rente beskæring.

*Loss of share capital*

*At the end of 2015, the share capital was lost, due negative results for the year in 2015 and 2016. It is expected, that the share capital will be restored during 2018 or 2019, due to a decline in interest expenses, hence the tax limitation on interest expenses will decline as well.*

**Betydningsfulde hændelser efter 31. december 2017**

Der er ikke sket hændelser efter statusdagen, som har indflydelse på 2017 regnskabet.

***Significant events after 31 December 2017***

*No significant events has been identified after the balance sheet date, which could affect the 2017 annual report.*

**Forventninger til fremtiden**

Selskabet forventer et positivt reultat før skat i omegnen af TDKK 5 000 til TDKK 7 000 for 2018.

***Future expectations***

*The company expects a positive result before tax in the range of TDKK 5 000 to TDKK 7 000 for 2018.*

## Resultatopgørelse 1. januar - 31. december
*Income Statement 1 January - 31 December*

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | *DKK'000* | *DKK'000* |
| **Bruttoresultat**<br>***Gross Profit*** | | **57 424** | **61 480** |
| Afskrivninger<br>*Depreciation* | | -17 278 | -17 119 |
| **Resultat af ordinær drift**<br>***Operating profit*** | | **40 146** | **44 361** |
| Finansielle indtægter<br>*Financial income* | 1 | 8 848 | 4 495 |
| Finansielle omkostninger<br>*Financial expenses* | 2 | -42 283 | -42 063 |
| **Årets resultat før skat**<br>***Profit before tax*** | | **6 711** | **6 793** |
| Skat af årets resultat<br>*Tax on profit* | 3 | -5 305 | -7 181 |
| **Årets resultat**<br>***Profit for the year*** | | **1 406** | **-388** |
| | | | |
| **Forslag til resultatdisponering**<br>***Proposed distribution of profit*** | | | |
| Overført resultat<br>*Accumulated profit* | | 1 406 | -388 |
| **I alt**<br>***Total*** | | **1 406** | **-388** |

## Balance 31. december
*Balance Sheet 31 December*

| **Aktiver**<br>*Assets* | Note | **2017**<br>*DKK'000* | **2016**<br>*DKK'000* |
|---|---|---|---|
| Skib<br>*Vessel* | 4 | 433 534 | 446 454 |
| **Materielle aktiver**<br>***Tangible fixed assets*** | | **433 534** | **446 454** |
| Tilgodehavender hos tilknyttede virksomheder<br>*Intercompany receivables, associated companies* | | 127 131 | - |
| **Finansielle anlægsaktiver**<br>***Fixed asset investments*** | | **127 131** | **-** |
| **Langfristede aktiver**<br>***Fixed assets*** | | **560 665** | **446 454** |
| Tilgodehavender hos tilknyttede virksomheder<br>*Intercompany receivables, associated companies* | | - | 75 151 |
| **Tilgodehavender**<br>***Accounts receivable*** | | **-** | **75 151** |
| **Likvide beholdninger**<br>***Cash*** | | **24** | **32** |
| **Kortfristede aktiver**<br>***Current Assets*** | | **24** | **75 183** |
| **Aktiver**<br>***Assets*** | | **560 689** | **521 637** |

## Balance 31. december
*Balance Sheet 31 December*

| Passiver<br>*Equity and Liabilities* | Note | 2017<br>*DKK'000* | 2016<br>*DKK'000* |
|---|---|---|---|
| Virksomhedskapital<br>*Share capital* | 5 | 500 | 500 |
| Overført overskud<br>*Retained earnings* | 5 | -5 123 | -6 530 |
| **Egenkapital**<br>***Equity*** | | **-4 623** | **-6 030** |
| Udskudt skat<br>*Deferred tax* | | 12 787 | 15 365 |
| Gæld til tilknyttede virksomheder<br>*Intercompany receivables, associated companies* | 6 | 544 125 | 510 701 |
| **Langfristede forpligtelser**<br>***Long-term liabilities*** | | **556 912** | **526 066** |
| Leverandører af varer og tjenesteydelser<br>*Trade Payables* | | 26 | 167 |
| Skyldig sambeskatning tilknyttede virksomheder<br>*Joint tax contribution* | | 8 374 | - |
| Anden gæld<br>*Other liabilities* | | - | 1 434 |
| **Kortfristet forpligtelser**<br>***Current Liabilities*** | | **8 400** | **1 601** |
| **Gældsforpligtelser**<br>***Liabilities*** | | **565 312** | **527 667** |
| **Passiver**<br>***Equity and liabilities*** | | **560 689** | **521 637** |

## 1 Finansielle indtægter
*Financial income*

| | 2017<br>*DKK'000* | 2016<br>*DKK'000* |
|---|---|---|
| Renteindtægter - koncern virksomheder<br>*Financial income, Group companies* | 8 848 | 4 493 |
| Andre finansielle indtægter<br>*Other financial income* | - | 2 |
| | **8 848** | **4 495** |

## 2 Finansielle omkostninger
*Financial expenses*

| | | |
|---|---|---|
| Renteomkostninger - koncern virksomheder<br>*Financial expenses, Group companies* | 42 279 | 42 062 |
| Andre finansielle omkostninger<br>*Other financial expenses* | 4 | 1 |
| | **42 283** | **42 063** |

## 3 Skat af årets resultat
*Tax on profit for the year*

| | | |
|---|---|---|
| Årets aktuelle skat<br>*Income tax for the year* | -9 597 | -7 197 |
| Regulering af udskudt skat<br>*Change in provision for deferred tax* | 3 801 | 204 |
| Regulering vedrørende tidligere år<br>*Change regarding previous years* | 491 | -188 |
| | **-5 305** | **-7 181** |

## 4 Materielle anlægsaktiver
*Tangible fixed assets*

| | I alt<br>*Total*<br>*DKK'000* |
|---|---|
| Kostpris 1. januar 2017<br>*Cost 1 January 2017* | 469 255 |
| Tilgang i årets løb<br>*Addition during the year* | 4 358 |
| **Kostpris 31. december 2017**<br>***Cost 31 December 2017*** | 473 613 |
| Afskrivninger 1. januar 2017<br>*Depreciation 1 January 2017* | 22 801 |
| Årets afskrivninger<br>*Depreciation during the year* | 17 278 |
| **Afskrivninger 31. december 2017**<br>***Depreciation 31 December 2017*** | 40 079 |
| **Regnskabsmæssig værdi 31. december 2017**<br>***Carrying amount at 31 December 2017*** | 433 534 |
| Regnskabsmæssig værdi af indregnede renter i DKK<br>*Carrying Amount of interests capitalised in DKK* | 76 372 |

## 5 Egenkapital
*Equity*

| | Selskabs kapital<br>*Share capital*<br>*DKK'000* | Overført resultat<br>*Retained earnings*<br>*DKK'000* | I alt<br>*Total*<br>*DKK'000* |
|---|---|---|---|
| Egenkapital 1. januar 2017<br>*Equity 1 January 2017* | 500 | -6 529 | -6 029 |
| Årets resultat<br>*Profit for the year* | - | 1 406 | 1 406 |
| **Egenkapital 31. december 2017**<br>***Equity 31 December 2017*** | 500 | -5 123 | -4 623 |

## 6 Langfristede gældsforpligtelser
*Long-term liabilities*

| | 2017<br>*DKK'000* | 2016<br>*DKK'000* |
|---|---|---|
| **Gæld til tilknyttede virksomheder**<br>***Intercompany receivables, associated companies*** | | |
| Efter 5 år<br>*After 5 Years* | - | - |
| Mellem 1 og 5 år<br>*Between 1 and 5 years* | 544 125 | 510 701 |
| **Langfristet del**<br>***Long-term part*** | 544 125 | 510 701 |
| Inden for 1 år<br>*Under 1 year* | - | - |

## 7 Eventualposter og øvrige økonomiske forpligtelser
*Contingencies, etc.*

**Sikkerhedsstillelser**
***Securities***

| | Bogført værdi af pantsatte aktiver<br>*Book value of pledged assets*<br>*DKK'000* | Nominalt beløb af pant<br>*Nominal amount of mortage*<br>*DKK'000* |
|---|---|---|
| Til sikkerhed for engagement med koncernens pengeinstitut og obligations ejerne, er der afgivet følgende sikkerheder: (Inklusiv eventuelle forsikrings betalinger)<br>*As security for engagement with the group bank and bondholders, the following securities are provided: (Including any insurance payments)* | | |
| Skibspantebrev i J/U WIND PIONEER<br>*Ship mortgage in J/U WIND PIONEER* | 433 534 | 410 311 |

## 8 Nærtstående parter og ejerforhold
*Related parties and ownership*

| | Grundlag<br>*Basis* |
|---|---|
| **Bestemmende indflydelse**<br>***Controlling interest*** | |
| ZITON A/S, Bygholm Søpark 21 E, 8700 Horsens | Hovedaktionær<br>*Majority shareholder* |

**Øvrige nærtstående parter**
***Other related parties***

Jack-Up Investco 2 A/S' nærtstående parter med betydelig indflydelse omfatter søster- og modervirksomheder samt selskabernes bestyrelse, direktion og ledende medarbejdere samt disse personers relaterede familiemedlemmer. Nærtstående parter omfatter endvidere selskaber, hvori førnævnte personkreds har væsentlige interesser.

*Jack-Up Investco 2 A/S' related parties with significant influence consist of sister and parent companies as well as the companies' boards of directors and executive officers and their family members. Related parties also include companies in which the above persons have significant interests.*

**Transaktioner med nærtstående parter**
***Transactions with related parties***

Jack-Up Investco 2 A/S har ikke haft væsentlige transaktioner, der ikke er indgået på markedsmæssige vilkår.

*Jack-Up Investco 2 A/S has had no material transactions that are not made on market terms.*

**Ejerforhold**
***Ownership***

Følgende aktionærer er noteret i selskabets ejerfortegnelse som ejende minimum 5% af stemmerne eller minimum 5% af aktiekapitalen:

*The following shareholders are recorded in the company's register of shareholders as owner of more than 5% of the votes or the share capital:*

ZITON A/S, Bygholm Søpark 21 E, 8700 Horsens

Årsrapporten for Jack-Up InvestCo 2 A/S for 2017 er aflagt i overensstemmelse med den danske årsregnskabslovs bestemmelser for virksomheder i regnskabsklasse B.

*The annual report of Jack-Up InvestCo 2 A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in accounting class B.*

Årsrapporten er udarbejdet efter samme regnskabspraksis som sidste år.

*The annual report is prepared consistently with the accounting principles used last year.*

Årsregnskab for 2017 er aflagt i TDKK.

*Parent financial statements for 2017 is presented in TDKK.*

Årsregnskab for 2017 indgår i koncernregnskabet for ZITON A/S (Hjemsted: Horsens, Danmark) og i koncernregnskabet for Anpartsselskabet af 1. December 2011 Aps (Hjemsted: Fredensborg, Danmark).

*Parent financial statements for 2017 is consolidated in the financial statements of ZITON A/S (registered office: Horsens, Denmark) and in the financial statements of Anpartsselskabet af 1. december 2011 Aps (registered office: Fredensborg, Denmark) .*

**Generelt om indregning og måling**

I resultatopgørelsen indregnes indtægter i takt med, at de indtjenes, herunder indregnes værdireguleringer af finansielle aktiver og forpligtelser. I resultatopgørelsen indregnes ligeledes alle omkostninger, herunder afskrivninger og nedskrivninger.

Aktiver indregnes i balancen, når det er sandsynligt, at fremtidige økonomiske fordele vil tilflyde selskabet, og aktivets værdi kan måles pålideligt.

Forpligtelser indregnes i balancen, når det er sandsynligt, at fremtidige økonomiske fordele vil fragå selskabet, og forpligtelsens værdi kan måles pålideligt.

Ved første indregning måles aktiver og forpligtelser til kostpris. Efterfølgende måles aktiver og forpligtelser som beskrevet for hver enkelt regnskabspost nedenfor.

Visse finansielle aktiver og forpligtelser måles til amortiseret kostpris, hvorved der indregnes en konstant effektiv rente over løbetiden. Amortiseret kostpris opgøres som oprindelig kostpris med fradrag af eventuelle afdrag samt tillæg/fradrag af den akkumulerede amortisering af forskellen mellem kostpris og nominelt beløb.

Ved indregning og måling tages hensyn til forudsigelige tab og risici, der fremkommer inden årsrapporten aflægges, og som be- eller afkræfter forhold, der eksisterede på balancedagen.

***General about recognition and measurement***

*Income is recognised in the income statement, as and when it is earned, including recognition of value adjustments of financial assets and liabilities. Any costs, including depreciation, amortisation and writedown, are also recognised in the income statement.*

*Assets are recognised in the balance sheet, when it is likely that, future economic benefits will flow to the company, and the value of the asset can be measured reliably.*

*Liabilities are recognised in the balance sheet, when it is likely that, future economic benefits will flow from the company, and the value of the liability can be measured reliably.*

*The initial recognition measures assets and liabilities at cost. Subsequently assets and liabilities are measured as described in the following for each item.*

*Certain financial assets and liabilities are measured at amortised cost, recognising a constant effective interest over the term. Amortised cost is stated at initial cost less any deductions and with addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.*

*The recognition and measurement takes into account predictable losses and risks arising before the year-end reporting and which prove or disprove matters, that existed at the balance sheet date.*

**Omregning af fremmed valuta**
Transaktioner i fremmed valuta omregnes til transaktionsdagens kurs. Valutakursdifferencer, der opstår mellem transaktionsdagens kurs og kursen på betalingsdagen indregnes i resultatopgørelsen som en finansiel post.

Hvis valutapositionen anses for sikring af fremtidige pengestrømme, indregnes urealiserede værdireguleringer direkte på egenkapitalen.

Tilgodehavender, gæld og andre monetære poster i fremmed valuta, som ikke er afregnet på Balancedagen, omregnes til balancedagens valutakurs. Forskellen mellem balancedagens kurs og kursen på tidspunktet for tilgodehavendets eller gældens opståen indregnes i resultatopgørelsen under finansielle indtægter og omkostninger.

Anlægsaktiver, der er købt i fremmed valuta, omregnes til kursen på transaktionsdagen.

**RESULTATOPGØRELSEN**

**Nettoomsætning**
Nettoomsætningen udgøres af udført arbejde og indregnes i resultatopgørelsen, såfremt levering og risikoovergang til køber har fundet sted inden årets udgang. Nettoomsætning indregnes eksklusiv moms, afgifter og med fradrag af rabatter i forbindelse med salget.

**Vareforbrug**
Vareforbrug omfatter omkostninger, der afholdes for at opnå årets nettoomsætning. Herunder indgår direkte og indirekte omkostninger til råvarer og hjælpemateriale

**Andre eksterne omkostninger**
Andre eksterne omkostninger omfatter omkostninger til distribution, salg, reklame, administration, lokaler, tab på debitorer mv.

***Foreign currency translation***
*Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.*

*If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.*

*Accounts receivable, payable and other monetary items in foreign currencies, that are not settled on the balance sheet date, are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivable or payable is recognised in the income statement as financial income or expenses.*

*Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.*

***INCOME STATEMENT***

***Net revenue***
*The net revenue from preformed work is recognised in the income statement, if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale*

***Cost of sales***
*Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.*

***Other external costs***
*Other external costs include costs retating to distribution, sale, advertising, administration, premises, loss on bad debts and similar expenses.*

**Skat**

Årets skat, som består af årets aktuelle skat og forskydning i udskudt skat, indregnes i resultatopgørelsen med den del, der kan henføres til årets resultat, og direkte på egenkapitalen med den del, der kan henføres til posteringer direkte på egenkapitalen.

Selskabet er sambeskattet med koncernforbundne danske selskaber. Den aktuelle danske selskabsskat fordeles mellem de sambeskattede danske selskaber i forhold til disses skattepligtige indkomst, og med fuld fordeling med refusion vedrørende skattemæssige underskud. De sambeskattede selskaber indgår i acontoskatteordning.

***Tax***

*The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion, that can be attributed to the profit for the year, and is recognised directly in the equity by the portion, that can be attributed to entries directly to the equity.*

*The company is jointly taxed with wholly owned Danish and foreign subsidiary enterprises. The current Danish corporation tax is distributed between the jointly taxed Danish companies in proportion to their taxable income, and with full distribution with refund regarding taxable losses. The jointly taxed companies are included in the tax-an-account scheme.*

**BALANCEN**

**Materielle anlægsaktiver**

Skibe og driftsmateriel måles til kostpris med fradrag af akkumulerede af- og nedskrivninger

Afskrivningsgrundlaget er kostpris med fradrag af den skønnede restværdi efter afsluttet brugstid.

Kostprisen omfatter anskaffelsesprisen, omkostninger direkte tilknyttet anskaffelsen indtil det tidspunkt, hvor aktivet er klar til at blive taget i brug samt renteomkostninger. For egenfremstillede aktiver omfatter kostprisen omkostninger til materialer, komponenter, underleverandører, direkte lønforbrug samt indirekte produktionsomkostninger.

Der foretages lineære afskrivninger baseret på følgende vurdering af aktivernes forventede brugstider og restværdi herefter:

***BALANCE SHEET***

***Tangible fixed assets***

*Vessels, fixtures and equipment are measured at cost less accumulated depreciation and writedowns.*

*The depreciation base is cost less estimated residual value after end of useful life.*

*The cost includes the acquisition price, costs incurred directly in connection with the acquisition until the time, when the asset is ready to be used and interest expenses. As regards selfmanufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.*

*Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value as follows:*

| | Brugstid<br>*Useful life* | Restværdi<br>*Residual value* |
|---|---|---|
| Skib<br>Vessel | *12 - 30 år*<br>*12 - 30 years* | *0%*<br>*0%* |

Småanskaffelser med en kostpris på under TDKK 13.2 pr. enhed indregnes som omkostninger resultatopgørelsen i anskaffelsesåret.

*Minor acquisitions below TDKK 13.2 per unit are recognised as costs in the income statement in the acquisition year.*

Fortjeneste eller tab ved afhændelse af materielle anlægsaktiver opgøres som forskellen mellem salgspris med fradrag af salgsomkostninger og den regnskabsmæssige værdi på salgstidspunktet. Fortjeneste eller tab indregnes i resultatopgørelsen under andre driftsindtægter eller andre driftsomkostninger.

*Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.*

Nedskrivning af anlægsaktiver

Den regnskabsmæssige værdi af immaterielle og materielle anlægsaktiver gennemgås årligt for at afgøre, om der er indikation af værdiforringelse ud over det, som udtrykkes ved normal afskrivning. Hvis dette er tilfældet, foretages nedskrivning til den lavere genindvindingsværdi.

*Writedown on tangible assets*

*The carrying amount of intangible and tangible fixed assets is reviewed annually to determine, if there is any indication of impairment in excess of the amount reflected by normal amortisation or depreciation. If this is the case, write-down should be made to the lower recoverable amount.*

**Finansielle anlægsaktiver**

Kapitalandele i dattervirksomheder og associerede virksomheder måles i moderselskabets balance efter den indre værdis metode.

***Fixed asset investments***

*Investments in subsidiary and associated enterprises are measured in the parent company balance sheet under the equity method.*

**Tilgodehavende**

Tilgodehavender måles til amortiseret kostpris, hvilket sædvanligvis svarer til nominel værdi. Værdien reduceres med nedskrivning til imødegåelse af forventede tab.

***Accounts receivable***

*Accounts receivable are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.*

**Periodeafgrænsningsposter , aktiver**

Periodeafgrænsningsposter indregnet under aktiver omfatter afholdte omkostninger vedrørende efterfølgende regnskabsår.

***Accruals, assets***

*Accruals recognised as assets include costs incurred relating to the subsequent financial year.*

**Skyldig skat og udskudt skat**

Aktuelle skatteforpligtelser og tilgodehavende aktuel skat indregnes i balancen som beregnet skat af årets skattepligtige indkomst reguleret for skat af tidligere års skattepligtige indkomster samt for betalte acontoskatter.

