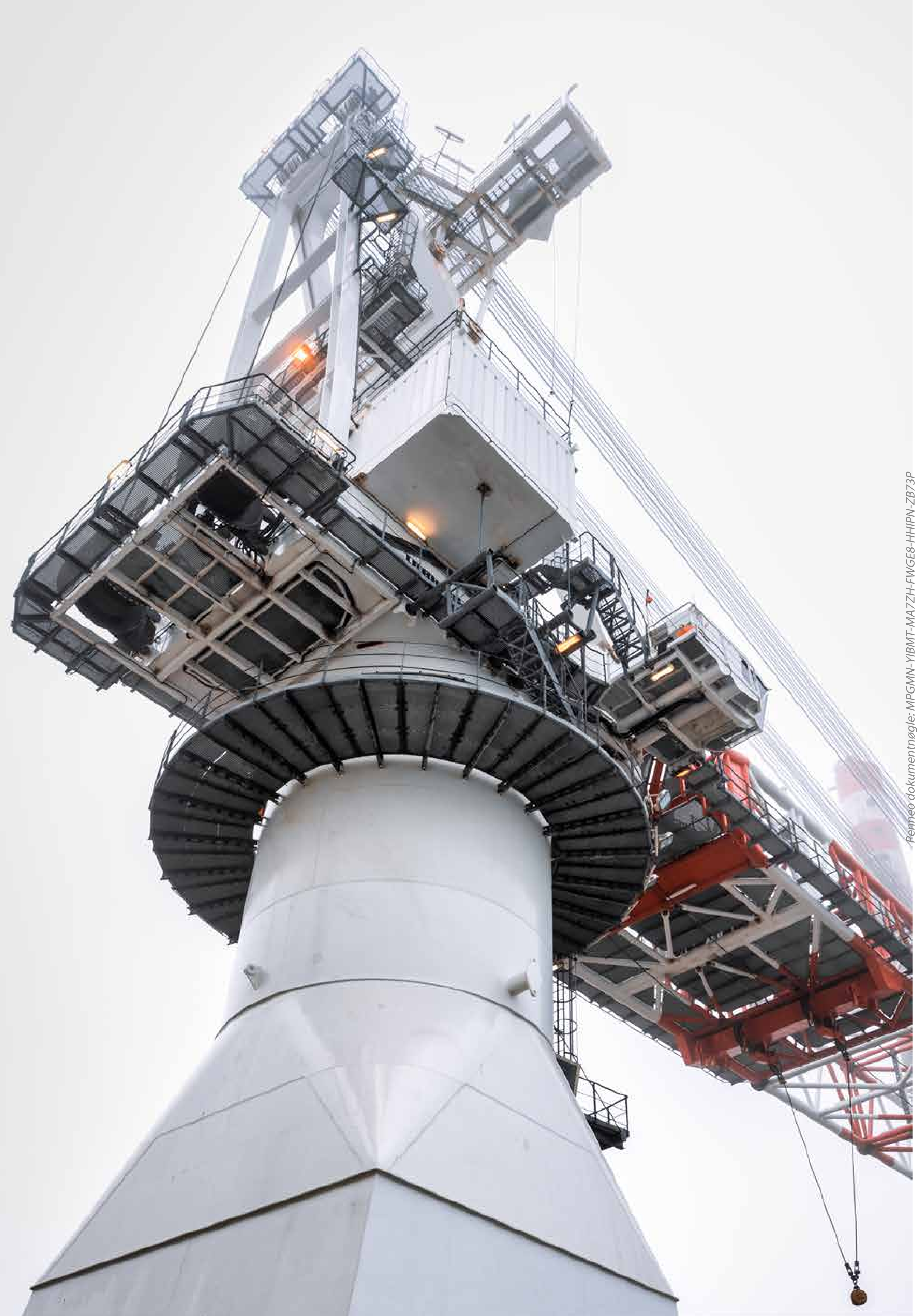
ANNUAL REPORT 2020



Crane at J/U WIND ENTERPRISE.

TABLE OF CONTENTS

ABOUT ZITON

THE OFFSHORE WIND INDUSTRY AND O&M SERVICES

STRATEGIC DIRECTION

BUSINESS PERFORMANCE

FINANCIAL STATEMENTS AND FINANCIAL REVIEW

LOOKING FORWARD

ZITON CEO Thorsten Jalk shares his perspectives on how ZITON will evolve over the coming years.

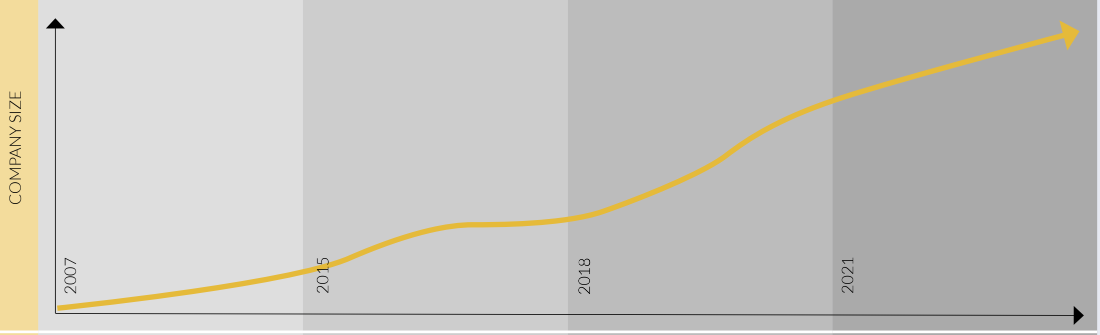
Thorsten Jalk, CEO, ZITON.