***Tax payable and deferred tax***

*Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year adjusted for tax on the taxable income for previous years and taxes paid on account.*

Udskudt skat måles af midlertidige forskelle mellem regnskabsmæssig og skattemæssig værdi af aktiver og forpligtelser.

Udskudte skatteaktiver, herunder skatteværdien af fremførselsberettiget skattemæssigt underskud, måles til den værdi, hvortil aktivet forventes at kunne realiseres, enten ved udligning i skat af fremtidig indtjening, eller ved modregning i udskudte skatteforpligtelser inden for samme juridiske skatteenhed.

*Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.*

*Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax unit.*

Udskudt skat måles på grundlag af de skatteregler og skattesatser, der med balancedagens lovgivning vil være gældende, når den udskudte skat forventes udløst som aktuel skat. For indeværende år er anvendt en skattesats på 22 %.

*Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable, when the deferred tax is expected to crystallise as current tax. The tax rate applied for the current year is 22 %.*

**Gældsforpligtelser**

Finansielle forpligtelser indregnes ved låneoptagelse til det modtagne provenu efter fradrag af afholdte låneomkostninger. I efterfølgende perioder måles de finansielle forpligtelser til amortiseret kostpris svarende til den kapitaliserede værdi ved anvendelse af den effektive rente, således at forskellen mellem provenuet og den nominelle værdi indregnes i resultatopgørelsen over låneperioden.

Gæld i øvrigt er målt til amortiseret kostpris svarende til nominel værdi.

***Liabilities***

*Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.*

*Other liabilities are measured at amortised cost equal to nominal value*

Appendix 6

# Jack-Up InvestCo 2 A/S

**Årsrapport 2016**
***Annual report 2016***

CVR-nr. 34 58 98 01
CVR-No. 34 58 98 01

Hjemstedsadresse: Bygholm Søpark 21E, 8700 Horsens
*Registered Office Address: Bygholm Soepark 21E, 8700 Horsens*

Årsrapporten er fremlagt og godkendt på selskabets ordinære generalforsamling den 25. april 2017
*The Annual Report has been presented and adopted at the company's annual General Meeting on 25 April 2017*

Dirigent
*Chairman*

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# Selskabsoplysninger
*Company Details*

| | |
|---|---|
| **Selskabet**<br>*Company* | Jack-Up InvestCo 2 A/S<br>Bygholm Søpark 21 E<br>8700 Horsens |
| | Telefon:<br>*Telephone:* 87 44 44 00 |
| | Hjemmeside:<br>*Website:* www.ZITON.eu |
| | CVR-nr.<br>*CVR No.:* 34 58 98 01 |
| | Hjemsted:<br>*Registered Office:* Horsens, Danmark<br>*Horsens, Denmark* |
| | Stiftet:<br>*Established:* 8. juni 2012<br>*8 June 2012* |
| | Regnskabsperiode: 1. januar - 31. december<br>*Financial period: 1 January - 31 December* |
| **Bestyrelse**<br>*Board of Directors* | Vagn Lehd Møller, formand (Chairman)<br>Ove Carsten Eriksen<br>Thorsten Henrik Jalk |
| **Direktion**<br>*Management* | Thorsten Henrik Jalk |
| **Revision**<br>*Independent Auditor* | BDO Statsautoriseret revisionsaktieselskab<br>Nytorv 12<br>9500 Hobro |

## Ledelsespåtegning
*Management statement*

Bestyrelse og direktion har dags dato behandlet og godkendt årsrapporten for regnskabsåret 1. januar - 31. december 2016 for Jack-Up InvestCo 2 A/S.

*Today, the board of directors and management have discussed and approved the Annual Report of Jack-Up InvestCo 2 A/S for the period 1 January - 31 December 2016.*

Årsrapporten er aflagt i overensstemmelse med årsregnskabsloven.

*The Annual Report has been prepared in accordance with the Danish Financial Statements Act.*

Årsregnskabet giver efter vores opfattelse et retvisende billede af selskabets aktiver, passiver og finansielle stilling pr. 31. december 2016 samt af resultatet af selskabets aktiviteter for regnskabsåret 1. januar - 31. december 2016.

*In our opinion, the Financial Statements give a true and fair view of the Company's financial position on 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.*

Ledelsesberetningen indeholder efter vores opfattelse en retvisende redegørelse for de forhold, beretningen omhandler.

*In our opinion, the Management's Review includes a fair view of the matters dealt with in the review.*

Årsrapporten indstilles til generalforsamlingens godkendelse.

*We recommend that the Annual Report be approved at the annual general meeting.*

Horsens, 25. april 2017
*Horsens, 25 April 2017*

**Direktion**
*Management*

Thorsten Henrik Jalk

**Bestyrelse**
*Board of Directors*

Vagn Lehd Møller,
formand (Chairman)

Ove Carsten Eriksen

Thorsten Henrik Jalk

## DEN UAFHÆNGIGE REVISORS

*Til kapitalejeren i Jack-Up InvestCo 2 A/S*

**Konklusion**
Vi har revideret årsregnskabet for Jack-Up InvestCo 2 A/S for regnskabsåret 1. januar - 31. december 2016, der omfatter resultatopgørelse, balance, noter og anvendt regnskabspraksis. Årsregnskabet udarbejdes efter årsregnskabsloven.

Det er vores opfattelse, at årsregnskabet giver et retvisende billede af selskabets aktiver, passiver og finansielle stilling pr. 31. december 2016 samt af resultatet af selskabets aktiviteter for regnskabsåret 1. januar - 31. december 2016 overensstemmelse med årsregnskabsloven.

**Grundlag for konklusion**
Vi har udført vores revision i overensstemmelse med internationale standarder om revision og de yderligere krav, der er gældende i Danmark. Vores ansvar ifølge disse standarder og krav er nærmere beskrevet i revisionspåtegningens afsnit "Revisors ansvar for revisionen af årsregnskabet". Vi er uafhængige af selskabet i overensstemmelse med internationale etiske regler for revisorer (IESBA's Etiske regler) og de yderligere krav, der er gældende i Danmark, ligesom vi har opfyldt vores øvrige etiske forpligtelser i henhold til disse regler og krav. Det er vores opfattelse, at det opnåede revisionsbevis er tilstrækkeligt og egnet som grundlag for vores konklusion.

**Ledelsens ansvar for årsregnskabet**

Ledelsen har ansvaret for udarbejdelsen af et årsregnskab, der giver et retvisende billede i overensstemmelse med årsregnskabsloven. Ledelsen har endvidere ansvaret for den interne kontrol, som ledelsen anser for nødvendig for at udarbejde et årsregnskab uden væsentlig fejlinformation, uanset om denne skyldes besvigelser eller fejl.

## *INDEPENDENT AUDITOR'S REPORT*

*To the shareholder of Jack-Up InvestCo 2 A/S*

***Opinion***
*We have audited the financial statements of Jack-Up InvestCo 2 A/S for the financial year 1 January - 31 December 2016 which comprise an income statement, balance sheet, notes and summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.*

*In our opinion, the financial statements give a true and fair view of the 's financial position at 31 December 2016 and of the results of the company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.*

***Basis for Opinion***
*We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

***Management's Responsibilities for the Financial Statements***

*Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.*

Ved udarbejdelsen af årsregnskabet er ledelsen ansvarlig for at vurdere selskabets evne til at fortsætte driften; at oplyse om forhold vedrørende fortsat drift, hvor dette er relevant; samt at udarbejde årsregnskabet på grundlag af regnskabsprincippet om fortsat drift, medmindre ledelsen enten har til hensigt at likvidere selskabet, indstille driften eller ikke har andet realistisk alternativ end at gøre dette.

*In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.*

**Revisors ansvar for revisionen af årsregnskabet**

***Auditor's Responsibilities for the Financial Statements***

Vores mål er at opnå høj grad af sikkerhed for, om årsregnskabet som helhed er uden væsentlig fejlinformation, uanset om denne skyldes besvigelser eller fejl, og at afgive en revisionspåtegning med en konklusion. Høj grad af sikkerhed er et højt niveau af sikkerhed, men er ikke en garanti for, at en revision, der udføres i overensstemmelse med internationale standarder om revision og de yderligere krav, der er gældende i Danmark, altid vil afdække væsentlig fejlinformation, når sådan findes. Fejlinformationer kan opstå som følge af besvigelser eller fejl og kan betragtes som væsentlige, hvis det med rimelighed kan forventes, at de enkeltvis eller samlet har indflydelse på de økonomiske beslutninger, som regnskabsbrugerne træffer på grundlag af årsregnskabet.

*Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.*

Som led i en revision, der udføres i overensstemmelse med internationale standarder om revision og de yderligere krav, der er gældende i Danmark, foretager vi faglige vurderinger og opretholder professionel skepsis under revisionen. Herudover:

*As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:*

- Identificerer og vurderer vi risikoen for væsentlig fejlinformation i årsregnskabet, uanset om denne skyldes besvigelser eller fejl, udformer og udfører revisionshandlinger som reaktion på disse risici samt opnår revisionsbevis, der er tilstrækkeligt og egnet til at danne grundlag for vores konklusion. Risikoen for ikke at opdage væsentlig fejlinformation forårsaget af besvigelser er højere end ved væsentlig fejlinformation forårsaget af fejl, idet besvigelser kan omfatte sammensværgelser, dokumentfalsk, bevidste udeladelser, vildledning eller tilsidesættelse af intern kontrol.

- *Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*

• Opnår vi forståelse af den interne kontrol med relevans for revisionen for at kunne udforme revisionshandlinger, der er passende efter omstændighederne, men ikke for at kunne udtrykke en konklusion om effektiviteten af selskabets interne kontrol.

• Tager vi stilling til, om den regnskabspraksis, som er anvendt af ledelsen, er passende, samt om de regnskabsmæssige skøn og tilknyttede oplysninger, som ledelsen har udarbejdet, er rimelige.

• Konkluderer vi, om ledelsens udarbejdelse af årsregnskabet på grundlag af regnskabsprincippet om fortsat drift er passende, samt om der på grundlag af det opnåede revisionsbevis er væsentlig usikkerhed forbundet med begivenheder eller forhold, der kan skabe betydelig tvivl om selskabets evne til at fortsætte driften. Hvis vi konkluderer, at der er en væsentlig usikkerhed, skal vi i vores revisionspåtegning gøre opmærksom på oplysninger herom i årsregnskabet eller, hvis sådanne oplysninger ikke er tilstrækkelige, modificere vores konklusion. Vores konklusioner er baseret på det revisionsbevis, der er opnået frem til datoen for vores revisionspåtegning. Fremtidige begivenheder eller forhold kan dog medføre, at selskabet ikke længere kan fortsætte driften.

• Tager vi stilling til den samlede præsentation, struktur og indhold af årsregnskabet, herunder noteoplysningerne, samt om årsregnskabet afspejler de underliggende transaktioner og begivenheder på en sådan måde, at der gives et retvisende billede heraf.

Vi kommunikerer med ledelsen om blandt andet det planlagte omfang og den tidsmæssige placering af revisionen samt betydelige revisionsmæssige observationer, herunder eventuelle betydelige mangler i intern kontrol, som vi identificerer under revisionen.

*• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*

*• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.*

*• Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*

*• Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.*

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.*

**Udtalelse om ledelsesberetningen**

Ledelsen er ansvarlig for ledelsesberetningen.

Vores konklusion om årsregnskabet omfatter ikke ledelsesberetningen, og vi udtrykker ingen form for konklusion med sikkerhed om ledelsesberetningen.

I tilknytning til vores revision af årsregnskabet er det vores ansvar at læse ledelsesberetningen og i den forbindelse overveje, om ledelsesberetningen er væsentligt inkonsistent med årsregnskabet eller vores viden opnået ved revisionen eller på anden måde synes at indeholde væsentlig fejlinformation.

Vores ansvar er derudover at overveje, om ledelsesberetningen indeholder krævede oplysninger i henhold til årsregnskabsloven.

Baseret på det udførte arbejde er det vores opfattelse, at ledelsesberetningen er i overensstemmelse med årsregnskabet og er udarbejdet i overensstemmelse med årsregnskabslovens krav. Vi har ikke fundet væsentlig fejlinformation i ledelsesberetningen.

***Statement on Management's Review***

*Management is responsible for Management's Review.*

*Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.*

*In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.*

*Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.*

*Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.*

Hobro 25. april 2017
*Hobro 25 April 2017*

BDO Statsautoriseret revisionsaktieselskab
Cvr. No.: 20 22 26 70

Michael Graversen
Statsautoriseret revisor
*State Authorised Public Accountant*

**Væsentligste aktiviteter**

Selskabets væsentligste aktivitet er at eje og udleje et jack-up skib til moderselskabet ZITON A/S.

***Principal activities***

*The Company's principal activity is to own and Bareboat charter a jack-up vessel to the parent company ZITON A/S.*

**Udvikling i aktiviteter og økonomiske forhold**

Regnskabsåret 2016 har været præget af, at J/U WIND PIONEER har været operationel hele 2016, modsat 2015, som kun inkluderede 3 måneders drift. Bruttoresultatet for 2016 er således steget til TDKK 61480 fra TDKK 23072 i 2015.

***Development in activities and financial position***

*The financial year 2016 was characterised by, J/U WIND PIONEER has been in operation throughout 2016, compared to 2015, which only included 3 month of operation. Gross profit for 2016 is therefore increased to TDKK 61480 from TDKK 23072 in 2015.*

Afskrivninger er steget fra TDKK 5682 til TDKK 17119 grundet et helt års drift.

Fra juni 2015 stoppede aktiveringer af renter på J/U WIND PIONEER. Dette medfører at renteomkostninger har fuld effekt i resultatopgørelsen i 2016. Dette forklarer stigningen i renteudgifter i 2016.

Resultatet før skat er en indtægt på TDKK 6793 hvilket er inden for forventningerne til 2017. Som følge heraf, betragter ledelsen resultatet som tilfredsstillende. Årets resultat på TDKK -388 er et resultat af en begrænsning i skattefradrag af renter, hvorfor den effektive skatteprocent for 2016 er 106%.

*Depreciation has increase from TDKK 5682 to TDKK 17119 due to the full year of operation.*

*From June 2015 capitalising of interest on the vessel J/U WIND PIONEER stopped. Hence the effect of interest expenses has had a full effect in the income statement in 2016. This explain the increase of interest expenses in 2016.*

*The income before tax is a profit of TDKK 6793 which is within the range of our expectation for 2017. Consequently management considers the results for the year satisfactory. The loss for the year of TDKK -388 is a result of a limitation in tax deduction of interest, hence the effective tax rate for 2016 is 106%.*

Kapitaltab

Selskabet har ved slutningen af 2015 tabt selskabskapitalen, grundet negativ resultat før skat i 2015 og 2016. Det forventes, at egenkapitelen er genetableret i 2017 eller start 2018, grundet lavere renteomkostninger og derved en mindre begræsning i den skattemæssige rente beskæring.

*Loss of share capital*

*At the end of 2015, the share capital was lost, due negative results for the year in 2015 and 2016. It is expected, that the share capital will be restored during 2017 or early 2018, due to a decline in interest expenses, hence the tax limitation on interest expenses will decline as well.*

**Betydningsfulde hændelser efter 31. december 2016**

Der er ikke sket hændelser efter statusdagen, som har indflydelse på 2016 regnskabet.

***Significant events after 31 December 2016***

*No significant events has been identified after the balance sheet date, which could affect the 2016 annual report.*

**Forventninger til fremtiden**

Selskabet forventer et positivt reultat før skat i omegnen af TDKK 5 000 til TDKK 7 000 for 2017.

***Future expectations***

*The company expects a positive result before tax in the range of TDKK 5 000 to TDKK 7 000 for 2017.*

## Resultatopgørelse 1. januar - 31. december
*Income Statement 1 January - 31 December*

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | *DKK'000* | *DKK'000* |
| **Bruttoresultat**<br>***Gross Profit*** | | **61 480** | **23 072** |
| Afskrivninger<br>*Depreciation* | | -17 119 | -5 682 |
| **Resultat af ordinær drift**<br>***Operating profit*** | | **44 361** | **17 390** |
| Finansielle indtægter<br>*Financial income* | 1 | 4 495 | 9 |
| Finansielle omkostninger<br>*Financial expenses* | 2 | -42 063 | -22 134 |
| **Årets resultat før skat**<br>***Profit before tax*** | | **6 793** | **-4 735** |
| Skat af årets resultat<br>*Tax on profit* | 3 | -7 181 | -3 495 |
| **Årets resultat**<br>***Profit for the year*** | | **-388** | **-8 231** |
| | | | |
| **Forslag til resultatdisponering**<br>***Proposed distribution of profit*** | | | |
| Overført resultat<br>*Accumulated profit* | | -388 | -8 231 |
| **I alt**<br>***Total*** | | **-388** | **-8 231** |

## Balance 31. december
*Balance Sheet 31 December*

| **Aktiver**<br>*Assets* | Note | **2016**<br>*DKK'000* | **2015**<br>*DKK'000* |
|---|---|---|---|
| Skib<br>*Vessel* | 4 | 446 454 | 461 273 |
| **Materielle aktiver**<br>***Tangible fixed assets*** | | **446 454** | **461 273** |
| **Langfristede aktiver**<br>***Fixed assets*** | | **446 454** | **461 273** |
| Tilgodehavender hos tilknyttede virksomheder<br>*Intercompany receivables, associated companies* | | 75 151 | 23 712 |
| Andre tilgodehavender<br>*Other receivables* | | - | 295 |
| **Tilgodehavender**<br>***Accounts receivable*** | | **75 151** | **24 007** |
| **Likvide beholdninger**<br>***Cash*** | | **32** | **46** |
| **Kortfristede aktiver**<br>***Current Assets*** | | **75 183** | **24 053** |
| **Aktiver**<br>***Assets*** | | **521 637** | **485 326** |

## Balance 31. december
*Balance Sheet 31 December*

| **Passiver**<br>*Equity and Liabilities* | Note | **2016**<br>*DKK'000* | **2015**<br>*DKK'000* |
|---|---|---|---|
| Virksomhedskapital<br>*Share capital* | 5 | 500 | 500 |
| Overført overskud<br>*Retained earnings* | 5 | -6 530 | -6 141 |
| **Egenkapital**<br>***Equity*** | | **-6 030** | **-5 641** |
| Udskudt skat<br>*Deferred tax* | | 15 365 | 15 569 |
| Gæld til tilknyttede virksomheder<br>*Intercompany receivables, associated companies* | 6 | 510 701 | 473 128 |
| **Langfristede forpligtelser**<br>***Long-term liabilities*** | | **526 066** | **488 697** |
| Leverandører af varer og tjenesteydelser<br>*Trade Payables* | | 167 | 835 |
| Skyldig sambeskatning tilknyttede virksomheder<br>*Joint tax contribution* | | 0 | 0 |
| Anden gæld<br>*Other liabilities* | | 1 434 | 1 435 |
| **Kortfristet forpligtelser**<br>***Current Liabilities*** | | **1 601** | **2 270** |
| **Gældsforpligtelser**<br>***Liabilities*** | | **527 667** | **490 967** |
| **Passiver**<br>***Equity and liabilities*** | | **521 637** | **485 326** |

## 1 Finansielle indtægter
*Financial income*

| | 2016<br>*DKK'000* | 2015<br>*DKK'000* |
|---|---|---|
| Renteindtægter - koncern virksomheder<br>*Financial income, Group companies* | 4 493 | - |
| Andre finansielle indtægter<br>*Other financial income* | 2 | 9 |
| | **4 495** | **9** |

## 2 Finansielle omkostninger
*Financial expenses*

| | | |
|---|---|---|
| Renteomkostninger - koncern virksomheder<br>*Financial expenses, Group companies* | 42 062 | 18 127 |
| Andre finansielle omkostninger<br>*Other financial expenses* | 1 | 4 007 |
| | **42 063** | **22 134** |

## 3 Skat af årets resultat
*Tax on profit for the year*

| | | |
|---|---|---|
| Årets aktuelle skat<br>*Income tax for the year* | -7 197 | - |
| Regulering af udskudt skat<br>*Change in provision for deferred tax* | 204 | -3 495 |
| Regulering vedrørende tidligere år<br>*Change regarding previous years* | -188 | - |
| | **-7 181** | **-3 495** |