ZITON's history began in 2007 with the purchase of the vessel J/U WIND. Since then, we have expanded our fleet to four vessels and broadened our service to offer turnkey and full-service solutions. ZITON is located in the heart of Denmark's offshore wind industry. This has allowed us to build early relationships with key customers and to be on the forefront of developments in offshore wind. Over the past decade, we have developed and refined best practices for offshore wind O&M services together with our customers. And over the years, we have invested significantly to digitalise our business, enabling us to cost effectively scale the business. Recently, we have built a beachhead in Asia to explore new emerging markets.

With an objective of reducing greenhouse gas emissions, governments and companies around the world are investing billions in renewable energy, and offshore wind is one of the industries expected to benefit from this development. With the platform we have built at ZITON, we believe we are poised to benefit from the growth of offshore wind in the coming decades. We will continue to contribute to the industry with cost-effective O&M services to further improve the levelized cost of energy.

FOUR PERIODS WITH DIFFERENT STRATEGIC FOCUS

	BUILD THE FOUNDATION	OFFER FULL-SERVICE SOLUTIONS	SCALE THE BUSINESS	LEVERAGE THE PLATFORM FOR GROWTH

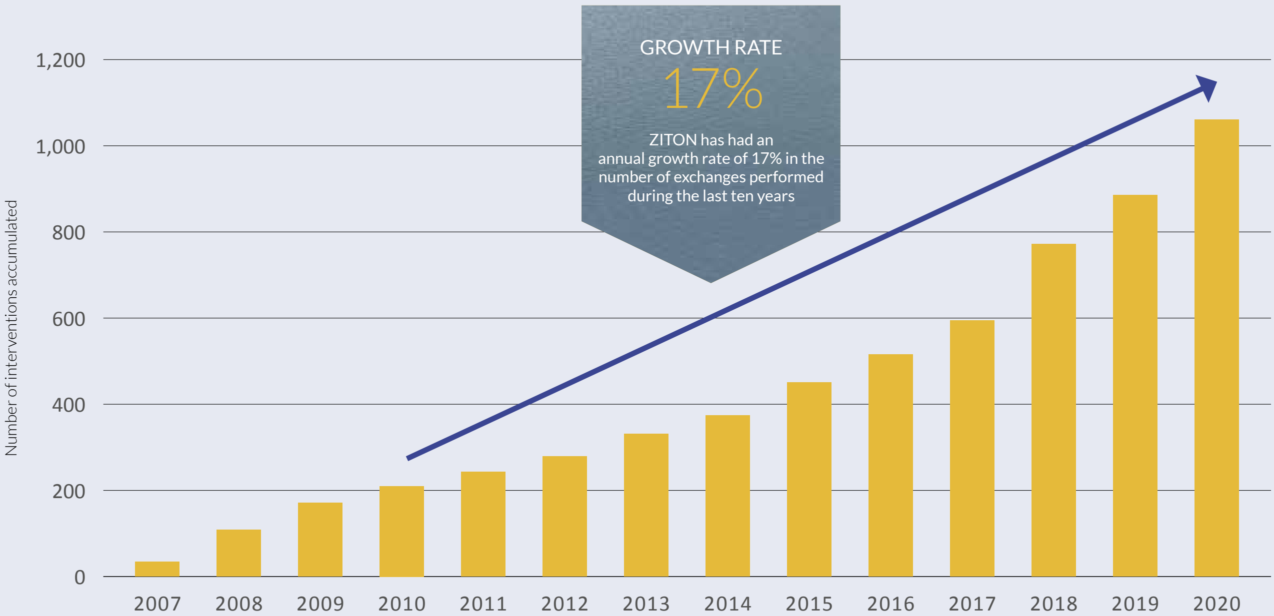


SERVICE OFFERING	A jack-up with a crane	Develop value-added services	Turnkey solutions, including blade repairs and decommissioning	Platform for expansion of services
VESSEL FLEET	From one to three vessels	Three vessels	Fourth vessel purchased to service 10+ MW turbines	Fleet expansion in line with increasing turbine sizes
GEOGRAPHY	Northern Europe	Northern Europe	Beachhead established for geographical expansion	Platform for geographical expansion
DIGITALISATION	Connectivity with customers	Automation of processes and data-driven decision-making	Digitalisation with new technologies such as machine learning, apps and cloud	Digitalisation making scalability of the business possible

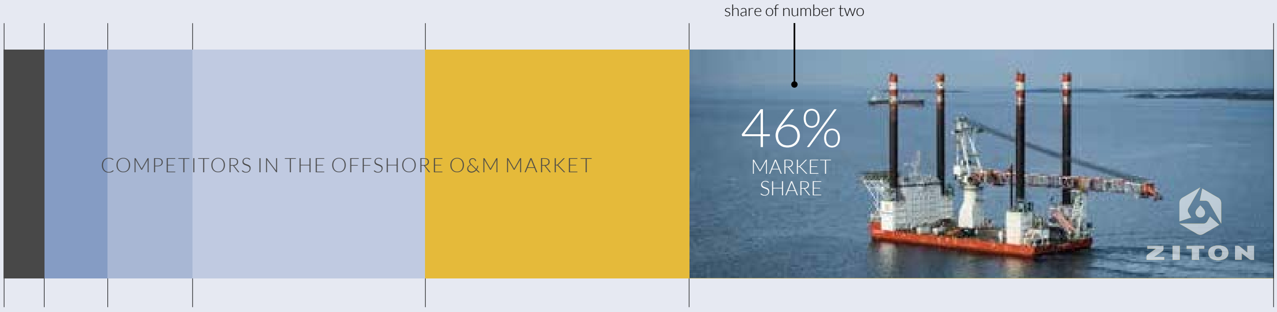
ZITON'S EXPERIENCE

ZITON is the market-leading service provider within offshore wind operations & maintenance. ZITON has carried out more than 1,000 service interventions at 59 wind farms across 7 countries.

ZITON has serviced more than two thirds of all northern European offshore wind farms



ZITON has had a market share of 46% in northern Europe over the past three-year period - double the market share of number two



J/U WIND ENTERPRISE

TECHNICAL SPECIFICATIONS

GENERAL INFORMATION

Length, overall: 100.0 m
Width, overall: 40.0 m
Hull depth: 8.0 m
Pre-drive capacity, active: 6,750 t/leg
Elevating speed: 0.7 m/minute
Transit speed: Approx. 6 knots
Accommodation: 28 single cabins for charterer and 20 single cabins for crew
Ownership: Owned since January 2021

CARGO CAPACITY

Payload: 4,500 t
Main deck area: Approx. 2,850 m²

MAIN CRANE AND LIFTING CAPACITY

Main crane: Liebherr BOS 35000
Main crane boom length: 102 m
Main crane max. lifting capacity: 800 t at 25 m radius at 116 m height above deck

OPERATING CONDITIONS

Service: Unrestricted (as per DNV rules)
Endurance: 21 days
Jacking operations - wave height: 2 m
Jacking operations - wind: 15 m/s
Jacking operations - tidal current: Up to 1.2 kn.
Jacking operations - max. depth: Up to 48m

J/U WIND SERVER

TECHNICAL SPECIFICATIONS

GENERAL INFORMATION
Length, overall: 79.6 m
Width, overall: 32.3 m
Hull depth: 7.4 m
Pre-drive 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
Ownership: Owned since 2014

CARGO CAPACITY
Payload: 1,500 t
Main deck area: Approx. 1,000 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

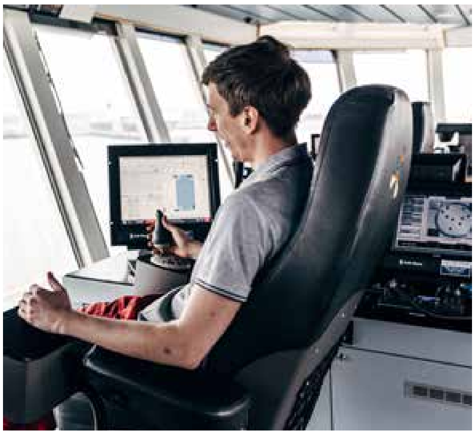
OPERATING CONDITIONS
Service: Unrestricted (as per DNV rules)
Endurance: 30 days
Jacking operations - wave height: Up to 2.6 m
Jacking operations - wind: Up to 15 m/s
Jacking operations - tidal current: Up to 3 kn.
Jacking operations - max. depth: Up to 45 m

J/U WIND PIONEER

TECHNICAL SPECIFICATIONS

GENERAL INFORMATION

Length, overall: 56.0 m
Width, overall: 28.0 m
Hull depth: 4.5 m
Pre-drive 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
Ownership: Owned since 2012



CARGO CAPACITY

Payload: 650 t
Main deck area: Approx. 530 m^2

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: R2 (as per DNV rules)
Endurance: 30 days
Jacking operations - wave height: Up to 1.35 m
Jacking operations - wind: Up to 14 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-drive capacity, active: 600 t/leg
Elevating speed: 0.7 m/minute
Transit speed: Approx. 6 knots
Accommodation: 20 single cabins for charterer and 11 single cabins for crew
Ownership: Owned since 2007

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: 30 t at 30 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

HANGOUT

HangOut is a crane-supported work platform used for basic repair of the tip and the leading edge of a blade.