## 4 Materielle anlægsaktiver
*Tangible fixed assets*

| | I alt<br>*Total*<br>*DKK'000* |
|---|---|
| Kostpris 1. januar 2016<br>*Cost 1 January 2016* | 466 955 |
| Tilgang i årets løb<br>*Addition during the year* | 2 300 |
| **Kostpris 31. december 2016**<br>***Cost 31 December 2016*** | 469 255 |
| Afskrivninger 1. januar 2016<br>*Depreciation 1 January 2016* | 5 682 |
| Årets afskrivninger<br>*Depreciation during the year* | 17 119 |
| **Afskrivninger 31. december 2016**<br>***Depreciation 31 December 2016*** | 22 801 |
| **Regnskabsmæssig værdi 31. december 2016**<br>***Carrying amount at 31 December 2016*** | 446 454 |
| Regnskabsmæssig værdi af indregnede renter i DKK<br>*Carrying Amount of interests capitalised in DKK* | 79 439 |

## 5 Egenkapital
*Equity*

| | Selskabs kapital<br>*Share capital*<br>*DKK'000* | Overført resultat<br>*Retained earnings*<br>*DKK'000* | I alt<br>*Total*<br>*DKK'000* |
|---|---|---|---|
| Egenkapital 1. januar 2016<br>*Equity 1 January 2016* | 500 | -6 141 | -5 641 |
| Årets resultat<br>*Profit for the year* | .- | -388 | -388 |
| **Egenkapital 31. december 2016**<br>***Equity 31 December 2016*** | 500 | -6 530 | -6 030 |

## 6 Langfristede gældsforpligtelser
*Long-term liabilities*

| | 2016 | 2015 |
|---|---|---|
| | *DKK'000* | *DKK'000* |
| **Gæld til tilknyttede virksomheder** | | |
| *Intercompany receivables, associated companies* | | |
| Efter 5 år | - | - |
| *After 5 Years* | | |
| Mellem 1 og 5 år | 510 701 | 473 128 |
| *Between 1 and 5 years* | | |
| **Langfristet del** | 510 701 | 473 128 |
| ***Long-term part*** | | |
| Inden for 1 år | - | - |
| *Under 1 year* | | |

## 7 Eventualposter og øvrige økonomiske forpligtelser
*Contingencies, etc.*

**Sikkerhedsstillelser**
***Securities***

| | Bogført værdi af pantsatte aktiver | Nominalt beløb af pant |
|---|---|---|
| | *Book value of pledged assets* | *Nominal amount of mortage* |
| | *DKK'000* | *DKK'000* |
| Til sikkerhed for engagement med koncernens pengeinstitut og obligations ejerne, er der afgivet følgende sikkerheder: (Inklusiv eventuelle forsikrings betalinger) | | |
| *As security for engagement with the group bank and bondholders, the following securities are provided:(Including any insurance payments)* | | |
| Skibspantebrev i J/U WIND PIONEER | 446 454 | 410 311 |
| *Ship mortgage in J/U WIND PIONEER* | | |

## 8 Nærtstående parter og ejerforhold
*Related parties and ownership*

| | Grundlag<br>*Basis* |
|---|---|
| **Bestemmende indflydelse**<br>***Controlling interest*** | |
| ZITON A/S, Bygholm Søpark 21 E, 8700 Horsens | Hovedaktionær<br>*Majority shareholder* |

**Øvrige nærtstående parter**
***Other related parties***

Jack-Up Investco 2 A/S' nærtstående parter med betydelig indflydelse omfatter søster- og modervirksomheder samt selskabernes bestyrelse, direktion og ledende medarbejdere samt disse personers relaterede familiemedlemmer. Nærtstående parter omfatter endvidere selskaber, hvori førnævnte personkreds har væsentlige interesser.

*Jack-Up Investco 2 A/S' related parties with significant influence consist of sister and parent companies as well as the companies' boards of directors and executive officers and their family members. Related parties also include companies in which the above persons have significant interests.*

**Transaktioner med nærtstående parter**
***Transactions with related parties***

Jack-Up Investco 2 A/S har ikke haft væsentlige transaktioner, der ikke er indgået på markedsmæssige vilkår.

*Jack-Up Investco 2 A/S has had no material transactions that are not made on market terms.*

**Ejerforhold**
***Ownership***

Følgende aktionærer er noteret i selskabets ejerfortegnelse som ejende minimum 5% af stemmerne eller minimum 5% af aktiekapitalen:

*The following shareholders are recorded in the company's register of shareholders as owner of more than 5% of the votes or the share capital:*

ZITON A/S, Bygholm Søpark 21 E, 8700 Horsens

Årsrapporten for Jack-Up InvestCo 2 A/S for 2016 er aflagt i overensstemmelse med den danske årsregnskabslovs bestemmelser for virksomheder i regnskabsklasse B.

*The annual report of Jack-Up InvestCo 2 A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in accounting class B.*

Årsrapporten er udarbejdet efter samme regnskabspraksis som sidste år.

*The annual report is prepared consistently with the accounting principles used last year.*

Årsregnskab for 2016 er aflagt i TDKK.

*Parent financial statements for 2016 is presented in TDKK.*

Årsregnskab for 2016 indgår i koncernregnskabet for ZITON A/S (Hjemsted: Horsens, Danmark) og i koncernregnskabet for Anpartsselskabet af 1. December 2011 Aps (Hjemsted: Fredensborg, Danmark).

*Parent financial statements for 2016 is consolidated in the financial statements of ZITON A/S (registered office: Horsens, Denmark) and in the financial statements of Anpartsselskabet af 1. december 2011 Aps (registered office: Fredensborg, Denmark) .*

**Generelt om indregning og måling**

I resultatopgørelsen indregnes indtægter i takt med, at de indtjenes, herunder indregnes værdireguleringer af finansielle aktiver og forpligtelser. I resultatopgørelsen indregnes ligeledes alle omkostninger, herunder afskrivninger og nedskrivninger.

***General about recognition and measurement***

*Income is recognised in the income statement, as and when it is earned, including recognition of value adjustments of financial assets and liabilities. Any costs, including depreciation, amortisation and writedown, are also recognised in the income statement.*

Aktiver indregnes i balancen, når det er sandsynligt, at fremtidige økonomiske fordele vil tilflyde selskabet, og aktivets værdi kan måles pålideligt.

*Assets are recognised in the balance sheet, when it is likely that, future economic benefits will flow to the company, and the value of the asset can be measured reliably.*

Forpligtelser indregnes i balancen, når det er sandsynligt, at fremtidige økonomiske fordele vil fragå selskabet, og forpligtelsens værdi kan måles pålideligt.

*Liabilities are recognised in the balance sheet, when it is likely that, future economic benefits will flow from the company, and the value of the liability can be measured reliably.*

Ved første indregning måles aktiver og forpligtelser til kostpris. Efterfølgende måles aktiver og forpligtelser som beskrevet for hver enkelt regnskabspost nedenfor.

*The initial recognition measures assets and liabilities at cost. Subsequently assets and liabilities are measured as described in the following for each item.*

Visse finansielle aktiver og forpligtelser måles til amortiseret kostpris, hvorved der indregnes en konstant effektiv rente over løbetiden. Amortiseret kostpris opgøres som oprindelig kostpris med fradrag af eventuelle afdrag samt tillæg/fradrag af den akkumulerede amortisering af forskellen mellem kostpris og nominelt beløb.

*Certain financial assets and liabilities are measured at amortised cost, recognising a constant effective interest over the term. Amortised cost is stated at initial cost less any deductions and with addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.*

Ved indregning og måling tages hensyn til forudsigelige tab og risici, der fremkommer inden årsrapporten aflægges, og som be- eller afkræfter forhold, der eksisterede på balancedagen.

*The recognition and measurement takes into account predictable losses and risks arising before the year-end reporting and which prove or disprove matters, that existed at the balance sheet date.*

**Omregning af fremmed valuta**
Transaktioner i fremmed valuta omregnes til transaktionsdagens kurs. Valutakursdifferencer, der opstår mellem transaktionsdagens kurs og kursen på betalingsdagen indregnes i resultatopgørelsen som en finansiel post.

Hvis valutapositionen anses for sikring af fremtidige pengestrømme, indregnes urealiserede værdireguleringer direkte på egenkapitalen.

Tilgodehavender, gæld og andre monetære poster i fremmed valuta, som ikke er afregnet på Balancedagen, omregnes til balancedagens valutakurs. Forskellen mellem balancedagens kurs og kursen på tidspunktet for tilgodehavendets eller gældens opståen indregnes i resultatopgørelsen under finansielle indtægter og omkostninger.

Anlægsaktiver, der er købt i fremmed valuta, omregnes til kursen på transaktionsdagen.

***Foreign currency translation***
*Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.*

*If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.*

*Accounts receivable, payable and other monetary items in foreign currencies, that are not settled on the balance sheet date, are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivable or payable is recognised in the income statement as financial income or expenses.*

*Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.*

**RESULTATOPGØRELSEN**

**Nettoomsætning**
Nettoomsætningen udgøres af udført arbejde og indregnes i resultatopgørelsen, såfremt levering og risikoovergang til køber har fundet sted inden årets udgang. Nettoomsætning indregnes eksklusiv moms, afgifter og med fradrag af rabatter i forbindelse med salget.

**Vareforbrug**
Vareforbrug omfatter omkostninger, der afholdes for at opnå årets nettoomsætning. Herunder indgår direkte og indirekte omkostninger til råvarer og hjælpemateriale

**Andre eksterne omkostninger**
Andre eksterne omkostninger omfatter omkostninger til distribution, salg, reklame, administration, lokaler, tab på debitorer mv.

***INCOME STATEMENT***

***Net revenue***
*The net revenue from preformed work is recognised in the income statement, if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale*

***Cost of sales***
*Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.*

***Other external costs***
*Other external costs include costs retating to distribution, sale, advertising, administration, premises, loss on bad debts and similar expenses.*

**Skat**

Årets skat, som består af årets aktuelle skat og forskydning i udskudt skat, indregnes i resultatopgørelsen med den del, der kan henføres til årets resultat, og direkte på egenkapitalen med den del, der kan henføres til posteringer direkte på egenkapitalen.

Selskabet er sambeskattet med koncernforbundne danske selskaber. Den aktuelle danske selskabsskat fordeles mellem de sambeskattede danske selskaber i forhold til disses skattepligtige indkomst, og med fuld fordeling med refusion vedrørende skattemæssige underskud. De sambeskattede selskaber indgår i acontoskatteordning.

***Tax***

*The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion, that can be attributed to the profit for the year, and is recognised directly in the equity by the portion, that can be attributed to entries directly to the equity.*

*The company is jointly taxed with wholly owned Danish and foreign subsidiary enterprises. The current Danish corporation tax is distributed between the jointly taxed Danish companies in proportion to their taxable income, and with full distribution with refund regarding taxable losses. The jointly taxed companies are included in the tax-an-account scheme.*

**BALANCEN**

**Materielle anlægsaktiver**

Skibe og driftsmateriel måles til kostpris med fradrag af akkumulerede af- og nedskrivninger

Afskrivningsgrundlaget er kostpris med fradrag af den skønnede restværdi efter afsluttet brugstid.

Kostprisen omfatter anskaffelsesprisen, omkostninger direkte tilknyttet anskaffelsen indtil det tidspunkt, hvor aktivet er klar til at blive taget i brug samt renteomkostninger. For egenfremstillede aktiver omfatter kostprisen omkostninger til materialer, komponenter, underleverandører, direkte lønforbrug samt indirekte produktionsomkostninger.

Der foretages lineære afskrivninger baseret på følgende vurdering af aktivernes forventede brugstider og restværdi herefter:

***BALANCE SHEET***

***Tangible fixed assets***

*Vessels, fixtures and equipment are measured at cost less accumulated depreciation and writedowns.*

*The depreciation base is cost less estimated residual value after end of useful life.*

*The cost includes the acquisition price, costs incurred directly in connection with the acquisition until the time, when the asset is ready to be used and interest expenses. As regards selfmanufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.*

*Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value as follows:*

| | Brugstid<br>*Useful life* | Restværdi<br>*Residual value* |
|---|---|---|
| Skib<br>Vessel | *12 - 30 år*<br>*12 - 30 years* | *0%*<br>*0%* |

Småanskaffelser med en kostpris på under TDKK 12,9 pr. enhed indregnes som omkostninger resultatopgørelsen i anskaffelsesåret.

*Minor acquisitions below TDKK 12.9 per unit are recognised as costs in the income statement in the acquisition year.*

Fortjeneste eller tab ved afhændelse af materielle anlægsaktiver opgøres som forskellen mellem salgspris med fradrag af salgsomkostninger og den regnskabsmæssige værdi på salgstidspunktet. Fortjeneste eller tab indregnes i resultatopgørelsen under andre driftsindtægter eller andre driftsomkostninger.

*Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.*

Nedskrivning af anlægsaktiver

Den regnskabsmæssige værdi af immaterielle og materielle anlægsaktiver gennemgås årligt for at afgøre, om der er indikation af værdiforringelse ud over det, som udtrykkes ved normal afskrivning. Hvis dette er tilfældet, foretages nedskrivning til den lavere genindvindingsværdi.

*Writedown on tangible assets*

*The carrying amount of intangible and tangible fixed assets is reviewed annually to determine, if there is any indication of impairment in excess of the amount reflected by normal amortisation or depreciation. If this is the case, write-down should be made to the lower recoverable amount.*

**Finansielle anlægsaktiver**

Kapitalandele i dattervirksomheder og associerede virksomheder måles i moderselskabets balance efter den indre værdis metode.

***Fixed asset investments***

*Investments in subsidiary and associated enterprises are measured in the parent company balance sheet under the equity method.*

**Tilgodehavende**

Tilgodehavender måles til amortiseret kostpris, hvilket sædvanligvis svarer til nominel værdi. Værdien reduceres med nedskrivning til imødegåelse af forventede tab.

***Accounts receivable***

*Accounts receivable are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.*

**Periodeafgrænsningsposter , aktiver**

Periodeafgrænsningsposter indregnet under aktiver omfatter afholdte omkostninger vedrørende efterfølgende regnskabsår.

***Accruals, assets***

*Accruals recognised as assets include costs incurred relating to the subsequent financial year.*

**Skyldig skat og udskudt skat**

Aktuelle skatteforpligtelser og tilgodehavende aktuel skat indregnes i balancen som beregnet skat af årets skattepligtige indkomst reguleret for skat af tidligere års skattepligtige indkomster samt for betalte acontoskatter.

***Tax payable and deferred tax***

*Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year adjusted for tax on the taxable income for previous years and taxes paid on account.*

Udskudt skat måles af midlertidige forskelle mellem regnskabsmæssig og skattemæssig værdi af aktiver og forpligtelser.

Udskudte skatteaktiver, herunder skatteværdien af fremførselsberettiget skattemæssigt underskud, måles til den værdi, hvortil aktivet forventes at kunne realiseres, enten ved udligning i skat af fremtidig indtjening, eller ved modregning i udskudte skatteforpligtelser inden for samme juridiske skatteenhed.

*Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.*

*Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax unit.*

Udskudt skat måles på grundlag af de skatteregler og skattesatser, der med balancedagens lovgivning vil være gældende, når den udskudte skat forventes udløst som aktuel skat. For indeværende år er anvendt en skattesats på 22 %.

*Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable, when the deferred tax is expected to crystallise as current tax. The tax rate applied for the current year is 22 %.*

**Gældsforpligtelser**

Finansielle forpligtelser indregnes ved låneoptagelse til det modtagne provenu efter fradrag af afholdte låneomkostninger. I efterfølgende perioder måles de finansielle forpligtelser til amortiseret kostpris svarende til den kapitaliserede værdi ved anvendelse af den effektive rente, således at forskellen mellem provenuet og den nominelle værdi indregnes i resultatopgørelsen over låneperioden.

Gæld i øvrigt er målt til amortiseret kostpris svarende til nominel værdi.

***Liabilities***

*Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.*

*Other liabilities are measured at amortised cost equal to nominal value*

**Appendix 7**

# JACK-UP INVESTCO 3 PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

*Company Registration No: C 57037*

BDO

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## Accounts

The directors present their report and audited financial statements for the year ended 31 December 2017.

## Principal activity

The principal activity of the company is to own and charter a vessel on a bareboat. The company has no branches in Malta or other countries.

## Dividends

The directors do not propose the payment of a dividend. The retained earnings of EUR 10,086,181 are to be kept as the reserve for the distribution in the following years.

## Results and future developments

The results for the year are stated on page 5, and show a total comprehensive income for the year of EUR 6,672,623 (2016: loss EUR 4,762,646). The directors are in the opinion that future developments in the business of the company will result in the next profitable years. There were no important events affecting the company which have occurred since the end of the accounting period.

## Directors

The directors of the company are:

Carmelo Borg
Slim Bouricha
Vagn Lehd Moller

Under the provisions of the company's Memorandum and Articles of Association, the present directors continue in office.

## Auditors

A resolution will be submitted to the Annual General Meeting to re-appoint BDO Malta as auditors to the company.

By order of the Board

Vagn Lehd Moller
Director

Carmelo Borg
Director

4, St. Michael
Guze Galea Street,
Qormi
QRM 2107
Malta

Date: 12 April 2018

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The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of its profit or loss for that year. In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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JACK-UP INVESTCO 3 PLC
STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY
for the year ended 31DECEMBER 2017

## Statement of comprehensive income

| | Notes | 2017 EUR | 2016 EUR |
|---|---|---|---|
| Revenue | 4 | 15,677,032 | 15,128,611 |
| Administrative expenses | 5 | (3,413,999) | (3,418,977) |
| **Profit from operations** | | 12,263,033 | 11,709,634 |
| Finance expense | 6 | (5,960,201) | (5,457,143) |
| Finance Income | 7 | 2,599,868 | 1,008,654 |
| **Profit before tax** | | 8,902,700 | 7,261,145 |
| Tax expense | 8 | (2,230,077) | (2,498,499) |
| Profit from continuing operations | | 6,672,623 | 4,762,646 |
| **Total comprehensive income** | | **6,672,623** | 4,762,646 |

## Statement of changes in equity

| | Share Capital EUR | Retained Earnings EUR | Total EUR |
|---|---|---|---|
| **At 31 December 2015** | 28,001,200 | (1,349,088) | 26,652,112 |
| **Comprehensive income** | | | |
| Profit for the year | - | 4,762,646 | 4,762,646 |
| **At 31 December 2016** | 28,001,200 | 3,413,558 | 31,414,758 |
| **Comprehensive income** | | | |
| Profit for the year | - | 6,672,623 | 6,672,623 |
| **At 31 December 2017** | **28,001,200** | **10,086,181** | **38,087,381** |

The notes on pages 9 to 22 form part of the financial statements.
Audit report pages 23 to 25.

JACK-UP INVESTCO 3 PLC
STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

| | Notes | 2017 EUR | 2016 EUR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 73,346,692 | 76,725,212 |
| **Total non- current assets** | | 73,346,692 | 76,725,212 |
| **Current Assets** | | | |
| Trade and other receivables | 10 | 39,012,469 | 20,735,723 |
| Cash and cash equivalents | 11 | 21,009 | 56,794 |
| **Total current assets** | | 39,033,478 | 20,792,517 |
| **Total assets** | | 112,380,170 | 97,517,729 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 11,533 | 11,666 |
| **Total current liabilities** | | 11,533 | 11,666 |
| **Non-current liabilities** | | | |
| Loans from related parties | 13 | 70,251,929 | 64,292,055 |
| Deferred tax liability | 14 | 4,029,327 | 1,799,250 |
| **Total non-current liabilities** | | 74,281,256 | 66,091,305 |
| **Total liabilities** | | 74,292,789 | 66,102,971 |
| **NET ASSETS** | | **38,087,381** | 31,414,758 |
| **Issued capital and reserves** | | | |
| Share capital | 15 | 28,001,200 | 28,001,200 |
| Retained earnings | 16 | 10,086,181 | 3,413,558 |
| **TOTAL EQUITY** | | **38,087,381** | 31,414,758 |

These financial statements were approved by the Board of directors on 12 April 2018 and signed on its behalf by:

Vagn Lehd Moller
Director

Carmelo Borg
Director

The notes on pages 9 to 22 form part of the financial statements.
Audit report pages 23 to 25.