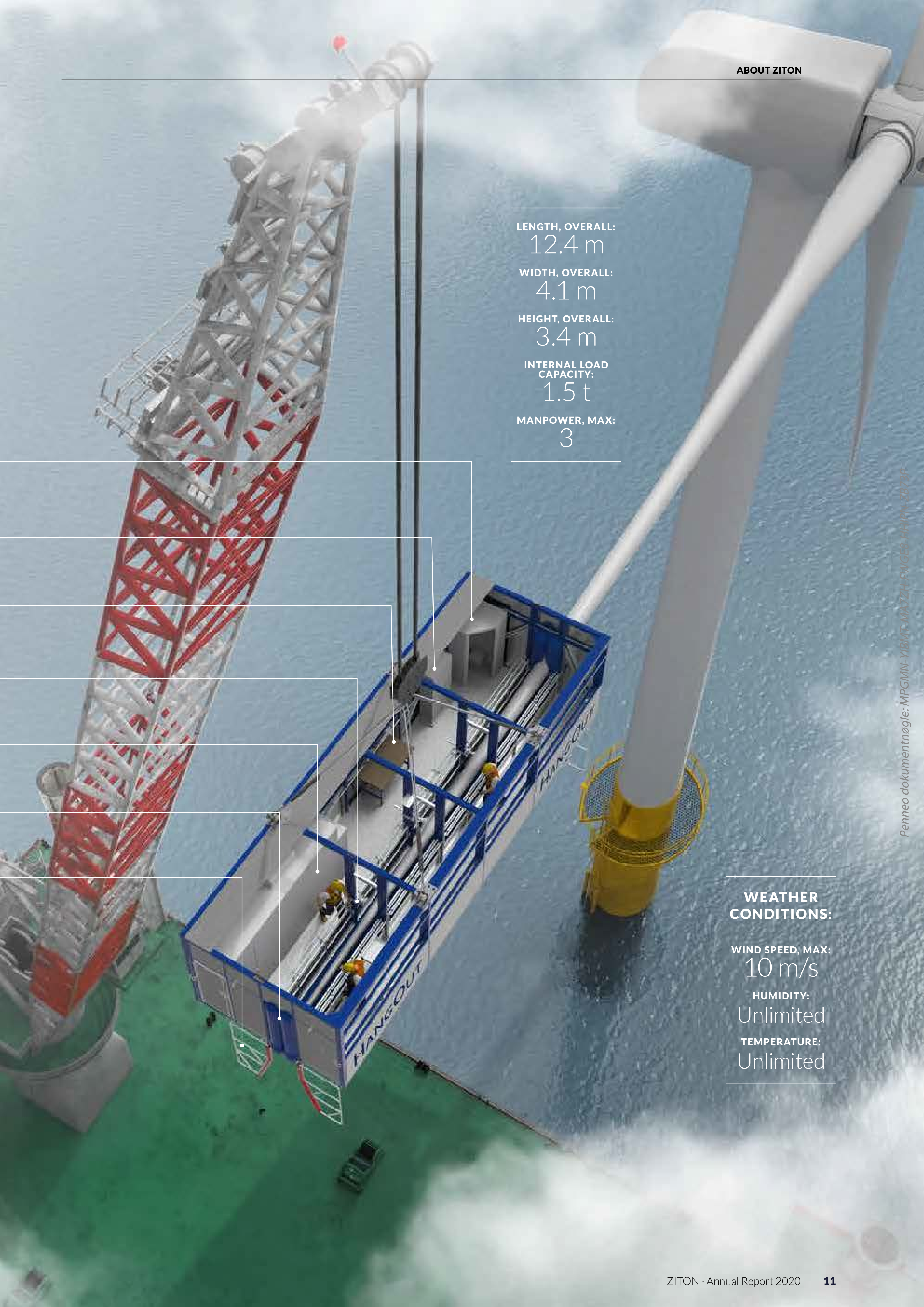
The HangOut was invented and manufactured in 2019 in collaboration with the Danish blade repair specialists from Flex Wind A/S. Through its team of highly experienced blade technicians and years of know-how, Flex Wind saw the potential and need for a working platform for blade repairs, which offered safe and protected working conditions for the technicians resulting in higher quality of the repairs.

The solution is CE certified, approved by DNV and patent pending in EU and China. It is an advanced platform with refined technical installations, which is raised from the deck of the jack-up and lowered over the tip of the blade using vacuum suction cups. The HangOut contains all the necessary equipment to make the repairs, and it provides a safe and protected working zone for blade technicians, including a work bench, PPE and tools storage, spine boards, monitors, bins, compressors, an exhaust system, high-pressure cleaners, fire extinguishers, a rescue hatch and an act-safe rescue system.

Furthermore, it is operational in harsher weather conditions than tolerated for basic blade repair performed using rope or other platform solutions, since it is possible to create the perfect humidity and temperature, and thus the perfect work environment for blade repair. This way, HangOut provides significantly more working days per year reducing costs and speeding up large-scale repair and leading-edge erosion campaigns significantly. At the same time, it also offers the opportunity to conduct repairs of much higher quality in the factory-like conditions.

The HangOut has a length of 12.4 metre, width of 4.1 metre and height of 3.4 metre. The internal load capacity is 1.5 tonnes, and it can carry up to three persons. It can operate in wind speeds of up to 10 metre per second, while it can operate under all humidity and temperature conditions as well as in weather with precipitation.

The illustration to the right shows HangOut with most of the details being raised from a jack-up and lowered over the blade of the wind turbine.


LENGTH, OVERALL:
12.4 m
WIDTH, OVERALL:
4.1 m
HEIGHT, OVERALL:
3.4 m
INTERNAL LOAD CAPACITY:
1.5 t
MANPOWER, MAX:
3
HANGOUT
HANGOUT
WEATHER CONDITIONS:
WIND SPEED, MAX:
10 m/s
HUMIDITY:
Unlimited
TEMPERATURE:
Unlimited

MANAGEMENT AND BOARD

ZITON's governance structure aims to support the Company's strategic development and long-term value creation.