JACK-UP INVESTCO 3 PLC
STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

| | Notes | 2017 EUR | 2016 EUR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax** | | 8,902,700 | 7,261,145 |
| Adjustment for: | | | |
| Depreciation of property, plant and equipment | | 3,378,520 | 3,380,416 |
| Finance expense | | 5,959,873 | 5,454,263 |
| | | 18,241,093 | 16,095,824 |
| *Movement in working capital* | | | |
| Increase in trade and other receivables | | (18,276,745) | (16,131,044) |
| Decrease in trade and other payables | | (133) | 89 |
| **Cash used in operations** | | (35,785) | (35,131) |
| **Net cash used in operating activities** | | (35,785) | (35,131) |
| **Net decrease in cash and cash equivalents** | | (35,785) | (35,131) |
| Cash and cash equivalents at the beginning of year | | 56,794 | 91,925 |
| **Cash and cash equivalents at the end of year** | 11 | **21,009** | 56,794 |

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## 1. Accounting policies

### 1.1. Changes in accounting policies

*a) New standards, interpretations and amendments effective from 1 January 2017*

The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the company:

- Amendments to IAS 7: Disclosure Initiative (issued on 29/01/2016, effective from the year beginning on 01/01/2017)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19/01/2016, effective from the year beginning on 01/01/2017)

The applications of these new standards and amendments has had no impact on the disclosures or amounts recognized in the company's financial statements.

*b) New standards, interpretations and amendments as adopted by EU but not yet effective*

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company's future financial statements:

- Improvements to IFRSs 2014-2016 (issued on 08/12/2016, effective from year beginning on 01/01/2018)
- IFRS 9 Financial Instruments (issued on 24/07/2014, effective from year beginning on 01/01/2018)
- IFRS 15 Revenue from Contracts with Customers (issued on 28/05/2014, effective from the year beginning 01/01/2018)
- IFRS 16 Leases (issued on 13/01/2016, effective from the year beginning 01/01/2019)
- Clarification to IFRS 15: Revenue from Contracts with Customers (issued on 12/04/2016, effective from the year beginning on 01/01/2018)
- Amendments to IFRS 4: Applying IFRS 9 with IFRS 4 (issued on 12/07/2016, effective for the year beginning on 01/01/2018)

The effects of IFRS 15 Revenues from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases are still being assessed, as these new standards may have a significant effect on the company's future financial statements. The company will assess the impact that the adoption of these and other Financial Reporting Standards will have in the financial statements of the company in the period of initial application.

*c) New standards, interpretations and amendments issued by IASB but not yet adopted by EU*

- Improvements to IFRSs 2015-2017 (issued on 12/12/2017, effective from year beginning on 01/01/2019)
- IFRS 17 Insurance Contracts (issued on 18/05/2017, effective from the year beginning on 01/01/2021)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (issued on 08/12/2016, effective from the year beginning on 01/01/2018)
- IFRIC 23: Uncertainty over the Income Tax Treatments (issued on 07/07/2017, effective from year beginning on 01/01/2019)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20/06/2016, effective for the year beginning on 01/01/2018)
- Amendments to IAS 40: Transfers to Investment Property (issued on 08/12/2016, effective from the year beginning on 01/01/2018)

## 1. Accounting policies (continued)

### 1.1. Changes in accounting policies (continued)

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12/10/2017, effective for the year beginning on 01/01/2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 07/02/2018, effective from the year beginning on 01/01/2019)
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures (issued on 12/10/2017, effective from the year beginning on 01/01/2019)

The company has not early adopted all these revisions to the requirements of IFRSs and the company's director is of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

*d) New standards, interpretations and amendments issued by IASB but not adopted by EU*

- IFRS 14 Regulatory Deferral Accounts (issued on 30/01/2014, effective from the year beginning 01/01/2016) - European Commission has decided not to endorse the standard
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between Investor and its Associate or Joint Venture (issued on 11/09/2014, effective from the year beginning 01/01/2016) - postponed indefinitely by European Commission

### 1.2. Revenue recognition

Revenue from the provision of services is recognised when the company has completed the agreed upon procedures and transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment.

### 1.3. Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided using the straight-line basis at the following rates:

| | | |
|---|---|---|
| Vessel | - | 3% per annum |
| Vessel - crane and main engine | - | 4% per annum |
| Vessel - jacking systems | - | 5% per annum |
| Vessel - other components | - | 8% per annum |
| Vessel - equipment and instruments | - | 20% per annum |
| Vessel - computer equipment | - | 33.33% per annum |

### 1.4. Foreign currencies

The financial statements of the company are presented in its functional currency, the Euro (EUR), being the currency of the primary economic environment in which the company operates.

## 1. Accounting policies - (continued)

### 1.4. Foreign currencies - (continued)

Transactions in foreign currencies during the year have been converted at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated at the rates of exchange ruling on the balance sheet date. Any gains or losses arising from these conversions are credited or charged to the Profit and Loss Account.

### 1.5. Taxation

The charge for current tax is based on the taxable income for the year. The taxable result for the year differs from the result as reported in the statement of comprehensive income because it excludes items which are not assessable or disallowed and it further excludes items that are taxable and deductible in other years. It is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefits is probable. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

### 1.6. Share capital and dividends

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Dividend distribution to the company's shareholders is recognised as liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

### 1.7. Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

## 1. Accounting policies - (continued)

### 1.7. Financial assets - (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the company's strategic investments in entities, qualifying as subsidiaries, associates or jointly controlled entities in separate financial statements of the company. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest rate method are recognised in profit or loss.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

### 1.8. Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings - Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method unless the cost of discounting is immaterial.

## 1. Accounting policies - (continued)

### 1.9. Financial risk management

### 1.9.1. Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk) credit risk and liquidity risk. The financial risks relate to the following financial instruments: debtors, cash and cash equivalents and trade and other creditors. The accounting policies with respect to these financial instruments are described above.

Risk management is carried out by the director under policies approved at the AGM. The director identifies and evaluates financials risks in close co-operation with the company's operating units. The director provides principles for overall risk management.

The reports on the risk management are produced periodically to the key management personnel of the company.

(a) Market risk

*(i) Price risk*

The Company has no significant exposure to the market risk, with respect to its operating income, as the company has entered a 10 year Bareboat charter with one of its owners. The revenue is based on internal financing costs and depreciation on asset value, the remaining contract period is seven years.

*(ii) Cash flow and fair value interest rate risk*

*The interest on the new financing is composed of a floating rate of EURIBOR plus a margin of 9.27% per annum. However an increase in interest will increase the bareboat revenue, with the same amount, hence an interest increase does not have any effect on the company's earnings.*

The company's cash flow and fair value interest rate risk is periodically monitored by the directors. The cash flow and fair value risk policy is approved by the directors.

Receivables and trade and other payables are interest free and have settlement dates within one year.

A sensitivity analysis is normally based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated - for example, change in exchange rates and change in market values.

In the case of the company it provides for the worst scenario by making full provisions for all investments held and hence profits or losses cannot be subjected to a sensitivity analysis that could shed any light on the effect of potential changes in market price.

*(iii) Foreign exchange risk*

Foreign exchange risk arises because the company has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the company is operating. Foreign exchange risk also arises when the company enters into transactions denominated in a currency other than their functional currency.

## 1. Accounting policies - (continued)

### 1.9. Financial risk management - (continued)

### 1.9.1. Financial risk factors - (continued)

Certain assets of the company comprise amounts denominated in foreign currencies. Similarly, the company has financial liabilities denominated in foreign currency. In general, the company seeks to maintain the financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thereby providing a natural hedge against foreign exchange risk.

(b) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- Cash and cash equivalents;
- Loans and receivables.

The company seeks to manage this risk by placing cash with quality financial institutions. Its receivables consist primarily of amounts due from shareholder (note 11) thereby considerably reducing the associated credit risks.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash flow for operations. The company manages its' risk to shortage of funds by monitoring forecast and actual cash flows.

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

All of the company's current financial liabilities at 31 December 2017 are due within 3 months from year end since they are trade and other payables.

### 1.10. Capital management

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

### 1.11. Fair value estimation

Cash and cash equivalents, debtors and trade and other creditors mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

## 2. Fundamental accounting concept

The directors have concluded that it is entirely appropriate that the financial statements have been prepared on a going concern basis because:

a) At 31 December 2017, the company's total assets exceeded its total liabilities by EUR 38,087,381 (2016: EUR 31,414,758). Furthermore, current assets exceed current liabilities by EUR 39,021,945 (2016 EUR 20,780,851).

b) The revenue for the next seven years is already contracted, and net earnings is looking favourable.

## 3. Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

## 4. Revenue

Revenue arises from the charter of the vessel to the shareholder.

## 5. Expenses by nature

| | 2017<br>EUR | 2016<br>EUR |
|---|---|---|
| Salaries and social security contributions | 18,329 | 18,550 |
| Audit fee | 3,500 | 3,500 |
| Legal and professional fees | 7,150 | 8,934 |
| Depreciation of vessel and equipment | 3,378,520 | 3,380,416 |
| Registered office fees | 4,200 | 4,200 |
| Licences and registrations | 850 | 850 |
| Registration fees | 1,400 | 1,400 |
| Travelling expenses | - | 1,077 |
| Other expenses | 50 | 50 |
| | 3,413,999 | 3,418,977 |

## 6. Finance expense

| | 2017 EUR | 2016 EUR |
|---|---|---|
| Bank charges | 328 | 2,880 |
| Interest expense on loans from shareholder | 5,959,873 | 5,454,263 |
| | 5,960,201 | 5,457,143 |

## 7. Finance income

| | 2017 EUR | 2016 EUR |
|---|---|---|
| Loan interest income | 2,599,867 | 1,008,272 |
| Bank interest income | - | 379 |
| Exchange rate gain | 1 | 3 |
| | 2,599,868 | 1,008,654 |

## 8. Taxation

The tax expense for the year comprises:

| | 2017 EUR | 2016 EUR |
|---|---|---|
| Current taxation - Income tax expense | - | - |
| Deferred tax movement (note 14) | 2,230,077 | 2,498,499 |
| Total tax expense for the year | 2,230,077 | 2,498,499 |

## 8. Taxation (continued)

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | EUR | EUR |
|---|---|---|
| Profit before tax | 8,902,700 | 7,261,145 |
| Tax on profit at 35% | 3,115,945 | 2,541,401 |
| *Tax effect of:* | | |
| Absorbed capital allowances | (4,298,426) | (3,724,547) |
| Difference between tax base and carrying amount of property, plant and equipment | 586,179 | 586,711 |
| Deferred tax movement (note 14) | 2,230,077 | 2,498,499 |
| Tax losses carried forward | 596,302 | 596,435 |
| Expenses not deductible for tax purposes | - | 1 |
| | 2,230,077 | 2,498,499 |

## 9. Property, plant and equipment

| | Vessel EUR | Vessel equipment and instruments EUR | Vessel computer equipment EUR | Total EUR |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 Jan 2016 | 83,359,059 | 155,180 | 100,726 | 83,614,965 |
| Additions | - | - | - | - |
| At 31 Dec 2016 | 83,359,059 | 155,180 | 100,726 | 83,614,965 |
| At 1 Jan 2017 | 83,359,059 | 155,180 | 100,726 | 83,614,965 |
| Additions | - | - | - | - |
| **At 31 Dec 2017** | **83,359,059** | **155,180** | **100,726** | **83,614,965** |
| **Accumulated depreciation** | | | | |
| At 1 Jan 2016 | 3,441,321 | 34,426 | 33,590 | 3,509,337 |
| Depreciation | 3,316,020 | 33,360 | 31,036 | 3,380,416 |
| At 31 Dec 2016 | 6,757,341 | 67,786 | 64,626 | 6,889,753 |
| At 1 Jan 2017 | 6,757,341 | 67,786 | 64,626 | 6,889,753 |
| Depreciation | 3,316,020 | 26,400 | 36,100 | 3,378,520 |
| **At 31 Dec 2017** | **10,073,361** | **94,186** | **100,726** | **10,268,273** |
| **Net Book Value** | | | | |
| At 31 Dec 2015 | 79,917,738 | 120,754 | 67,136 | 80,105,628 |
| At 31 Dec 2016 | 76,601,718 | 87,394 | 36,100 | 76,725,212 |
| **At 31 Dec 2017** | **73,285,698** | **60,994** | **-** | **73,346,692** |

## 10. Trade and other receivables

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Amounts due from shareholder (note i) | 39,009,685 | 20,732,786 |
| Prepayments | 850 | 850 |
| Other receivables | 1,934 | 2,087 |
| | 39,012,469 | 20,735,723 |

note (i) Amounts due from shareholder are unsecured, bear an interest of 9.27% and are repayable on demand (note 17).

## 11. Cash and cash equivalents

Cash and cash equivalents for purposes of the statement of cash flows comprises:

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Cash and cash equivalents | 28,415 | 64,201 |
| Bank overdraft | (7,406) | (7,407) |
| | 21,009 | 56,794 |

## 12. Trade and other payables

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Accruals | 11,533 | 11,666 |

## 13. Loans and borrowings

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Amounts due to shareholder | 70,251,929 | 64,292,055 |

Loans payable to shareholder is unsecured and carries an interest rate of 9.27% per annum.

## 14. Deferred tax

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Unrealised exchange loss | 2,592 | - |
| Accelerated capital allowances | (8,103,811) | (6,308,092) |
| Tax losses carried forward | 596,302 | 596,435 |
| Unabsorbed capital allowances c/f | 2,549,114 | 3,912,407 |
| Notional interest not utilised | 926,476 | - |
| Total deferred tax liability | (4,029,327) | (1,799,250) |

The movement on the deferred tax account is shown below:

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Deferred tax (liability) / asset - at 1 January | (1,799,250) | 699,249 |
| Recognised in profit and loss (note 8) | (2,230,077) | (2,498,499) |
| Deferred tax liability - at 31 December | (4,029,327) | (1,799,250) |

## 15. Share Capital

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| *Authorised:* | | |
| 14,000,600 ordinary 'A' shares of EUR 1 each and 14,000,600 ordinary 'B' shares of EUR 1 each | 28,001,200 | 28,001,200 |
| *Issued and 100% paid up:* | | |
| 14,000,600 ordinary 'A' shares of EUR 1 each and 14,000,600 ordinary 'B' shares of EUR 1 each | 28,001,200 | 28,001,200 |

The holder or holders of a majority in nominal value of the ordinary 'A' or 'B' shares shall be entitled to nominate 1 Director for each class of shares. The holder or holders of a majority in nominal value of the ordinary 'A' and 'B' shares shall be entitled to nominate 1 Director jointly. All other rights of 'A' and 'B' class of shares are equal for all intents and purposes of law.

## 16. Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|---|---|
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

## 17. Related Party Transactions and Balances

Transactions and balances entered into with other group undertakings are considered to be related party transactions and balances which are separately disclosed in notes 4, 11, 13, and 14 to the financial statements.

### Remuneration of key management personnel

Directors' remuneration is disclosed in note 18 staff costs and employee information.

## 18. Staff costs and employee information

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| *Staff costs* | | |
| Directors' emoluments | 18,329 | 18,550 |
| Social security costs | - | - |
| | 18,329 | 18,550 |

The average number of employees during the year was 1 (2016: 1).

## 19. Statutory information

Jack-Up Investco 3 plc was incorporated in Malta (C 57037) on 23 July 2012 under the provision of Merchant Shipping Regulations, 2004. On 15 December 2014 the Company has changed it status to the public limited liability company registered under the Companies Act, 1995.

The parent company is Ziton A/S (formerly known as DBB Jack-Up Services A/S, registered in Denmark, reg #24620417) and the ultimate parent company is Anpartsselskabet af 1. December 2011 ApS (registered in Denmark, reg #34078564). The group is a part of a fund managed by a private investment firm BWB Partners (http://www.bwbp.dk/en/).

In the opinion of the directors, there is no ultimate controlling party of the Group.

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# INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Jack-Up Investco 3 plc

### *Report on the Audit of the Financial Statements*

We have audited the financial statements of Jack-Up Investco 3 plc («the Company»), set out on pages 5 to 22, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

BDO Malta, a civil partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.
The firm is registered as a firm of Certified Public Accountants in terms of the Accountancy Profession Act.
Partners: John J. Attard, Mark Attard, Sam Spiridonov, Josef Mercieca

### *Responsibilities of the Directors*

As explained more fully in the Statements of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

BDO

## INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Jack-Up Investco 3 plc
(continued)

***Auditor's Responsibilities for the Audit of the Financial Statements** (continued)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Other Legal and Regulatory Requirements***

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- The information given in the directors' report is not consistent with the financial statements.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

**This report has been signed for and on behalf of BDO MALTA by Sam Spiridonov (Partner)**

BDO Malta
Certified Public Accountants
Registered Audit Firm

Tower Gate Place, Tal-Qroqq Street
Msida MSD 1703
Malta

Date: 12 April 2018

Schedule

Detailed statement of comprehensive income ..... I

JACK-UP INVESTCO 3 PLC
DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| **Income** | | |
| Revenue | 15,677,032 | 15,128,611 |
| **Administrative expenses** | | |
| Auditor's remuneration | (3,500) | (3,500) |
| Depreciation | (3,378,520) | (3,380,416) |
| Director's emoluments | (18,329) | (18,550) |
| Legal and professional fees | (7,150) | (8,934) |
| Licences and registrations | (850) | (850) |
| Printing and stationery | (50) | (50) |
| Rent | (4,200) | (4,200) |
| Registration fees | (1,400) | (1,400) |
| Travel expenses | - | (1,077) |
| | (3,413,999) | (3,418,977) |
| **Finance expense** | | |
| Bank charges | (328) | (2,880) |
| Interest expense | (5,959,873) | (5,454,263) |
| | (5,960,201) | (5,457,143) |
| **Finance income** | | |
| Loan interest income | 2,599,867 | 1,008,272 |
| Bank interest income | - | 379 |
| Exchange rate gain | 1 | 3 |
| | 2,599,868 | 1,008,654 |
| **Profit before tax** | 8,902,700 | 7,261,145 |

Appendix 8

# JACK-UP INVESTCO 3 PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

*Company Registration No: C 57037*

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## Accounts

The directors present their report and audited financial statements for the year ended 31 December 2016.

## Principal activity

The principal activity of the company is to own and charter a vessel on a bareboat. The company has no branches in Malta or other countries.

## Dividends

The directors do not propose the payment of a dividend. The retained earnings of EUR 3,413,556 are to be kept as the reserve for the distribution in the following years.

## Results and future developments

The results for the year are stated on page 5, and show a total comprehensive income for the year of EUR 4,762,646 (2015: loss EUR 3,329,279). The directors are in the opinion that future developments in the business of the company will result in the next profitable years. There were no important events affecting the company which have occurred since the end of the accounting period.

## Directors

The directors of the company are:

Carmelo Borg
Slim Bouricha
Vagn Lehd Moller

Under the provisions of the company's Memorandum and Articles of Association, the present directors continue in office.

## Auditors

A resolution will be submitted to the Annual General Meeting to re-appoint BDO Malta as auditors to the company.