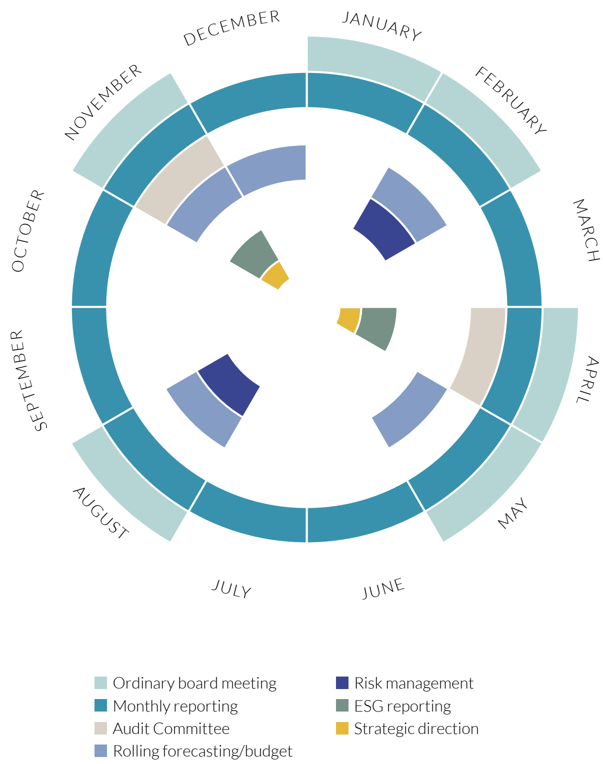
RESPONSIBILITIES OF THE BOARD

Pursuant to Danish legislation, ZITON has a two-tier management structure consisting of the Board of Directors and the Executive Management Team, with no one individual being a member of both. The division of responsibilities between the Board of Directors and the Executive Management Team is outlined in the Rules of Procedure for the Board of Directors.

In 2020, the Board of Directors held a total of eleven board meetings. This was an increase compared to prior years which was mainly due to the Board of Directors' focus on securing liquidity for developing and running the business. The board meeting attendance rate was at 95% in 2020, which is similar to the historical average.

	2016	2017	2018	2019	2020
Board meeting attendance rate *(Number of board meetings attended / number of board meetings * 100)*	96%	97%	97%	90%	95%

The Board of Directors has established an audit committee consisting of the entire Board of Directors. The Audit Committee held two meetings in 2020. The annual cycle of board meetings, illustrated to the right, ensures that the Board regularly reviews all issues relating to strategic development, ESG-related matters, risk management, operational and financial performance and compliance.



J/U WIND ENTERPRISE at Enebærodde in Denmark.

RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Board of Directors has the overall responsibility for ZITON's control environment. 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 MANAGEMENT

ZITON's Articles of Association require the Board of Directors to have from three to seven members elected by the shareholders at an annual general meeting. At the end of 2020, the Board had six members. In January 2021, shares in ZITON A/S were issued to Vroon B.V. as part payment of J/U WIND ENTERPRISE, and Herman Marks, the CEO of Vroon B.V., was appointed to the Board of Directors, bringing the number of board members to seven. All board members are elected for terms of one year. 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. Nominations for the Board of Directors are based on an evaluation of factors such as competences, diversity, independence and prior performance. Each shareholder independently appoints members of the Board, and none of them have identified a representative of the underrepresented gender with the qualifications required to represent them.

ZITON recognises the value of diversity, including gender-related diversity. The Board of Directors has set target figures for the representation of the underrepresented gender on the Board of Directors and has drawn up a policy for increasing the representation of the underrepresented gender at other management levels. The target is for an increase from 0% (0 out of 7) to 29% (2 out of 7). The measurement period runs from the annual general meeting held in April 2017 to the annual general meeting to be held in April 2022.

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 represented as candidates in all recruitment processes. ZITON has not succeeded in increasing the proportion of women at management levels. We believe this is due to the general employment patterns in the offshore wind and shipping industries, where men are generally overrepresented.

	2016	2017	2018	2019	2020
Diversity at Board of Directors level *(Board members of underrepresented gender to board members)*	0 of 5	0 of 6	0 of 6	0 of 6	0 of 7
Diversity at management level *(Managers of under-represented gender to total managers)*	0 of 5	0 of 5	0 of 5	0 of 5	0 of 5
Diversity at officer level *(Officers of underrepresented gender to total officers)*	0 of 48	0 of 52	0 of 53	0 of 62	0 of 71

EXECUTIVE MANAGEMENT TEAM

THORSTEN JALK
Chief Executive Officer
Appointed CEO in 2011
Born 1967

Mr Jalk has 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 with Borg Automotive A/S and Head of Group Finance and Investor Relations with BioMar Group A/S and has also held various positions in the financial services industry.
Educational background: Mr Haurum holds a HD Graduate Diploma in Business Administration (Accounting) from Aarhus University, a 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 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 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: Studies within Management at CEDEP (European Center for Executive Development), INSEAD and the University of Western Ontario.

JACOB Ø. BERGENHOLTZ
Member of the board since September 2020
Born 1971
Appointed by BWB Partners

Current engagements: Mr Bergenholtz is Managing Partner of BWB Partners. He serves as a member of the boards of directors of Holmris B8 A/S, SH Group A/S and Hydratech Industries A/S.
Previous engagements: Mr Bergenholtz previously worked for Boston Consulting Group in Copenhagen, and prior to that he worked for Shell International in Copenhagen, London and Hamburg.
Educational background: Master of Science in Business Administration and Commercial Law from Copenhagen Business School and the University of British Columbia, Canada.