By order of the Board

Vagn Lehd Moller
Director

Carmelo Borg
Director

4, St. Michael
Guze Galea Street,
Qormi
QRM 2107
Malta

5 April 2017

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The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of its profit or loss for that year. In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## Statement of comprehensive income

| | Notes | 2016 EUR | 2015 EUR |
|---|---|---|---|
| Revenue | 4 | 15,128,611 | 9,018,000 |
| Cost of sales | | - | (24,913) |
| **Gross profit** | | 15,128,611 | 8,993,087 |
| Administrative expenses | 5 | (3,418,977) | (3,562,149) |
| Profit from operations | | 11,709,634 | 5,430,938 |
| **Finance expense** | 6 | (5,457,143) | (10,518,117) |
| **Finance Income** | 7 | 1,008,654 | 1,818 |
| Profit / (loss) before tax | | 7,261,145 | (5,085,361) |
| **Tax credit / (expense)** | 8 | (2,498,499) | 1,756,082 |
| (Loss) / profit from continuing operations | | 4,762,646 | (3,329,279) |
| **Total comprehensive (loss) / income** | | 4,762,646 | (3,329,279) |

## Statement of changes in equity

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | EUR | EUR | EUR |
| **At 31 December 2014** | 28,001,200 | 1,980,191 | 29,981,391 |
| **Comprehensive income** | | | |
| Loss for the year | - | (3,329,279) | (3,329,279) |
| **At 31 December 2015** | 28,001,200 | (1,349,088) | 26,652,112 |
| **Comprehensive income** | | | |
| Profit for the year | - | 4,762,646 | 4,762,646 |
| **At 31 December 2016** | 28,001,200 | 3,413,558 | 31,414,758 |

The notes on pages 9 to 22 form part of the financial statements.
Audit report pages 23 to 25.

JACK-UP INVESTCO 3 PLC
STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

| | Notes | 2016 EUR | 2015 EUR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 76,725,212 | 80,105,629 |
| Deferred tax assets | 10 | - | 699,249 |
| **Total non- current assets** | | 76,725,212 | 80,804,878 |
| **Current Assets** | | | |
| Trade and other receivables | 11 | 20,735,723 | 4,604,678 |
| Cash and cash equivalents | 12 | 56,794 | 91,925 |
| **Total current assets** | | 20,792,517 | 4,696,603 |
| **Total assets** | | 97,517,729 | 85,501,481 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 11,666 | 11,577 |
| **Total current liabilities** | | 11,666 | 11,577 |
| **Non-current liabilities** | | | |
| Loans from related parties | 14 | 64,292,055 | 58,837,792 |
| Deferred tax liability | 10 | 1,799,250 | - |
| **Total non-current liabilities** | | 66,091,305 | 58,837,792 |
| **Total liabilities** | | 66,102,971 | 58,849,369 |
| **NET ASSETS** | | 31,414,758 | 26,652,112 |
| **Issued capital and reserves** | | | |
| Share capital | 15 | 28,001,200 | 28,001,200 |
| Retained earnings | 16 | 3,413,558 | (1,349,088) |
| **TOTAL EQUITY** | | 31,414,758 | 26,652,112 |

These financial statements were approved by the Board of directors on 5 April 2017 and signed on its behalf by:

Vagn Lehd Moller
Director

Carmelo Borg
Director

The notes on pages 9 to 22 form part of the financial statements.
Audit report pages 23 to 25.

JACK-UP INVESTCO 3 PLC
STATEMENT OF CASH FLOWS
as at 31 December 2016

| | Notes | 2016 EUR | 2015 EUR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss) / profit before tax** | | 7,261,145 | (5,085,361) |
| Adjustment for: | | | |
| Depreciation of property, plant and equipment | | 3,380,416 | 3,380,406 |
| Finance expense | | 5,454,263 | 10,518,117 |
| | | 16,095,824 | 8,813,162 |
| Movement in working capital | | | |
| Increase in trade and other receivables | | (16,131,044) | (3,664,940) |
| Increase in trade and other payables | | 89 | (2,490,671) |
| **Cash generated from operations** | | (35,131) | 2,657,551 |
| **Net cash generated from operating activities** | | (35,131) | 2,657,551 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | - | (1,218,611) |
| **Net cash used in investing activities** | | - | (1,218,611) |
| **Financing activities** | | | |
| Bond repayment | | - | (40,000,000) |
| Bond call option | | - | (3,829,952) |
| Loans from related parties | | - | 43,501,952 |
| Interest paid | | - | (4,870,277) |
| **Net cash from financing activities** | | - | (5,198,277) |
| **Net (decrease)/increase in cash and cash equivalents** | | (35,131) | (3,759,337) |
| Cash and cash equivalents at the beginning of year | | 91,925 | 3,851,262 |
| **Cash and cash equivalents at the end of year** | 12 | 56,794 | 91,925 |

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## 1. Accounting policies

### 1.1. Changes in accounting policies

*a) New standards, interpretations and amendments effective from 1 January 2016*

The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the company:

- Improvements to IFRSs 2012-2014 (dated 25/09/2014, effective from year beginning on 01/01/2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exemption (issued on 18/12/2014, effective from year beginning on 01/01/2016)
- Amendments to IFRS 11: Accounting for Acquisition of Interests in Joint Operations (issued on 6/05/2014, effective from the year beginning on 01/01/2016)
- Amendments to IAS 1: Disclosure Initiative (Issued on 18/12/2014, effective from the year beginning on 01/01/2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Method of Depreciation and Amortisation (issued on 12/05/2014, effective from the year beginning 01/01/2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30/06/2014, effective from the year beginning on 01/01/2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12/08/2014, effective from the year beginning on 01/01/2016)

The applications of these new standards and amendments has had no impact on the disclosures or amounts recognized in the company's financial statements.

*b) New standards, interpretations and amendments as adopted by EU but not yet effective*

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company's future financial statements:

- IFRS 9 Financial Instruments (issued on 24/07/2014, effective from year beginning on 01/01/2018)
- IFRS 15 Revenue from Contracts with Customers (issued on 28/05/2014, effective from the year beginning 01/01/2018)

The effects of IFRS 15 Revenues from Contracts with Customers and IFRS 9 Financial Instruments are still being assessed, as these new standards may have a significant effect on the company's future financial statements. The company will assess the impact that the adoption of these and other Financial Reporting Standards will have in the financial statements of the company in the period of initial application.

*c) New standards, interpretations and amendments issued by IASB but not yet adopted by EU*

- Improvements to IFRSs 2014-2016 (dated 08/12/2016, effective from year beginning on 01/01/2017)
- IFRS 15 Revenue from Contracts with Customers - clarification (issued on 12/04/2016, effective from the year beginning on 01/01/2018)
- IFRS 16 Leases (issued on 13/01/2016, effective from the year beginning 01/01/2019)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19/01/2016, effective from the year beginning on 01/01/2017)
- Amendments to IAS 7: Disclosure Initiative (issued on 29/01/2016, effective from the year beginning on 01/01/2017)

## 1. Accounting policies (continued)

### 1.1. Changes in accounting policies (continued)

- Amendments to IAS 40: Transfers to Investment Property (issued on 08/12/2016, effective from the year beginning on 01/01/2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20/06/2016, effective for the year beginning on 01/01/2018)
- Amendments to IFRS 4: Applying IFRS 9 with IFRS 4 (issued on 12/07/2016, effective for the year beginning on 01/01/2018)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (issued on 08/12/2016, effective from the year beginning on 01/01/2018)

The company has not early adopted all these revisions to the requirements of IFRSs and the company's director is of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

*c) New standards, interpretations and amendments issued by IASB but not adopted by EU*

- IFRS 14 Regulatory Deferral Accounts (issued on 30/01/2014, effective from the year beginning 01/01/2016) - European Commission has decided not to endorse the standard
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between Investor and its Associate or Joint Venture (issued on 11/09/2014, effective from the year beginning 01/01/2016) - postponed indefinitely by European Commission

### 1.2. Revenue recognition

Revenue from the provision of services is recognised when the company has completed the agreed upon procedures and transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment.

### 1.3. Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided using the straight-line basis at the following rates:

| | | |
|---|---|---|
| Vessel | - | 3% per annum |
| Vessel - crane and main engine | - | 4% per annum |
| Vessel - jacking systems | - | 5% per annum |
| Vessel - other components | - | 8% per annum |
| Vessel - equipment and instruments | - | 20% per annum |
| Vessel - computer equipment | - | 33.33% per annum |

### 1.4. Foreign currencies

The financial statements of the company are presented in its functional currency, the Euro (EUR), being the currency of the primary economic environment in which the company operates.

## 1. Accounting policies - (continued)

### 1.4. Foreign currencies - (continued)

Transactions in foreign currencies during the year have been converted at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated at the rates of exchange ruling on the balance sheet date. Any gains or losses arising from these conversions are credited or charged to the Profit and Loss Account.

### 1.5. Taxation

The charge for current tax is based on the taxable income for the year. The taxable result for the year differs from the result as reported in the statement of comprehensive income because it excludes items which are not assessable or disallowed and it further excludes items that are taxable and deductible in other years. It is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefits is probable. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

### 1.6. Share capital and dividends

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Dividend distribution to the company's shareholders is recognised as liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

### 1.7. Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

## 1. Accounting policies - (continued)

### 1.7. Financial assets - (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the company's strategic investments in entities, qualifying as subsidiaries, associates or jointly controlled entities in separate financial statements of the company. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest rate method are recognised in profit or loss.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

### 1.8. Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings - Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method unless the cost of discounting is immaterial.

## 1. Accounting policies - (continued)

### 1.9. Financial risk management

### 1.9.1. Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk) credit risk and liquidity risk. The financial risks relate to the following financial instruments: debtors, cash and cash equivalents and trade and other creditors. The accounting policies with respect to these financial instruments are described above.

Risk management is carried out by the director under policies approved at the AGM. The director identifies and evaluates financials risks in close co-operation with the company's operating units. The director provides principles for overall risk management.

The reports on the risk management are produced periodically to the key management personnel of the company.

(a) Market risk

*(i) Price risk*

The Company has no significant exposure to the market risk, with respect to its operating income, as the company has entered a 10 year Bareboat charter with one of its owners. The revenue is based on internal financing costs and depreciation on asset value, the remaining contract period is eight years.

*(ii) Cash flow and fair value interest rate risk*

*The interest on the new financing is composed of a floating rate of EURIBOR plus a margin of 9.27% per annum. However an increase in interest will increase the bareboat revenue, with the same amount, hence an interest increase does not have any effect on the company's earnings.*

The company's cash flow and fair value interest rate risk is periodically monitored by the directors. The cash flow and fair value risk policy is approved by the directors.

Receivables and trade and other payables are interest free and have settlement dates within one year.

A sensitivity analysis is normally based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated - for example, change in exchange rates and change in market values.

In the case of the company it provides for the worst scenario by making full provisions for all investments held and hence profits or losses cannot be subjected to a sensitivity analysis that could shed any light on the effect of potential changes in market price.

*(iii) Foreign exchange risk*

Foreign exchange risk arises because the company has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the company is operating. Foreign exchange risk also arises when the company enters into transactions denominated in a currency other than their functional currency.

## 1. Accounting policies - (continued)

### 1.9. Financial risk management - (continued)

### 1.9.1. Financial risk factors - (continued)

Certain assets of the company comprise amounts denominated in foreign currencies. Similarly, the company has financial liabilities denominated in foreign currency. In general, the company seeks to maintain the financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thereby providing a natural hedge against foreign exchange risk.

(b) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- Cash and cash equivalents;
- Loans and receivables.

The company seeks to manage this risk by placing cash with quality financial institutions. Its receivables consist primarily of amounts due from shareholder (note 11) thereby considerably reducing the associated credit risks.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash flow for operations. The company manages its' risk to shortage of funds by monitoring forecast and actual cash flows.

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

All of the company's current financial liabilities at 31 December 2016 are due within 3 months from year end since they are trade and other payables.

### 1.10. Capital management

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

### 1.11. Fair value estimation

Cash and cash equivalents, debtors and trade and other creditors mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

## 2. Fundamental accounting concept

The directors have concluded that it is entirely appropriate that the financial statements have been prepared on a going concern basis because:

a) At 31 December 2016, the company's total assets exceeded its total liabilities by EUR 31,414,758 (2015: EUR 26,652,112). Furthermore, current assets exceed current liabilities by EUR 20,780,851 (2015: EUR 4,685,026).
b) The revenue for the next eight years is already contracted, and net earnings is looking favourable.

## 3. Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

## 4. Revenue

Revenue arises from the charter of the vessel to the shareholder.

## 5. Expenses by nature

| | 2015<br>EUR | 2015<br>EUR |
|---|---|---|
| Cost of sales | - | 24,913 |
| Salaries and social security contributions | 18,550 | 18,462 |
| Audit fee | 3,500 | 3,550 |
| Legal and professional fees | 8,934 | 153,299 |
| Depreciation of vessel and equipment | 3,380,416 | 3,380,406 |
| Registered office fees | 4,200 | 4,200 |
| Licences and registrations | - | - |
| Registration fees | 1,400 | 1,400 |
| Travelling expenses | 1,077 | 832 |
| Other expenses | 900 | - |
| Total cost of sales and administrative expenses | 3,418,977 | 3,587,062 |

## 6. Finance expense

| | 2016 EUR | 2015 EUR |
|---|---|---|
| Bank charges | 2,880 | 961,676 |
| Bond interest | - | 3,907,869 |
| Bond call option fees | - | 3,829,952 |
| Exchange rate loss | - | 647 |
| Other interest | - | 85 |
| Interest expense on loans from shareholder | 5,454,263 | 1,817,888 |
| | 5,457,143 | 10,518,117 |

## 7. Finance income

| | 2016 EUR | 2015 EUR |
|---|---|---|
| Loan interest income | 1,008,272 | - |
| Bank interest income | 379 | 1,503 |
| Exchange rate gain | 3 | 315 |
| | 1,008,654 | 1,818 |

## 8. Taxation

The tax expense for the year comprises:

| | 2016 EUR | 2015 EUR |
|---|---|---|
| Current taxation - Income tax expense | - | - |
| Deferred tax movement (note 10) | 2,498,499 | (1,756,082) |
| Total tax (credit)/expense for the year | 2,498,499 | (1,756,082) |

## 8. Taxation *(continued)*

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | 2016<br>EUR | 2015<br>EUR |
|---|---|---|
| Profit / (loss) before tax | 7,261,145 | (5,085,361) |
| Tax on profit / (loss) at 35% | 2,541,401 | (1,779,876) |
| *Tax effect of:* | | |
| Absorbed capital allowances | (3,724,547) | - |
| Difference between tax base and carrying amount of property, plant and equipment | 586,711 | 1,155,351 |
| Deferred tax movement (note 10) | 2,498,499 | (1,756,082) |
| Temporary differences adjustments from prior periods | - | 27,792 |
| Tax losses carried forward | 596,435 | 596,508 |
| Expenses not deductible for tax purposes | 1 | 226 |
| | 2,498,499 | (1,756,082) |

## 9. Property, plant and equipment

| | Vessel EUR | Vessel equipment and instruments EUR | Vessel computer equipment EUR | Total EUR |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 Jan 2015 | 82,154,419 | 140,373 | 101,562 | 82,396,354 |
| Additions | 1,204,640 | 14,807 | (836) | 1,218,611 |
| At 31 Dec 2015 | 83,359,059 | 155,180 | 100,726 | 83,614,965 |
| At 1 Jan 2016 | 83,359,059 | 155,180 | 100,726 | 83,614,965 |
| Additions | - | - | - | - |
| **At 31 Dec 2016** | **83,359,059** | **155,180** | **100,726** | **83,614,965** |
| **Accumulated depreciation** | | | | |
| At 1 Jan 2015 | 125,301 | 1,076 | 2,554 | 128,930 |
| Depreciation | 3,316,020 | 33,350 | 31,036 | 3,380,406 |
| At 31 Dec 2015 | 3,441,321 | 34,426 | 33,590 | 3,509,336 |
| At 1 Jan 2016 | 3,441,321 | 34,426 | 33,590 | 3,509,337 |
| Depreciation | 3,316,020 | 33,360 | 31,036 | 3,380,416 |
| **At 31 Dec 2016** | **6,757,341** | **67,786** | **64,626** | **6,889,753** |
| **Net Book Value** | | | | |
| At 31 Dec 2014 | 82,029,119 | 139,297 | 99,008 | 82,267,424 |
| At 31 Dec 2015 | **79,917,738** | **120,754** | **67,136** | **80,105,629** |
| **At 31 Dec 2016** | **76,601,718** | **87,394** | **36,100** | **76,725,212** |

## 10. Deferred tax

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Accelerated capital allowances | (6,308,092) | (4,599,211) |
| Tax losses carried forward | 596,435 | 596,508 |
| Unabsorbed capital allowances c/f | 3,912,407 | 4,701,952 |
| Total deferred tax asset / (liability) | (1,799,250) | 699,249 |

The movement on the deferred tax account is shown below:

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Deferred tax asset/(liability) - at 1 January | 699,249 | (1,056,833) |
| Recognised in profit and loss (note 8) | (2,498,499) | 1,756,082 |
| Deferred tax asset /(liability) - at 31 December | (1,799,250) | 699,249 |

## 11. Trade and other receivables

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Amounts due from shareholder (note i) | 20,732,786 | 4,595,903 |
| Prepayments | 850 | 850 |
| Other receivables | 2,087 | 7,925 |
| | 20,735,723 | 4,604,678 |

note i Amounts due from shareholder are unsecured, bear an interest 9.27% and are repayable on demand (note 17).

## 12. Cash and cash equivalents

Cash and cash equivalents for purposes of the statement of cash flows comprises:

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Cash and cash equivalents | 64,201 | 99,335 |
| Bank overdraft | (7,407) | (7,410) |
| | 56,794 | 91,925 |

## 13. Trade and other payables

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Accruals | 11,666 | 11,577 |

## 14. Loans and borrowings

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| Amounts due to shareholders (note i) | 64,292,055 | 58,837,792 |

note i Loans payable to shareholders are unsecured, carry an interest rate of 9.27% per annum.

## 15. Share Capital

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| *Authorised:* | | |
| 14,000,600 ordinary 'A' shares of EUR 1 each and 14,000,600 ordinary 'B' shares of EUR 1 each | 28,001,200 | 28,001,200 |
| *Issued and 100% paid up:* | | |
| 14,000,600 ordinary 'A' shares of EUR 1 each and 14,000,600 ordinary 'B' shares of EUR 1 each | 28,001,200 | 28,001,200 |

The holder or holders of a majority in nominal value of the ordinary 'A' or 'B' shares shall be entitled to nominate 1 Director for each class of shares. The holder or holders of a majority in nominal value of the ordinary 'A' and 'B' shares shall be entitled to nominate 1 Director jointly. All other rights of 'A' and 'B' class of shares are equal for all intents and purposes of law.

## 16. Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|---|---|
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

## 17. Related Party Transactions and Balances

Transactions and balances entered into with other group undertakings are considered to be related party transactions and balances which are separately disclosed in notes 4, 11, 13, and 14 to the financial statements.

**Remunertion of key management personnel**

Directors' remuneration is disclosed in note 18 staff costs and employee information.

## 18. Staff costs and employee information

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| *Staff costs* | | |
| Directors' emoluments | 18,550 | 18,462 |
| Social security costs | - | - |
| | 18,550 | 18,462 |

The average number of employees during the year was 1

## 19. Statutory information

Jack-Up Investco 3 plc was incorporated in Malta (C 57037) on 23 July 2012 under the provision of Merchant Shipping Regulations, 2004. On 15 December 2014 the Company has changed it status to the public limited liability company registered under the Companies Act, 1995.

The parent company is Ziton A/S (formerly known as DBB Jack-Up Services A/S, registered in Denmark, reg #24620417) and the ultimate parent company is Anpartsselskabet af 1. December 2011 ApS (registered in Denmark, reg #34078564). The group is a part of a fund managed by a private investment firm BWB Partners (http://www.bwbp.dk/en/).

In the opinion of the directors, there is no ultimate controlling party of the Group.

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# INDEPENDENT AUDITOR'S REPORT
## To the Shareholders of Jack-Up Investco 3 plc

### *Report on the Audit of the Financial Statements*

We have audited the financial statements of Jack-Up Investco 3 plc («the Company»), set out on pages 5 to 22, which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

BDO Malta, a civil partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.
The firm is registered as a firm of Certified Public Accountants in terms of the Accountancy Profession Act.
Partners: John J. Attard, John A. Psaila, Mark Attard, Sam Spiridonov

### *Responsibilities of the Directors*

As explained more fully in the Statements of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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## INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Jack-Up Investco 3 plc
(continued)

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Other Legal and Regulatory Requirements***

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- The information given in the directors' report is not consistent with the financial statements.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

**This report has been signed for and on behalf of BDO MALTA by Sam Spiridonov (Partner)**

BDO Malta
Certified Public Accountants
Registered Audit Firm

Tower Gate Place, Tal-Qroqq Street
Msida MSD 1703
Malta

5 April 2017

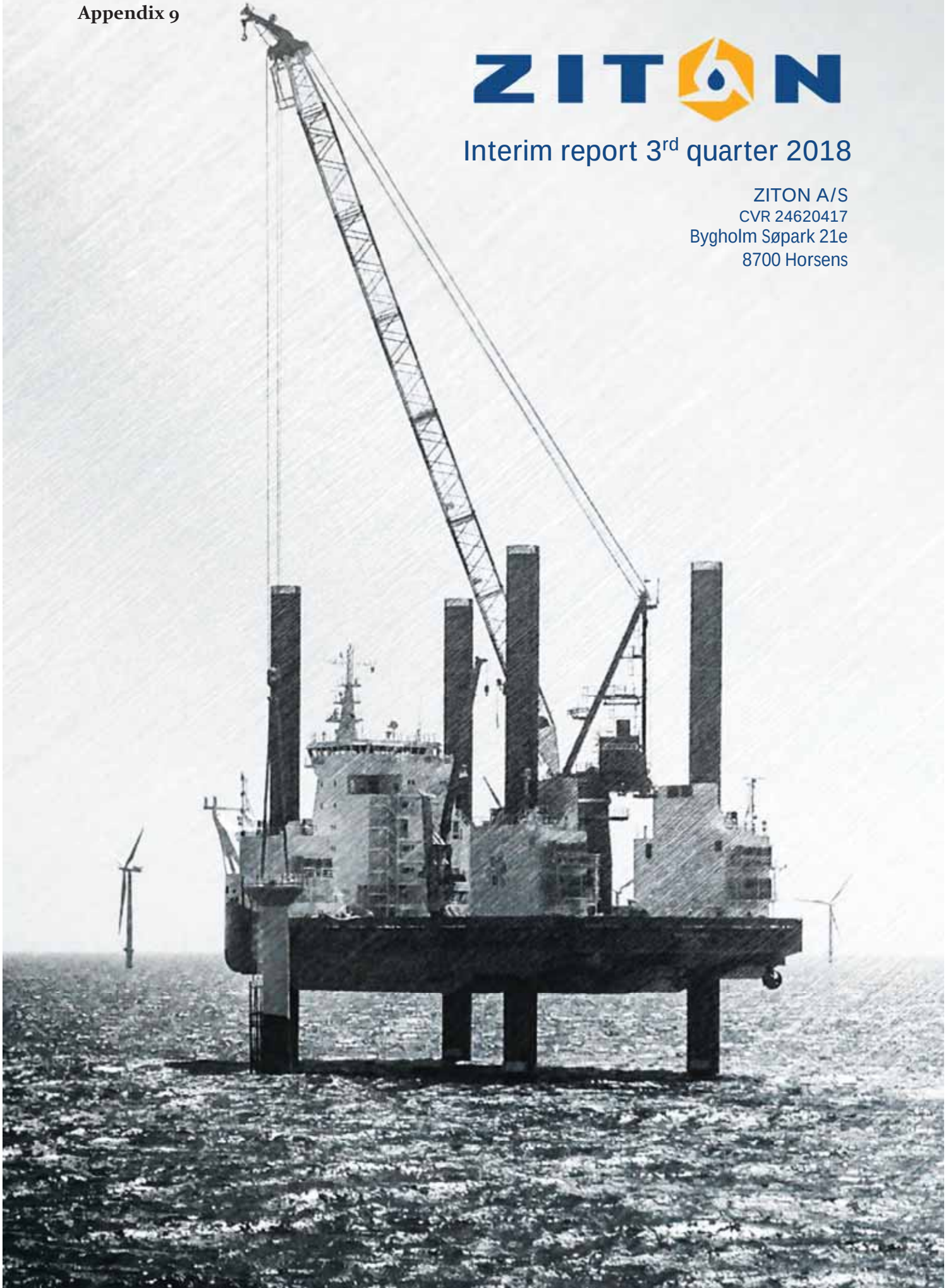
JACK-UP INVESTCO 3 PLC
DETAILED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

| | 2016 | 2015 |
|---|---|---|
| | EUR | EUR |
| **Income** | | |
| Revenue | 15,128,611 | 9,018,000 |
| **Cost of sales:** | | |
| Cost of sales | - | (24,913) |
| **Gross Profit** | 15,128,611 | 8,993,087 |
| **Administrative expenses :** | | |
| Auditor's remuneration | (3,500) | (3,550) |
| Bank charges | (2,880) | - |
| Depreciation | (3,380,416) | (3,380,406) |
| Director's emoluments | (18,550) | (18,462) |
| Legal and professional fees | (8,934) | (153,299) |
| Licences and registrations | (850) | - |
| Printing and stationery | (50) | - |
| Rent | (4,200) | (4,200) |
| Registration fees | (1,400) | (1,400) |
| Travel expenses | (1,077) | (832) |
| Miscellaneous expenses | 3 | - |
| | (3,421,854) | (3,562,149) |
| Finance expense | (5,454,263) | (10,518,117) |
| Finance income | 1,008,651 | 1,818 |
| **Profit / (loss) before tax** | 7,261,145 | (5,085,361) |

Appendix 9

# Interim report 3rd quarter 2018

ZITON A/S
CVR 24620417
Bygholm Søpark 21e
8700 Horsens



# Highlights of the report

## Highlights of Q3 2018

- During the quarter ZITON benefitted from decommissioning of an older windfarm and use of a vessel accommodation for cable repair. We maintained a satisfactory market share in Q3 2018.
- EBITDA was a EUR 8.1m profit in Q3 2018 compared to a profit of EUR 4.4m in Q3 2017. The main reason for the increase in EBITDA is the high activity level.
- The weighted average utilisation rate for Q3 2018 was at 97%, substantially above the full year guidance in the range of 80-90%.
- Performance during the first three quarters of 2018 was better than expected. Further, performance so far and sales pipeline for Q4 2018 is satisfactory. As a result, we expect our weighted average utilisation rate and EBITDA to be towards the upper end of the former guidance. However, cash flow from operating activities will be negatively affected by one-off financial costs of around EUR 4.2m related to refinancing in Q4 2018.

  Our updated guidance for the full year 2018 is:

  - **Weighted average utilisation rate**. We expect a utilisation rate in the range of 85%-90%, compared to previous guidance in the range of 80%-90%.
  - **EBITDA**. We expect EBITDA to be in the range of EUR 27-28m, compared to our previous guidance of EUR 25-28m.
  - **Cash flow from operating activities** is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 12-15m, compared to our previous guidance of EUR 15-18m.
  - **CAPEX.** We expect, unchanged, CAPEX of up to EUR 4.0m.

## Information in this report

The information in this interim report is submitted in accordance with the Bond Agreements on FRN ZITON A/S EUR 100,000,000 callable bonds 2018/2021 (ISIN NO 0010832488) and FRN second secured EUR 25,000,000 callable PIK bonds 2018/2022 (ISIN NO 0010832512). The Bonds are expected to be listed on Oslo Stock Exchange less than 60 days after the issue date on 3rd October 2018.

According to 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 uncertain and subject to risks, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. A multitude of factors can 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

During the third quarter the market activity remained high, mainly influenced by blade campaigns at two offshore wind farm sites. Regular major component replacement was at a satisfactory level.

During the quarter ZITON benefitted from decommissioning of an older windfarm. J/U WIND PIONEER was used for removal of 7 turbines and foundations. As the European offshore wind market matures, older WTGs will eventually reach the end of their useful life and will have to be decommissioned. ZITON has already carried out decommissioning of a number met mast and turbines and expects this area to become an increasingly contributor to overall revenues as turbines reach the end of their lifetime.
Further, a charter was concluded to use J/U WIND as accommodation vessel for cable repair.

We maintained a satisfactory market share in Q3 2018.

## Contract developments

No new contract development took place in the third quarter. ZITON's current contracts within offshore wind O&M includes:

- A three-year charter with Siemens Gamesa Renewable Energy ("SGRE") for J/U WIND SERVER; commenced on 14 March 2016. It is expected that SGRE will enter into a tender process to cover their future requirements.
- Framework agreement with Ørsted expiring in March 2019. It is expected that Ørsted will initiate a tender process to enter into a new framework agreement.
- Framework agreement with Vattenfall that expires in November 2019.
- In addition, we entered into a framework agreement with MHI Vestas Offshore Wind in December 2014. This agreement is prolonged until one of the parties cancels the agreement.

Having contracts with four of the leading players within the offshore wind industry demonstrates the strength of ZITON's business model of providing dedicated offshore wind O&M services and having vessels available at all times to ensure reduced wind turbine down-time.

## Competitive environment

ZITON operates in a satisfactory competitive environment, being the only dedicated provider of O&M services for major components replacement. All other jack-up companies have installation of new wind farms as their primary business.

## Utilisation rates

The weighted average utilisation rate for Q3 2018 was at 97%, substantially above the full year guidance in the range of 80-90%.

*Note: the weighted average utilisation rate is calculated as revenue during the quarter divided by full utilisation at standard rates of EUR 135k/day. Each vessel has a different weighting depending on its specifications.*

## Vessel status

J/U WIND SERVER remains on charter with Siemens Gamesa Renewable Energy, having commenced a three-year charter on 14 March 2016. During most of Q3 the vessel was employed on a blade campaign.

J/U WIND PIONEER and J/U WIND mainly operate on the framework agreements with Ørsted, Vattenfall and MHI Vestas Offshore Wind.

## Refinancing

On 3rd October 2018, ZITON successfully issued a three-year EUR 100 million senior secured bond loan and a three and a half year EUR 25 million second secured bond.

The proceeds are used to refinance the outstanding bond and subordinated debt and buy back a minority stake in the subsidiary Jack-up InvestCo 3 Plc, owned by Blue Water Capital S.A. and payment of transaction costs.

The outstanding bond FRN ZITON A/S Senior Secured Callable Bond Issue 2016/2019 (ISIN NO 0010751332) was repaid on 5th November 2018.

Partial repayment of subordinated debt and buy back a minority stake in the subsidiary Jack-up InvestCo 3 Plc, were completed on 11th October 2018.

At the end of Q3 2018 ZITON had liquidity of EUR 11.4m. Of this cash position EUR 9.8m was used in the refinancing process to further reduce debt. The use of proceeds appears from the table below.

| Use of proceeds (EUR ´000) | |
|---|---|
| Repayment of existing bond incl. redemption costs | 91 688 |
| Purchase of BWC's shares in Jack-Up InvestCo 3 Plc. | 23 658 |
| Partial repayment of subordinated loan | 17 000 |
| Transaction costs | 2 500 |
| General corporate purposes | -9 845 |
| **Total** | **125 000** |

The refinancing will have a one-off effect on financial costs in Q4 2018. The financial costs are related to repayment of the outstanding bond mainly to the 3.02% call premium, double interest until repayment and expensing of capitalised issue cost of the bond. The additional financial costs amount to EUR 4.2m.

The senior secured bonds, maturing in October 2021, will bear a floating coupon of 3 months EURIBOR + 6.90% (paid quarterly) and the second secured bonds, maturing in April 2022 will bear a floating coupon of 3 months EURIBOR + 11.85% PIK interest.

Listing of the bonds on Oslo Stock Exchange will take place within 60 days of settlement.

## Outlook for 2018

Performance during the first three quarters of 2018 was better than expected. Further, performance so far and sales pipeline for Q4 2018 is satisfactory. As a result, we expect our weighted average utilisation rate and EBITDA to be towards the upper end of the former guidance. However, cash flow from operating activities will be negatively affected by one-off financial costs of around EUR 4.2m related to refinancing in Q4 2018. Our updated guidance for the full year 2018 is:

- **Weighted average utilisation rate**. We expect a utilisation rate in the range of 85%-90% compared to previous guidance in the range of 80%-90%.
- **EBITDA**. We expect EBITDA to be in the range of EUR 27-28m, compared to our previous guidance of EUR 25-28m.
- **Cash flow from operating activities** is defined as EBITDA less changes in working capital and financial payments. We expect cash flows from operating activities of EUR 12-15m, compared to our previous guidance of EUR 15-18m.
- **CAPEX.** We expect, unchanged, CAPEX of up to EUR 4.0m.

## 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 38-39 and note 4.1 "Risk management" in the annual report 2017 pages 74-75. Apart from the general risks, we have identified no specific risks affecting the outlook for the financial year 2018.

# Financial Review

## REVIEW OF THE INCOME STATEMENT FOR Q3 2018

| INCOME STATEMENT<br>*EUR´000* | Q3 18 | Q3 17 | Change | YTD 18 | YTD 17 | Change |
|---|---|---|---|---|---|---|
| **Revenue** | **12 154** | **7 353** | **4 801** | **36 209** | **25 277** | **10 932** |
| OPEX and project-related expenses | -2 970 | -1 898 | -1 072 | -8 632 | -6 728 | -1 904 |
| SG&A | -1 128 | -1 076 | -52 | -3 493 | -3 586 | 93 |
| **EBITDA** | **8 056** | **4 379** | **3 677** | **24 084** | **14 963** | **9 121** |
| Depreciation | -1 973 | -1 997 | 24 | -5 869 | -5 935 | 66 |
| **EBIT** | **6 083** | **2 382** | **3 701** | **18 215** | **9 028** | **9 187** |
| Financials, net | -3 246 | -3 302 | 56 | -9 818 | -9 862 | 44 |
| **Income before tax** | **2 837** | **-920** | **3 757** | **8 397** | **-834** | **9 231** |
| | | | | | | |
| **Key ratios** | | | | | | |
| EBITDA margin | 66.3% | 59.6% | 6.7% | 66.5% | 59.2% | 7.3% |

### Review of income statement for Q3 2018

The fully consolidated results for ZITON shows net revenue for Q3 2018 of EUR 12.2m compared to EUR 7.4m in Q3 2017. The main reason for the increase in revenue is decommissioning of an older windfarm, where J/U WIND PIONEER was used for removal of 7 turbines and foundations. Further, a charter was concluded to use J/U WIND as accommodation vessel for cable repair.

Vessel OPEX and project related costs increased to EUR 3.0m in Q3 2018 from EUR 1.9m in Q3 2017. The main reason for the cost increase is the high activity level during the quarter.

SG&A expenses amounted to EUR 1.1m in Q3 2018 more or less unchanged compared to EUR Q3 2017.

EBITDA was a EUR 8.1m profit in Q3 2018 compared to a profit of EUR 4.4m in Q3 2017. The main reason for the increase in EBITDA is the high activity level.

The illustration below shows the development in EBITDA since 2016.

Depreciation charges of EUR 2.0m in Q3 2018 were unchanged compared to Q3 2017.

EBIT was a EUR 6.1m profit in Q3 2018 compared to a profit of EUR 2.4m in Q3 2017. The main reason for the increase in EBIT is the high activity level.

Financials, net at EUR -3.2m in Q3 2018 was unchanged compared to Q3 2017.

Income before tax was a EUR 2.8m profit in Q3 2018 compared to a EUR -0.9m loss in Q3 2017.

### Review of income statement YTD 2018

The fully consolidated results for ZITON shows net revenue for YTD 2018 of EUR 36.2m compared to EUR 25.3m YTD 2017, an increase of 43%. The main reason for the increase in revenue is solid execution of the strong pipeline of projects.

Vessel OPEX and project related costs increased to EUR 8.6m YTD 2018 from EUR 6.7m YTD 2017. The main reason for the cost increase is the high activity level, as well as expenses related to decommissioning projects.

SG&A expenses amounted to EUR 3.5m YTD 2018 slight a reduction compared to EUR 3.6m YTD 2017.

EBITDA was a EUR 24.1m profit YTD 2018 compared to a profit of EUR 15.0m YTD 2017, an improvement of 61%. The main reason for the increase in EBITDA is the improved activity level.

Depreciation charges of EUR 5.9m YTD 2018 were unchanged compared to YTD 2017.

EBIT was a EUR 18.2m profit YTD 2018 compared to a profit of EUR 9.0m YTD 2017. The main reason for the increase in EBIT is the improved activity level.

Financials, net at EUR -9.8m YTD 2018 was unchanged compared to YTD 2017.

Income before tax was a EUR 8.4m profit YTD 2018 compared to a EUR -0.8m loss YTD 2017.

## REVIEW OF BALANCE SHEET AT THE END OF Q3 2018

| BALANCE SHEET<br>*EUR´000* | Q3 18 | Q3 17 | Change | Q3 18 | Q4 17 | Change |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Vessel, including fixtures & equipment | 149 306 | 156 431 | -7 125 | 149 306 | 154 517 | -5 211 |
| Other non-current assets | 6 149 | 6 158 | -9 | 6 149 | 6 494 | -345 |
| **Non-current assets** | **155 455** | **162 589** | **-7 134** | **155 455** | **161 011** | **-5 556** |
| Trade and other receivables | 6 953 | 2 837 | 4 116 | 6 953 | 3 966 | 2 987 |
| Cash and cash equivalents | 14 048 | 4 855 | 9 193 | 14 048 | 2 754 | 11 294 |
| **Current assets** | **21 001** | **7 692** | **13 309** | **21 001** | **6 720** | **14 281** |
| **Total assets** | **176 456** | **170 281** | **6 175** | **176 456** | **167 731** | **8 725** |
| **Equity and Liabilities** | | | | | | |
| **Equity** | **39 252** | **34 505** | **4 747** | **39 252** | **33 844** | **5 408** |
| Subordinated loans | 38 701 | 35 249 | 3 452 | 38 701 | 35 560 | 3 141 |
| Bond loans | 88 347 | 93 781 | -5 434 | 88 347 | 90 923 | -2 576 |
| Bank loans and lease liabilities | 142 | 175 | -33 | 142 | 165 | -23 |
| Other liabilities | 10 014 | 6 571 | 3 443 | 10 014 | 7 239 | 2 775 |
| **Total liabilities** | **137 204** | **135 776** | **1 428** | **137 204** | **133 887** | **3 317** |
| **Total equity and liabilites** | **176 456** | **170 281** | **6 175** | **176 456** | **167 731** | **8 725** |
| **Key ratios** | | | | | | |
| Subordinated capital ratio | 44.2% | 41.0% | 3.2% | 44.2% | 41.5% | 2.7% |
| NIBD (adjusted for capitalised financing costs) | 75 094 | 90 320 | -15 226 | 75 094 | 89 410 | -14 316 |
| Loan to Vessel ratio (NIBD/Vessel book value) | 50.3% | 57.7% | -7.4% | 50.3% | 57.9% | -7.6% |

### Review of balance end of Q3 2018

The total value of the vessels amounted to EUR 149.3m at the end of Q3 2018. This compares to EUR 156.4m at the end of Q3 2017, and EUR 154.5m at the end of Q4 2017. The reduced value is due to depreciation of the vessels.

Trade and other receivables amounted to EUR 7.0m at the end of Q3 2018 compared to EUR 2.8m at the end of Q3 2017, and EUR 4.0m at the end of Q4 2017. The increase in receivables is mainly a consequence of high activity level.

Total equity increased to EUR 39.2m at the end of Q3 2018, as compared to EUR 34.5m at the end of Q3 2017, and EUR 33.8m at the end of Q4 2017. The higher equity is a result of positive earnings during the period.

The subordinated capital ratio (defined as total equity plus subordinated capital divided by total assets) at end of Q3 2018 was 44.2%. This is higher than 41.0% end of Q3 2017, and 41.5% at the end of Q4 2017. The subordinated capital ratio has a safe margin relative to the company's only financial covenant, which requires a subordinated capital ratio of 34.0% or higher, at the end of Q3 2018.

Senior Net Interest-Bearing Debt (NIBD) amounted to EUR 75.1m at the end of Q3 2018. This is lower than EUR 90.3m end of Q3 2017. Hence, the senior Loan to Vessel value stood at 50.3% at the end of the period.