LARS THORSGAARD JENSEN
Member of the board since January 2012
Born 1974
Appointed by BWB Partners

Current engagements: Mr Jensen is a partner at BWB Partners. He serves as a member of the board of directors of Transmedica.
Previous engagements: Mr Jensen has a background in investment banking. He previously worked for six years as a director with 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 1987. Founded DBB Jack-Up Services A/S in 2008 (renamed ZITON A/S in 2016). He serves as a member of the boards of directors of Dansk Bjergning og Bugsering A/S, DBB Dredging ApS, DBB ROV Service A/S, as well as various family investment companies.
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 with Ørsted and as a member of the board of A2SEA A/S. He 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.

HENRIK KLEIS
Member of the board since December 2019
Born 1954
Appointed by OY Finans ApS

Current engagements: Mr Kleis is a partner at DLA Piper. He serves as a member of the boards of directors of Dansk Bjergning Og Bugsering A/S, Danske Transport Medier ApS, DBB Dredging ApS, DBB Rov Service A/S, Den Kommunale Selvstyrehavn - Rømø Havn, Dissing A/S, Easysure Denmark A/S, Finn Allan Eriksen Automobiler A/S, Fonden Jakob, Funderholme Smedie A/S, Global Reach Aviation A/S, H. Daugaard A/S, H. Daugaard Holding A/S, I & N Vest Holding A/S, Iterators ApS, Jesma Vejeteknik A/S, Martin Bencher (Scandinavia) A/S, NEXT Forsikring A/S, Nordic Seaplanes A/S, PI Applications A/S, PMW Engineering A/S, S.E.G. Instruments A/S, Skyways Technics A/S, Vejstruplund A/S, Warehouse Aarhus A/S.
Previous engagements: Mr Kleis has worked his entire career as a lawyer with Delacour Advokatfirma, which operates under the name of DLA Piper Denmark.
Educational Background: Master of Laws and Making Corporate Boards Better at Harvard Business School.

HERMAN MARKS
Member of the board since January 2021
Born 1960
Appointed by Vroon B.V.

Current engagements: Mr Marks is CEO of Vroon B.V. He serves as Chairman of the board of directors of ShipServ Inc and of the Supervisory Board of Stichting STC-Group.
Previous engagements: Mr Marks previously held senior positions at Jo Tankers and Dupeg Tank Terminal.
Educational background: Bachelor's degree in business economics and first-year law degree at the Erasmus University in Rotterdam. Master of Business Administration at the Interuniversitaire Interfacculteit Bedrijfskunde in Delft.

CORPORATE STRUCTURE

The ownership structure and legal structure of the ZITON Group are set out below.

LEGAL STRUCTURE

ZITON Group consists of the parent company ZITON A/S and eight wholly-owned subsidiaries, including ZITON Contractors A/S and Wind Enterprise P/S with its general partner Green Wind Enterprise ApS in Denmark, and subsidiaries in Malta, the UK, Germany and China. In addition, ZITON owns 50% of Hangout A/S.

ZITON A/S owns the three vessels J/U WIND, J/U WIND PIONEER and J/U WIND SERVER, while Wind Enterprise P/S owns the vessel J/U WIND ENTERPRISE.

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 100m and a strong growth potential.

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 committed capital of EUR 175m, while BWB Partners II has committed capital of EUR 130m. 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

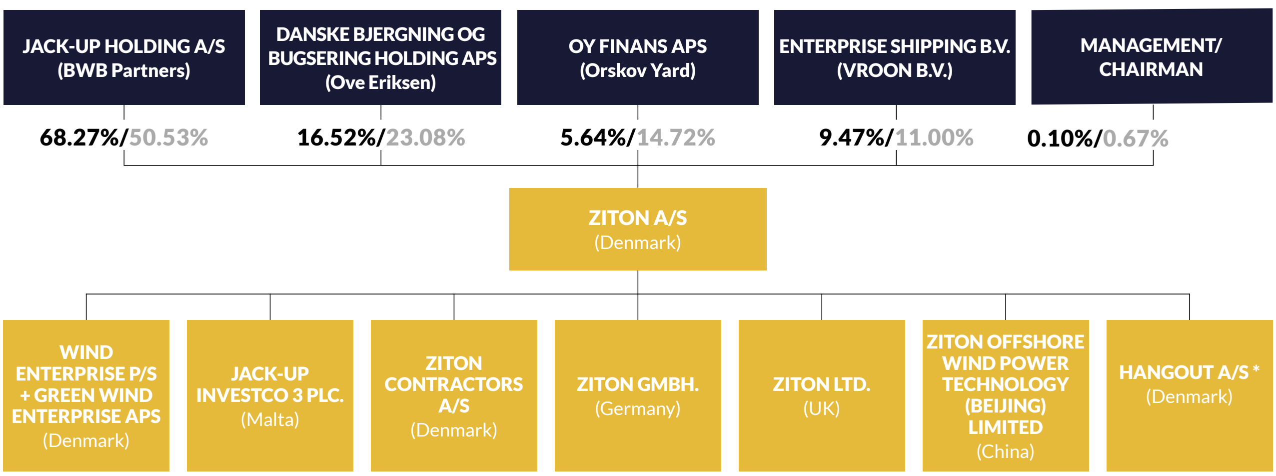
Dansk Bjergning og Bugsering Holding ApS is controlled by Ove Eriksen who founded DBB Jack-Up Services A/S in 2008, the company that was renamed ZITON A/S in 2016. In addition to its shareholding in ZITON A/S, the company owns Dansk Bjergning og Bugsering A/S, DBB Dredging ApS and DBB ROV Service A/S.