## REVIEW OF STATEMENT OF CASH FLOWS FOR Q3 2018

| CASH FLOWS<br>*EUR´000* | Q3 18 | Q3 17 | Change | YTD 18 | YTD 17 | Change |
|---|---|---|---|---|---|---|
| **EBITDA** | **8 056** | **4 379** | **3 677** | **24 084** | **14 963** | **9 121** |
| Working capital adjustments | 2 226 | 1 459 | 767 | -3 135 | 570 | -3 705 |
| Financial payments, net | -1 976 | -2 088 | 112 | -5 986 | -6 402 | 416 |
| Other adjustments | 799 | -416 | 1 215 | 359 | 147 | 212 |
| **Net cash flows from operating activities** | **9 105** | **3 334** | **5 771** | **15 322** | **9 278** | **6 044** |
| Investing activities | -689 | -248 | -441 | -1 026 | -1 263 | 237 |
| **Net cash flows after investing activities** | **8 416** | **3 086** | **5 330** | **14 296** | **8 015** | **6 281** |
| Financing activities | - | - | - | -3 001 | -2 500 | -501 |
| **Net cash flows after financing activities** | **8 416** | **3 086** | **5 330** | **11 295** | **5 515** | **5 780** |

| Available liquidity | | | |
|---|---|---|---|
| **Cash and cash equivalents** | **14 048** | **4 855** | **9 193** |
| Cash on retention account | 2 696 | 2 699 | -3 |
| **Liquidity** | **11 352** | **2 156** | **9 196** |
| Available draw on working capital facility | 6 689 | 6 718 | -29 |
| **Available liquidity** | **18 041** | **8 874** | **9 167** |

### Review of cash flow statement

Cash flows from operating activities was positive of EUR 9.1m in Q3 2018 as result of positive EBITDA of EUR 8.1m that was partly counterbalanced by financial payments. Working capital adjustments were positive of EUR 2.2m during the quarter, mainly as trade receivables were reduced. The working capital adjustments are mainly a result of a reduction of trade receivables that were at a high level towards the end of Q2 2018.

Investing activities was at EUR 0.7m during Q3 2018.

Available liquidity including available draw on working capital facility amounted to EUR 18.0m at the end of Q3 2018. This is EUR 9.2m higher than at the end of Q3 2017, mainly due to positive operating cash flows during the period.

# Consolidated financial statements for ZITON A/S

| INCOME STATEMENT<br>*EUR´000* | Note | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|---|
| **Revenue** | 2 | **12 154** | **7 353** | **36 209** | **25 277** |
| Project-related expenses | | -616 | -61 | -2 021 | -928 |
| Operating expenses | | -2 354 | -1 834 | -6 611 | -5 805 |
| **Gross profit** | | **9 184** | **5 458** | **27 577** | **18 544** |
| Administrative expenses | | -362 | -389 | -1 184 | -1 518 |
| Staff costs, office staff | | -766 | -689 | -2 309 | -2 062 |
| **EBITDA** | | **8 056** | **4 380** | **24 084** | **14 964** |
| Depreciation and amortisation | | -1 973 | -1 997 | -5 869 | -5 935 |
| **EBIT** | | **6 083** | **2 383** | **18 215** | **9 029** |
| Financial income | | 1 | - | 1 | - |
| Financial expenses | | -3 247 | -3 302 | -9 819 | -9 862 |
| **Income before tax** | | **2 837** | **-919** | **8 397** | **-833** |
| Tax on profit (loss) | | -1 181 | -610 | -2 996 | -1 550 |
| **Income for the year** | | **1 656** | **-1 529** | **5 401** | **-2 383** |
| | | | | | |
| *Attributable to:* | | | | | |
| Owners of ZITON A/S | | 931 | -2 257 | 2 983 | -4 551 |
| Non-controlling interests | | 725 | 728 | 2 418 | 2 168 |
| **Income for the year** | | **1 656** | **-1 529** | **5 401** | **-2 383** |

| STATEMENT OF COMPREHENSIVE INCOME<br>*EUR´000* | Note | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|---|
| **Income for the year** | | **1 656** | **-1 529** | **5 401** | **-2 383** |
| | | | | | |
| *Items that will be reclassified subsequently to the income statement when specific conditions are met:* | | | | | |
| Exchange adjustments of foreign entities, net of tax | | 3 | 23 | 8 | 61 |
| **Total comprehensive income for the year, after tax** | | **1 659** | **-1 506** | **5 409** | **-2 322** |
| | | | | | |
| *Attributable to:* | | | | | |
| Owners of ZITON A/S | | 935 | -2 233 | 2 991 | -4 489 |
| Non-controlling interests | | 724 | 727 | 2 418 | 2 167 |
| **Total comprehensive income for the year, after tax** | | **1 659** | **-1 506** | **5 409** | **-2 322** |

| BALANCE SHEET<br>*EUR´000* | Note | Q3 2018 | Q3 2017 | Q4 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| ***Non-current assets*** | | | | |
| Vessels, including fixtures & equipment | 3 | 149 306 | 156 431 | 154 517 |
| Intangible assets | | 103 | 101 | 105 |
| Financial assets | | 6 046 | 6 057 | 6 055 |
| Deferred tax assets | | - | - | 334 |
| **Non-current assets** | | **155 455** | **162 589** | **161 011** |
| ***Current assets*** | | | | |
| Inventories | | 58 | - | 38 |
| Trade and other receivables | | 6 895 | 2 837 | 3 928 |
| Cash and cash equivalents | | 14 048 | 4 847 | 2 754 |
| **Current assets** | | **21 001** | **7 684** | **6 720** |
| **Total assets** | | **176 456** | **170 273** | **167 731** |
| **Equity and Liabilities** | | | | |
| ***Equity*** | | | | |
| Share capital | | 11 093 | 11 093 | 11 093 |
| Reserves | | 197 | 250 | 189 |
| Retained earnings | | 6 500 | 5 287 | 3 517 |
| **Total equity attributable to owners of ZITON A/S** | | **17 790** | **16 630** | **14 799** |
| Non-controlling interests | | 21 462 | 17 875 | 19 044 |
| **Total equity** | | **39 252** | **34 505** | **33 843** |
| **Liabilities** | | | | |
| ***Non-current liabilities*** | | | | |
| Subordinated loans | | 38 701 | 35 249 | 35 560 |
| Bank and bond loans | | 83 037 | 88 345 | 85 596 |
| Deferred income tax liabilities | | 6 807 | 4 098 | 4 029 |
| Provision for other liabilities | | - | - | - |
| **Total non-current liabilities** | | **128 545** | **127 692** | **125 185** |
| ***Current liabilites*** | | | | |
| Bank and bond loans | | 5 452 | 5 604 | 5 492 |
| Trade and other payables | | 2 308 | 1 602 | 2 008 |
| Provision for other liabilities | | 899 | 870 | 1 203 |
| **Total current liabilites** | | **8 659** | **8 076** | **8 703** |
| **Total liabilities** | | **137 204** | **135 768** | **133 888** |
| **Total equity and liabilites** | | **176 456** | **170 273** | **167 731** |

| STATEMENT OF CASH FLOWS<br>*EUR´000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Income before tax** | **2 837** | **-919** | **8 397** | **-833** |
| ***Operating activities*** | | | | |
| *Adjustments for non-cash items* | | | | |
| Reversal financial expenses, net | 3 246 | 3 302 | 9 750 | 9 862 |
| Depreciation and writedowns for the period | 1 973 | 1 997 | 5 869 | 5 935 |
| Other adjustments | 799 | -417 | 427 | 156 |
| *Working capital adjustments* | | | | |
| Change in trade receivables | 2 107 | 1 867 | -3 483 | 1 620 |
| Change in inventories | -17 | - | -20 | - |
| Change in trade payables | 136 | -408 | 368 | -1 050 |
| *Financial payments* | | | | |
| Financial receipts | - | - | - | - |
| Financial payments | -1 976 | -2 088 | -5 986 | -6 402 |
| *Income tax expense* | | | | |
| Income tax expense | - | - | - | - |
| **Net cash flows from operating activities** | **9 105** | **3 334** | **15 322** | **9 288** |
| ***Investing activities*** | | | | |
| Purchase of vessel, including fixtures & equipment (excl. interest) | -689 | -248 | -1 026 | -1 271 |
| Other cash flows from investing activites | - | - | - | - |
| **Net cash used in investing activities** | **-689** | **-248** | **-1 026** | **-1 271** |
| ***Financing activities*** | | | | |
| Proceeds from issuance of ordinary shares | - | - | - | - |
| Proceeds from bank and bond loans | - | - | - | - |
| Change of subordinated loans | - | - | - | - |
| Repayment of debt to bank and bond holders | - | - | -3 001 | -2 500 |
| **Net cash used/received in financing activities** | **-** | **-** | **-3 001** | **-2 500** |
| **Net (decrease)/increase in cash and cash equivalents** | **8 416** | **3 086** | **11 295** | **5 517** |
| Cash and cash equivalents at beginning of period | 5 633 | 1 761 | 2 753 | -670 |
| Exchange gains/losses on cash and cash equivalents | -1 | - | - | - |
| **Cash and cash equivalents at end of period*** | **14 048** | **4 847** | **14 048** | **4 847** |

** Cash and cash equivalents in the cash flow statement include drawings on working capital facility*

## STATEMENT OF CHANGES IN EQUITY

| YTD 18 | | Attributable to owners of ZITON A/S | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *EUR´000* | Share capital | *Reserve for warrants* | *Translation reserves* | Total reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 31 December 2017** | **11 093** | *143* | *46* | **189** | **3 517** | **14 799** | **19 044** | **33 843** |
| Total comprehensive income, after tax | - | - | 8 | 8 | 2 983 | 2 991 | 2 418 | 5 409 |
| **Balance at YTD** | **11 093** | *143* | *54* | **197** | **6 500** | **17 790** | **21 462** | **39 252** |

### Share capital

In 2018, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

### Reserves

Reserves on equity 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 different from DKK and translation from the functional currency to the presentation currency.

| YTD 17 | | Attributable to owners of ZITON A/S | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *EUR´000* | Share capital | *Reserve for warrants* | *Translation reserves* | Total reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 31 December 2016** | **11 093** | *143* | *45* | **188** | **9 838** | **21 119** | **15 705** | **36 824** |
| Total comprehensive income, after tax | - | - | *62* | 62 | -4 551 | -4 489 | 2 167 | -2 322 |
| **Balance at YTD** | **11 093** | *143* | *107* | **250** | **5 287** | **16 630** | **17 872** | **34 502** |

### Share capital

In 2017, the share capital consisted of 82,782,192 shares of DKK 1 each (EUR 11,093K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 67,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

## Note 1 – Total Comprehensive Income by Quarter

| Income statement by quarter<br>*EUR´000* | Q3 18 | Q2 18 | Q1 18 | Q4 17 | Q3 17 |
|---|---|---|---|---|---|
| **Revenue** | **12 154** | **12 967** | **11 088** | **7 950** | **7 353** |
| Project-related expenses | -616 | -577 | -828 | -353 | -61 |
| Operating expenses | -2 354 | -2 394 | -1 863 | -2 368 | -1 834 |
| **Gross profit** | **9 184** | **9 996** | **8 397** | **5 229** | **5 458** |
| Administrative expenses | -362 | -510 | -312 | -182 | -389 |
| Staff costs, office staff | -766 | -791 | -752 | -761 | -688 |
| **EBITDA** | **8 056** | **8 695** | **7 333** | **4 286** | **4 381** |
| Depreciation | -1 973 | -1 954 | -1 942 | -1 996 | -1 997 |
| **EBIT** | **6 083** | **6 741** | **5 391** | **2 290** | **2 384** |
| Financial income | 1 | - | - | - | - |
| Financial expenses | -3 247 | -3 295 | -3 276 | -3 306 | -3 302 |
| **Income before tax** | **2 837** | **3 446** | **2 115** | **-1 016** | **-918** |

## Note 2 - Segment reporting

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 revenue and expenses. As all three jack-up vessels including Contractors operate on similar assignments, management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

### Revenue

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

| Geographical distribution of revenue<br>*EUR´000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| Denmark | 6 842 | 4 699 | 23 172 | 11 550 |
| Sweden | 2 834 | - | 3 421 | - |
| UK | 2 284 | 2 397 | 7 972 | 12 864 |
| Germany | 194 | 257 | 709 | 257 |
| Holland | - | - | 700 | 606 |
| Belgium | - | - | 235 | - |
| **Total** | **12 154** | **7 353** | **36 209** | **25 277** |

Sales to the four largest customers (above 10% of total revenue) make up 50%, 17%, 14% and 13%, respectively, of total revenue for YTD 2018 (YTD 2017: Top sale to the largest costumers above 10% were two costumers respectively 72% and 10%).

# Note 3 - Vessels and equipment

| YTD 18<br>*EUR´000* | Fixtures & equipment | Vessels | Total |
|---|---|---|---|
| Cost at 1 January | 775 | 184 296 | 185 071 |
| Exchange rate adjustments | -1 | -155 | -156 |
| Additions | 490 | 379 | 869 |
| Disposals | - | -101 | -101 |
| **Cost YTD** | **1 264** | **184 419** | **185 683** |
| Depreciation at 1 January | -195 | -30 356 | -30 551 |
| Exchange rate adjustments | - | 31 | 31 |
| Depreciation | -111 | -5 746 | -5 857 |
| Disposals | - | - | - |
| **Depreciation YTD** | **-306** | **-36 071** | **-36 377** |
| Impairment losses at 1 January | - | - | - |
| Impairment losses YTD | - | - | - |
| **Carrying amount YTD** | **958** | **148 348** | **149 306** |
| **- of which capitalised interests** | | 17 384 | 17 384 |

| YTD 17<br>*EUR´000* | Fixtures & equipment | Vessels | Total |
|---|---|---|---|
| Cost at 1 January | 693 | 183 395 | 184 088 |
| Exchange rate adjustments | - | 80 | 80 |
| Additions | 270 | 726 | 996 |
| Disposals | -94 | - | -94 |
| **Cost YTD** | **869** | **184 201** | **185 070** |
| Depreciation at 1 January | -318 | -22 458 | -22 776 |
| Exchange rate adjustments | - | -13 | -13 |
| Depreciation | -131 | -5 771 | -5 902 |
| Disposals | 50 | - | 50 |
| **Depreciation YTD** | **-399** | **-28 242** | **-28 641** |
| Impairment losses at 1 January | - | - | - |
| Impairment losses YTD | - | - | - |
| **Carrying amount YTD** | **470** | **155 959** | **156 429** |
| **- of which capitalised interests** | | 18 501 | 18 501 |

### 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 at the amount by which the 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 the total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters and by using estimated utilisation and average day rates for the "open charter periods".

- The estimated utilisation is based on projected future installation of offshore turbines, the average rate

which a turbine needs assistance from a jack-up vessel in the turbine's lifetime and ZITON´s expected market share.

- Average day rates are based on either already signed framework agreement or historical prices.

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

Management's assessment of indication of impairment on vessels is based on the cash-generating unit (CGU) in which all jack-up vessels including Contractors 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 and a determined WACC of 8.1% and a growth rate in the terminal period of 0%.

The value in use was estimated to be materially higher than the carrying amount of EUR 148,348k

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.

## Note 4 - Commitments and contingencies

Since the end of 2017, no significant changes have occurred to contingent assets and liabilities other than those referred to in the annual report for 2017. The performance guarantee of EUR 1,732k for a decommissioning project in United Kingdom has been cancelled as the project was successfully completed. The performance guarantee to Siemens, amounts to EUR 1,184k end of the Q3 18 (end 2017: EUR 2,961k).

## Note 5 - Related party transactions

No significant changes have occurred to related parties or types and scale of transactions with these parties other than what is disclosed in the annual report for 2017.

## Note 6 - Subsequent events

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

## Note 7 – Basis of reporting

### Accounting policies

*Basis of consolidation*

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

The accounting policies adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The adoption did not affect recognition and measurement as disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim report of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. As presented in our annual report of 31 December 2017, the we applied the five-step model framework on our current revenue streams and did not identify any significant effect on recognition and measurement. The Group adopted IFRS 15 using the modified retrospective method of adoption, for contracts that were not completed at 31 December 2017. At 31 December 2017 only two contracts were not completed, it was the ongoing charter with J/U WIND SERVER and a project compromising of two interventions, were only one intervention was completed before 31 December 2017. As mentioned above there are no changes in recognising the revenue between the old revenue standards and the new IFRS 15, hence there are no monetary effect in adopting IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9, does not have an effect on the recognition, measurement and disclosure on the interim report.

For a complete description of accounting policies, please refer to the pages 61-63 in the annual report 2017.

*Risks*

We have identified no specific risks affecting the outlook for the remainder of the financial year 2018. For a description of ZITON A/S risks, please refer to the Risk Management section on pages 38-39 and note 4.1 "Risk management" in the consolidated annual report 2017 pages 74-75.

## Management statement

The Board of Directors and Executive Management have considered and approved the interim report for ZITON A/S for the third of 2018. The interim report has not been audited or reviewed by the company's independent auditor.

The interim report for the third quarter of 2018 has been prepared in accordance with IAS 34, and disclosure requirements for issuers of bonds listed on the Oslo Stock Exchange.

In our opinion the interim report gives a true and fair view of the ZITON's assets, liabilities, and financial position at 30 September 2018, and of the results of the ZITON's operations and cash flow for the first three quarters of 2018.

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

Horsens, 15 November 2018

Executive Management

_____
Thorsten Jalk
CEO

Board of Directors

| | | |
|---|---|---|
| Vagn Lehd Møller<br>Chairman | Ove Carsten Eriksen | Esben Bay Jørgensen |
| Lars Thorsgaard Jensen | Niels Ørskov Christensen | Morten Melin |

## Financial calendar 2019

Interim report Q4 2018 – 28 February 2019
Annual report 2018 – 24 April 2019
Interim report Q1 2019 – 16 May 2019
Interim report Q2 2019 – 27 August 2019
Interim report Q3 2019 – 19 November 2019

## For further information, please contact

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**Appendix 10**

ZITON

# Jack-Up InvestCo 2 A/S

## Interim report 3rd quarter 2018

**Management statement**

The financial report has not been audited or reviewed by the company's independent auditor.

The financial report does not comprise a full financial statement in accordance with group reporting framework, hence the following financial statements presented comprise of the *Profit and loss, Balance sheet and cash flows* of Jack-Up InvestCo 2 A/S for Q3 2018.

**INCOME STATEMENT**

| *DKK'000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Revenue** | **14 051** | **14 244** | **42 875** | **43 550** |
| Operating expenses | -14 | - | -45 | -28 |
| **EBITDA** | **14 037** | **14 244** | **42 830** | **43 522** |
| Depreciation and amortisation | -5 326 | -4 363 | -15 964 | -13 015 |
| **EBIT** | **8 711** | **9 881** | **26 866** | **30 507** |
| Net Financial items | -7 128 | -8 225 | -22 064 | -25 521 |
| **Income before tax** | **1 583** | **1 656** | **4 802** | **4 986** |
| Tax on profit (loss) | -1 980 | -1 912 | -4 176 | -3 631 |
| **Income for the year** | **-397** | **-256** | **626** | **1 355** |

**BALANCE SHEET**

| *DKK'000* | Sep-18 | Sep-17 |
|---|---|---|
| **Assets** | | |
| ***Non-current assets*** | | |
| Vessels, including fixtures & equipment | 418 433 | 437 793 |
| Financial assets, Intercompany receivables | 161 220 | 113 306 |
| **Total non-current assets** | **579 654** | **551 099** |
| ***Current assets*** | | |
| Intercompany receivables and other receivables | 31 | - |
| Cash and cash equivalents | 24 | 35 |
| **Total current assets** | **55** | **35** |
| **Total assets** | **579 709** | **551 134** |
| **Equity and Liabilities** | | |
| ***Equity*** | | |
| Share capital | 500 | 500 |
| Retained earnings | -4 497 | -5 175 |
| **Total equity** | **-3 997** | **-4 675** |
| **Liabilities** | | |
| ***Non-current liabilities*** | | |
| Deferred income tax liabilities | 16 963 | 19 486 |
| Intercompany payables | 566 190 | 536 279 |
| **Total non-current liabilities** | **583 153** | **555 765** |
| ***Current liabilites*** | | |
| Intercompany and other payables | 553 | 43 |
| **Total current liabilites** | **553** | **43** |
| **Total liabilities** | **583 706** | **555 808** |
| **Total equity and liabilites** | **579 709** | **551 133** |

STATEMENT OF CASH FLOWS

| *DKK'000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Income for the year** | **-397** | **-256** | **626** | **1 355** |
| ***Operating activities*** | | | | |
| *Adjustments for non-cash items* | | | | |
| Reversal financial expenses, net | 7 128 | 8 225 | 22 064 | 25 521 |
| Depreciation and writedowns for the period | 5 326 | 4 363 | 15 964 | 13 015 |
| Reversed tax on profit for the year | 1 980 | 1 912 | 4 176 | 3 631 |
| *Working capital adjustments* | | | | |
| Change in trade receivables | - | - | - | - |
| Change in trade payables | - | - | - | - |
| Other adjustments* | -13 374 | -13 885 | -42 167 | -39 166 |
| **Net cash flows from operating activities** | **663** | **359** | **663** | **4 356** |
| ***Investing activities*** | | | | |
| Purchase of vessel, including fixtures & equipment (excl. interest) | -663 | -352 | -663 | -4 353 |
| **Net cash used in investing activities** | **-663** | **-352** | **-663** | **-4 353** |
| **Net (decrease)/increase in cash and cash equivalents** | **-** | **7** | **-** | **3** |
| Cash and cash equivalents at beginning of period | 24 | 28 | 24 | 32 |
| **Cash and cash equivalents at end of period*** | **24** | **35** | **24** | **35** |

*Cash and cash equivalents in the cash flow statement include drawings on working capital facility*
**Bareboat is not paid in cash*

# Jack-Up InvestCo 3 Plc.

## Interim report 3rd quarter 2018

**Management statement**

The financial report has not been audited or reviewed by the company's independent auditor.