OY FINANS APS

OY Finans ApS is related to 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.

ENTERPRISE SHIPPING B.V.

Enterprise Shipping B.V. became a shareholder in ZITON A/S in January 2021, as ZITON A/S purchased the vessel J/U WIND ENTERPRISE from Enterprise Shipping B.V. The purchase price was partly settled by shares issued to Enterprise Shipping B.V., a wholly-owned subsidiary of Vroon B.V. Vroon is an international shipping company providing seagoing transportation services and engineering & support solutions. It is a family-originated business established in 1890, which today operates and manages a diverse fleet of approximately 130 deep-sea and offshore vessels including livestock carriers, offshore-support vessels, dry cargo vessels, container vessels, product tankers, high-heat tankers and car carriers.



68.27%/50.53% (percentage of share capital/voting capital)

* 50% owned by ZITON A/S

ZITON provides jack-up services for replacement of the major components shown in the illustration.

HISTORY
OF THE COMPANY

ZITON is a pioneer in the offshore wind industry. ZITON's history dates back to 2007 with the purchase of the vessel J/U WIND.

Dansk Bjergning og Bugsering A/S was founded in 1989 by Ove Eriksen. In 2007, that company purchased 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 three vessels, J/U WIND PIONEER, J/U WIND SERVER and J/U WIND ENTERPRISE.

2007

J/U WIND purchased

J/U WIND on first long-term charter with Vestas

2008

Jack-up operations carved out into separate entity

2016

J/U WIND SERVER initiated three-year charter with Siemens Gamesa Renewable Energy

Framework agreement with Ørsted with duration to March 2019

Three-year framework agreement with Vattenfall

DBB Jack-Up Services A/S changed its name to ZITON A/S

2017

Extension of agreement with MHI Vestas until further notice

Foundation of ZITON Contractors A/S

2011

J/U WIND initiated three-year charter with Siemens via third party

2012

J/U WIND PIONEER purchased

BWB Partners invested in ZITON

Joint venture with BWB to establish Jack-Up InvestCo 3 Plc. and finance J/U WIND SERVER

J/U WIND SERVER ordered from Nordic Yards

2014

Three-year charter signed for J/U WIND SERVER with Siemens Wind Power

One-year framework agreement with MHI Vestas

Fresh equity and issuance of EUR 40m bond

2015

J/U WIND SERVER operational in March 2015

J/U WIND PIONEER operational in September 2015

Two-year extension of framework agreement with MHI Vestas

Issuance of EUR 100m bond

2018

First full-service main component replacement carried out

First decommissioning of offshore wind farm

Subsidiaries in Germany and UK

Two bonds issued for a total of EUR 125m

Ownership in Jack-Up InvestCo 3 Plc. increased to 100% for EUR 23.7m

2019

Bareboat charter of J/U WIND ENTERPRISE

New framework agreement with Ørsted with duration to March 2022

Framework agreement with Vattenfall extended to November 2020

MHI Vestas framework agreement amended and extended to December 2022

Turnkey solution for blade campaign at West of Duddon Sands

Subsidiary in China

HangOut A/S established to provide blade repair

2020

Agreement with Siemens Gamesa Renewable Energy for long-term time charter of J/U WIND ENTERPRISE

EUR 35m bond issued to finance the purchase of J/U WIND ENTERPRISE

2021

Purchase of J/U WIND ENTERPRISE completed

J/U WIND ENTERPRISE initiates long-term charter with Siemens Gamesa Renewable Energy

Turnkey solution for blade campaign at Meerwind Süd/Ost

MARKET DEVELOPMENT OF OFFSHORE WIND

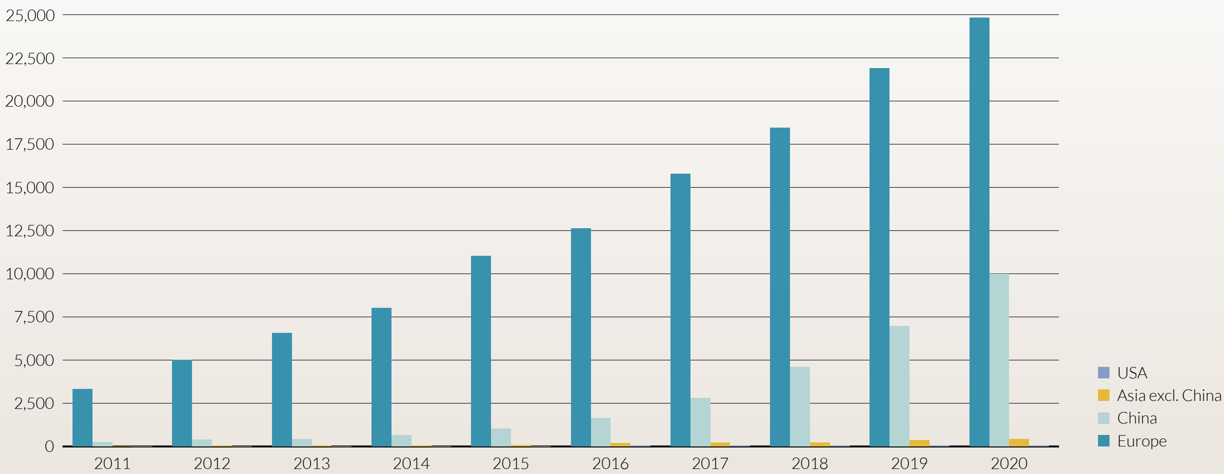
In November 2020, the European Commission presented its EU Strategy on Offshore Renewables, which proposes to increase Europe's offshore wind capacity to at least 60 GW by 2030 and to 300 GW by 2050. This projection will make offshore wind the largest source of electricity in the EU, and therefore the outlook is stronger than ever.