The financial report does not comprise a full financial statement in accordance with group reporting framework, hence the following financial statements presented comprise of the *Profit and loss, Balance sheet and cash flows* of Jack-Up InvestCo 3 Plc. for Q3 2018.

**INCOME STATEMENT**

| *DKK'000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Revenue** | **23 526** | **29 046** | **78 728** | **88 340** |
| Operating expenses | -76 | -75 | -196 | -192 |
| **EBITDA** | **23 450** | **28 971** | **78 532** | **88 148** |
| Depreciation and amortisation | -6 290 | -6 343 | -18 651 | -18 810 |
| **EBIT** | **17 160** | **22 628** | **59 881** | **69 338** |
| Financial income | 8 282 | 5 218 | 22 705 | 13 452 |
| Financial expenses | -12 242 | -11 184 | -36 295 | -33 164 |
| **Income before tax** | **13 200** | **16 662** | **46 291** | **49 626** |
| Tax on profit (loss) | -2 397 | -5 838 | -10 261 | -17 376 |
| **Income for the year** | **10 803** | **10 824** | **36 030** | **32 250** |

**BALANCE SHEET**

| *DKK'000* | Sep-18 | Sep-17 |
|---|---|---|
| **Assets** | | |
| ***Non-current assets*** | | |
| Vessels, including fixtures & equipment | 528 236 | 552 195 |
| **Total non-current assets** | **528 236** | **552 195** |
| ***Current assets*** | | |
| Intercompany receivables and other receivables | 392 413 | 256 154 |
| Cash and cash equivalents | 104 | 185 |
| **Total current assets** | **392 517** | **256 340** |
| **Total assets** | **920 753** | **808 535** |
| **Equity and Liabilities** | | |
| ***Equity*** | | |
| Share capital | 208 788 | 208 393 |
| Retained earnings | 111 268 | 57 667 |
| **Total equity** | **320 056** | **266 060** |
| **Liabilities** | | |
| ***Non-current liabilities*** | | |
| Deferred income tax liabilities | 40 315 | 30 773 |
| Intercompany payables | 560 336 | 511 656 |
| **Total non-current liabilities** | **600 651** | **542 429** |
| ***Current liabilites*** | | |
| Intercompany and other payables | 45 | 45 |
| **Total current liabilites** | **45** | **45** |
| **Total liabilities** | **600 697** | **542 474** |
| **Total equity and liabilites** | **920 753** | **808 535** |

STATEMENT OF CASH FLOWS

| *DKK´000* | Q3 18 | Q3 17 | YTD 18 | YTD 17 |
|---|---|---|---|---|
| **Income for the year** | **10 803** | **10 824** | **36 030** | **32 250** |
| ***Operating activities*** | | | | |
| *Adjustments for non-cash items* | | | | |
| Reversal financial expenses, net | 3 960 | 5 966 | 13 590 | 19 712 |
| Depreciation and writedowns for the period | 6 290 | 6 343 | 18 651 | 18 810 |
| Reversed tax on profit for the year | 2 397 | 5 838 | 10 261 | 17 376 |
| *Working capital adjustments* | | | | |
| Change in trade receivables | - | - | - | - |
| Change in trade payables | - | - | - | - |
| Other adjustments* | -23 364 | -29 103 | -78 584 | -88 386 |
| **Net cash flows from operating activities** | **86** | **-132** | **-52** | **-238** |
| **Net (decrease)/increase in cash and cash equivalents** | **86** | **-132** | **-52** | **-238** |
| Cash and cash equivalents at beginning of period | 19 | 317 | 157 | 423 |
| **Cash and cash equivalents at end of period*** | **105** | **185** | **105** | **185** |

*Cash and cash equivalents in the cash flow statement include drawings on working capital facility*
** Bareboat is not paid in cash*

**Appendix 12**

*Execution version*

# GUARANTEE

dated 10 October 2018

relating to the following bond issues:

(i) Ziton A/S FRN senior secured EUR 125,000,000 callable bonds 2018/2021 - ISIN NO0010815616; and

(ii) Ziton A/S FRN second priority secured EUR 25,000,000 callable PIK bonds 2018/2021 - ISIN NO0010815616

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| | |
|---|---|
| issued by | JACK-UP INVESTCO 2 A/S; and<br>JACK-UP INVESTCO 3 PLC<br>as Guarantors |
| in favour of | NORDIC TRUSTEE A/S<br>as Security Agent |

SCHJØDT

**THIS GUARANTEE** (the "**Guarantee**") is entered into on ___ October 2018 by:

(1) **JACK-UP INVESTCO 2 A/S**, a company incorporated under the laws of Denmark with registration number 34589801; and

(2) **JACK-UP INVESTCO 3 PLC**, a company incorporated under the laws of Malta with registration number C 57037 (each a "**Guarantor**" and collectively, the "**Guarantors**")

**IN FAVOUR OF**

(3) **NORDIC TRUSTEE A/S** a company incorporated under the laws of Denmark with registration number 34705720,as Security Agent on behalf of the Secured Creditor(s) represented by the Bank and the Trustee respectively (the "**Security Agent**").

**WHEREAS:**

(A) Pursuant to a certain super senior working capital facility and guarantee agreement dated 2 October 2018 (the "**Working Capital Facility Agreement**"), the Super Senior Creditor(s) represented by Spar Nord A/S (the "**Bank**") agreed to grant Ziton A/S, being the parent company of the Guarantors (the "**Parent**") the Super Senior Working Capital Facility and a guarantee facility in the amount of DKK 55,000,000 subject to the terms and conditions set out therein.

(B) Pursuant to certain bond terms dated 3 October 2018 (the "**First Lien Bond Agreement**"), the First Lien Bondholders represented by Nordic Trustee AS (the "**Trustee**") agreed to grant the Parent a three year callable bond loan in an initial amount of EUR 100,000,000 and in a maximum tap issue amount of EUR 125,000,000 with ISIN NO0010832504, subject to the terms and conditions set out therein.

(C) Pursuant to certain bond terms dated 3 October 2018 (the "**Second Lien Bond Agreement**"), the Second Lien Bondholders represented by the Trustee agreed to grant the Parent a four year callable EUR 25,000,000 bond loan with ISIN NO0010832512, subject to the terms and conditions set out therein.

(D) On 2 October 2018, the Parent, the Security Agent, the Trustee and the Bank entered into a certain intercreditor agreement (the "**Intercreditor Agreement**"), pursuant to which the Super Senior Working Capital Facility and the Bond Issues (as defined below) shall be secured by a shared security package inter alia comprising this Guarantee, and whereby the Security Agent is to hold the benefit of the guarantee obligations created under this Guarantee for the benefit of itself and the other Secured Creditors.

**IT IS AGREED** as follows:

## 1. INTERPRETATION

### 1.1 Definitions

Capitalised terms and expressions shall have the following meaning in this Guarantee (including the preamble hereto), unless otherwise defined herein:

"**Bond Agreements**" means the First Lien Bond Agreement and Second Lien Bond Agreement.

"**Bondholders**" means the Bondholders under the First Lien Bond Agreement and the Second Lien Bond Agreement, and each as defined therein.

"**Bond Issues**" means the issue of bonds under the First Lien Bond Agreement and Second Lien Bond Agreement respectively.

"**FA Act**" means the Norwegian Financial Agreements Act of 1999 No. 46 (In Norwegian: "*finansavtaleloven*").

"**Finance Documents**" means (i) the Super Senior Finance Documents, (ii) the First Lien Bond Finance Documents and (iii) the Second Lien Bond Finance Documents.

"**First Lien Bond Finance Documents**" means the documents defined as "Finance Documents" in the First Lien Bond Agreement.

"**Guaranteed Obligations**" means any and all claims, obligations and liabilities outstanding under the Finance Document from time to time, including (without limitation) the Obligors' obligation to repay the Bonds together with all unpaid interests, default interest, costs, charges, expenses and any derived liability whatsoever of the Obligors towards the Secured Creditors under or in connection with the Finance Documents.

"**Guarantee Period**" means the period beginning on the date of this Guarantee and ending on the date when the whole of the Guaranteed Obligations irrevocably have been unconditionally and irrevocably paid and discharged in full and the Obligors have ceased to be under any further actual or contingent liability under or in connection with the Finance Documents.

"**Obligor**" means each of Parent and the Guarantors.

"**Second Lien Bond Finance Documents**" means the documents defined as "Finance Documents" in the Second Lien Bond Agreement.

"**Secured Creditors**" means (i) the Security Agent, (ii) the Super Senior Creditor(s), (iii) the Trustee and (iv) the Bondholders as represented by the Trustee.

"**Super Senior Creditor(s)**" means the Bank and any other creditors under the Super Senior Working Capital Facility Agreement.

"**Super Senior Finance Documents**" means the Super Senior Working Capital Facility Agreement, any guarantee facility agreement entered into between the Bank and the Parent or any Guarantor relating to performance guarantees in it ordinary course of business; the Security Documents and the Intercreditor Agreement.

"**Super Senior Working Capital Facility**" means the working capital provided to the Borrower under the Super Senior Working Capital Facility Agreement, in the form of a revolving facility (in Danish "*kassekredit*") and a guarantee facility (in Danish: "*garantiramme*"), and any refinancing or replacements thereof.

### 1.2 Construction

Unless otherwise stated in this Guarantee or if the context requires a different construction, the provisions of clause 1.2 (*Construction*) of the First Lien Bond Agreement apply to this

Guarantee as though they were set out in full in this Guarantee except that references to the First Lien Bond Agreement should be construed as references to this Guarantee.

## 2. GUARANTEE AND INDEMNITY

### 2.1 Guarantee and indemnity

Each of the Guarantors irrevocably and unconditionally:

(a) guarantees to the Security Agent, as for its own debt and not merely as surety (In Norwegian: "*selvskyldnergaranti*"), the due and punctual performance by the Parent of all of the Guaranteed Obligations;

(b) undertakes with the Security Agent that, whenever the Parent does not pay any amount of the Guaranteed Obligations when due, the Guarantors shall immediately on demand pay that amount to the Security Agent (on behalf of the Secured Creditors) or as it directs as if it was the principal obligor in respect of that amount together with default interest on the amount payable by the Guarantors from the date of demand until the date of payment, both before and after judgment; and

(c) undertakes to indemnify the Security Agent (on behalf of the Secured Creditors) upon its first written demand against any cost, loss or liability suffered by the Security Agent or the Secured Creditors if any of the Guaranteed Obligations is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Security Agent or the Secured Creditors would otherwise have been entitled to recover from the Guarantors. The amount payable by the Guarantors under this indemnity shall not in any event exceed the amount each of them would have had to pay under this Guarantee if the amount claimed had been recoverable on the basis of the guarantee granted by it pursuant to paragraphs (a) and (b) above.

### 2.2 Continuing guarantee

This Guarantee is a continuing guarantee for the Guaranteed Obligations from time to time and shall remain in full force and effect from the date hereof until the expiry of the Guarantee Period. The obligations of the Guarantors hereunder will extend to the ultimate balance of all sums payable by the Parent under or in connection with the Finance Documents, regardless of (i) any intermediate payment or discharge in whole or in part or (ii) the enforcement of any other security or guarantee for the Guaranteed Obligations.

## 3. REPRESENTATIONS

Each of the Guarantors represents and warrants to the Security Agent that:

(a) it is a limited liability company, duly incorporated and validly existing and registered under:

(i) Danish law in respect of JackUp InvestCo 2 A/S; and

(ii) Maltese law in respect of JackUp InvestCo 3 Plc,

and has the power to own its assets and carry on its business as it is being conducted;

(b) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of this Guarantee and the transactions contemplated hereby;

(c) this Guarantee constitutes its legal, valid and binding obligations, enforceable in accordance with its terms, and no further formalities are necessary or desirable to render this Guarantee enforceable against it; and

(d) the entry into and performance by it of, and the transactions contemplated by, this Guarantee do not and will not conflict with (i) any law or regulation applicable to it, (ii) its constitutional documents or (iii) any agreement or instrument binding upon it or any of its assets.

## 4. GUARANTEE LIMITATIONS

(a) Notwithstanding the obligations of the Guarantors pursuant to this Guarantee the maximum guarantee liability of each of the Guarantors hereunder shall always be limited to EUR 250,000,000 (or its equivalent in other currencies), plus any unpaid amount of interest, fees, liability and expenses under the Finance Documents.

(b) The obligations and liabilities of Jack-Up InvestCo 3 PLC under this Guarantee shall not extend to a point where it would infringe the provision of financial assistance within the meaning of Article 110 (1)(b) of the Companies Act (Cap. 386 of the laws of Malta).

## 5. REINSTATEMENT

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by the Security Agent in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Guarantors under this Guarantee will continue or be reinstated as if the discharge, release or arrangement had not occurred.

## 6. WAIVER OF DEFENCES, ETC.

### 6.1 Waiver of rights etc. – the FA Act

If and to the extent applicable, the provisions of the FA Act section 62 to and including section 74 shall not apply to this Guarantee.

### 6.2 Further waivers

The obligations of each of the Guarantors under this Guarantee will not be affected by an act, omission, matter or thing which, but for this Guarantee, would reduce, release or prejudice any of its obligations under this Guarantee (without limitation and whether or not known to it or the Security Agent) including:

(a) any time, waiver or consent granted to, or composition with, any Obligor or other person;

(b) the release of any Obligor or any other person under the terms of any composition or arrangement with any creditor;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;

(e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

(g) any insolvency or similar proceedings.

**6.3 Immediate recourse**

Each Guarantor waives any right it may have of first requiring the Security Agent (on behalf of the Secured Creditors) to proceed against or enforce any other rights or security or claim payment from any person before claiming from itself as Guarantor under this Guarantee. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

**6.4 Appropriations**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, the Security Agent may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by the Security Agent in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantors shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from the Guarantors or on account of each of the Guarantors' liability under this Guarantee.

**6.5 Deferral of the Guarantors' rights**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Security Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Guarantee:

(a) to be indemnified by an Obligor;

(b) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Security Agent under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by the Security Agent;

(d) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any of the Guarantors have given a guarantee, undertaking or indemnity under Clause 2.1 (*Guarantee and indemnity*);

(e) to exercise any right of set-off against any Obligor; and/or

(f) to claim or prove as a creditor of any Obligor in competition with the Security Agent.

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Security Agent by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Security Agent and shall promptly pay or transfer the same to the Security Agent or as the Security Agent may direct for application in accordance with clause 6 (*Application of monies*) of the Intercreditor Agreement.

### 6.6 Additional security

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee, pledge or security now or subsequently held by the Security Agent (on behalf of the Secured Creditors).

## 7. COVENANTS

Each Guarantor shall pay to the Security Agent all reasonable costs and expenses incurred by the Security Agent in connection with the exercise by it of its rights under this Guarantee.

## 8. ASSIGNMENT

The Security Agent may transfer its rights hereunder in accordance with the terms of and together with its rights and obligations under the Intercreditor Agreement, subject only to rendering a prior written transfer notice to each of the Guarantors.

## 9. NOTICES

Notices and other correspondence to the Security Agent or (as the case may be) the Guarantors hereunder shall be in writing and shall be sent by letter, facsimile or e-mail to the parties' respective addresses being:

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| The Security Agent: | Attention: Jacob Arenander<br>E-mail: arenander@nordictrustee.com |

| | |
|---|---|
| | Postal address: Bredgade 30, DK-1260 København K, Danmark |
| Jack-Up InvestCo 2 A/S: | Attention: Jens Michael Haurum (CFO)<br>E-mail: jmh@ziton.eu<br>Postal address: Borneovej 28, 8000 Aarhus C, Denmark |
| Jack-Up InvestCo 3 Plc: | Attention: Jens Michael Haurum (CFO)<br>E-mail: jmh@ziton.eu<br>Postal address: Borneovej 28, 8000 Aarhus C, Denmark |

or to such other addresses as may from time to time be notified by the relevant party. Notices and correspondence sent otherwise than by letter shall upon the Security Agent's request be confirmed by letter mailed immediately thereafter.

## 10. AMENDMENTS AND WAIVERS

This Guarantee may only be amended by an instrument in writing duly executed by the Parent and the Security Agent. No change, amendment, modification, waiver or termination of any provision, term or condition of this Guarantee shall be binding on the parties, unless it is made in writing.

## 11. COUNTERPARTS

This Guarantee may be executed in any number of counterparts, and this has the same effect as if the signatures (and seals, if any) on the counterparts were on a single copy of this Guarantee.

## 12. GOVERNING LAW AND JURISDICTION

(a) This Guarantee and any non-contractual obligations arising out of or in connection with this Guarantee are governed by Norwegian law.

(b) The parties hereto submit to the non-exclusive jurisdiction of the Norwegian courts, the venue to be the Oslo District Court (In Norwegian: *Oslo tingrett*).

(c) Paragraph (b) above is for the benefit of the Security Agent. As a result, the Security Agent shall not be prevented from taking proceedings in any other court with jurisdiction. To the extent permitted by law, the Security Agent may take concurrent proceedings in any number of jurisdictions.

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**SIGNATURE PAGE**

For and on behalf of
**JACK-UP INVESTCO 2 A/S**
(as Guarantor)

By: _____
Name: JENS M. HAMRUN
Title: CFO

For and on behalf of
**JACK-UP INVESTCO 3 PLC**
(as Guarantor)

By: _____
Name:
Title:

For and on behalf of
**NORDIC TRUSTEE A/S**
(as Security Agent)

By: _____
Name:
Title:

**SIGNATURE PAGE**

For and on behalf of
**JACK-UP INVESTCO 2 A/S**
(as Guarantor)

By: _____
Name:
Title:

For and on behalf of
**JACK-UP INVESTCO 3 PLC**
(as Guarantor)

By: _____
Name: Dr. Matthew Xerri LL.B., LL.M.(IMLI),LL.D.
Title: Attorney-in-fact

For and on behalf of
**NORDIC TRUSTEE A/S**
(as Security Agent)

By: _____
Name:
Title:

**SIGNATURE PAGE**

For and on behalf of
**JACK-UP INVESTCO 2 A/S**
(as Guarantor)

By: _____
Name:
Title:

For and on behalf of
**JACK-UP INVESTCO 3 PLC**
(as Guarantor)

By: _____
Name:
Title:

For and on behalf of
**NORDIC TRUSTEE A/S**
(as Security Agent)

By: _____
Name: JACOB ALEXANDER
Title: CEO

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