GLOBALISATION OF OFFSHORE WIND

The world's first offshore wind farm, Vindeby, had a total capacity of 4.95 MW and was inaugurated off the coast of Denmark in 1991. It was in operation for more than ten years until the first wind farm with more than 100 MW capacity, Horns Rev 1 (capacity 160 MW), was established in Denmark in 2002. Since then, offshore wind has steadily expanded because wind speeds are higher and more consistent at sea than on land. At the end of 2020, there were 5,202 turbines installed at 97 wind farms in Europe, mainly in the Irish Sea, the English Channel, the Baltic Sea and the North Sea.

For many years, offshore wind remained mainly a European phenomenon accounting for more than nine out of ten offshore wind turbines installed. In recent years, globalisation of offshore wind has increased, and in 2020 China installed half of all new global offshore wind capacity and accounted for 28% of the 35 MW of the total installed capacity, according to the Global Wind Report 2021 by Global Wind Energy Council ("GWEC"). In both China and USA, many of the big cities with large populations are located in coastal areas. Building offshore wind farms in these areas can help address their energy needs from nearby sources. Over the next decade, offshore wind is expected to accelerate in countries like China, USA, Taiwan, South Korea and Japan, and GWEC expects that a total of more than 70 GW of offshore wind capacity will be added worldwide in 2021-2025.

Offshore wind
Global installed capacity (MW)



Source: Global Wind Energy Council, Global Wind Report 2021

OFFSHORE WIND IN EUROPE

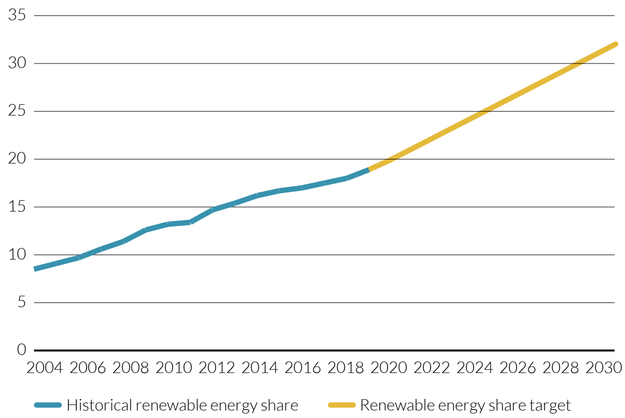
In Europe, the growth in the offshore wind capacity is primarily driven by EU-level targets, which according to The Renewable Energy Directive from 2009 required the EU to meet at least 20% of its total energy needs with renewables by 2020, while the revised directive from 2018 establishes a new binding renewable energy target for 2030 of at least 32%; this compares to 9% in 2005. These targets and the EU's environmental and climate policies have contributed to a green transition, but according to the GWEC it would not be enough to achieve the 2030 goal nor the EU's commitment to becoming the first climate neutral continent by 2050 – the so-called Green Deal. Offshore wind energy plays an important role in meeting these targets, and in order to accelerate the positive development further, and to make it realistic to fulfil its commitments to the Green Deal, the European Commission has presented its EU Strategy on Offshore Renewables.

The strategy proposes to increase Europe's offshore wind capacity to at least 60 GW by 2030 and to 300 GW by 2050 making this the largest source of electricity in the EU. Among other things, the strategy states that the Commission will provide a clear and supportive legal framework, mobilize all relevant funds and ensure a strengthened supply chain to help reaching the capacity targets. In order to do so, it is estimated that investments of up to EUR 800b will be needed, while EU's global leadership in offshore energy technology will be strengthened further. Europe is already a world leader in the industry and can become a powerhouse for its global development, and therefore there are lots of opportunities in the industry – both in the short-term and in a long-term perspective.

In the short-term – and when looking at fully commissioned sites, and sites which are of relevance to ZITON – the number of offshore wind turbines is expected to grow continuously over the next five years with a small increase of just 2% in 2021, followed by increases of 10% and 5% respectively in the next two years. Next, we see growth accelerating to 11-12% and even higher over the long term. At the same time, however, some of the older wind farms are expected to be decommissioned as they reach the end of their 20- to 25-year lifetimes. Within the next five years the installed base of turbines in Europe is expected to be around 7,576 – that is almost a 50% increase over 2020. This increase comes from the introduction of the French, Polish, and Norwegian markets, while the Dutch, German, Irish, Danish and Finnish markets will be expanded further. The biggest contributor will be the UK with more than 1,200 new turbines, which mainly comes from the commissioning of the large-scale projects Hornsea 2, Seagreen, Dogger Bank A and Dogger Bank B, each contributing with more than 1.1 GW of renewable energy.

EU renewable energy targets

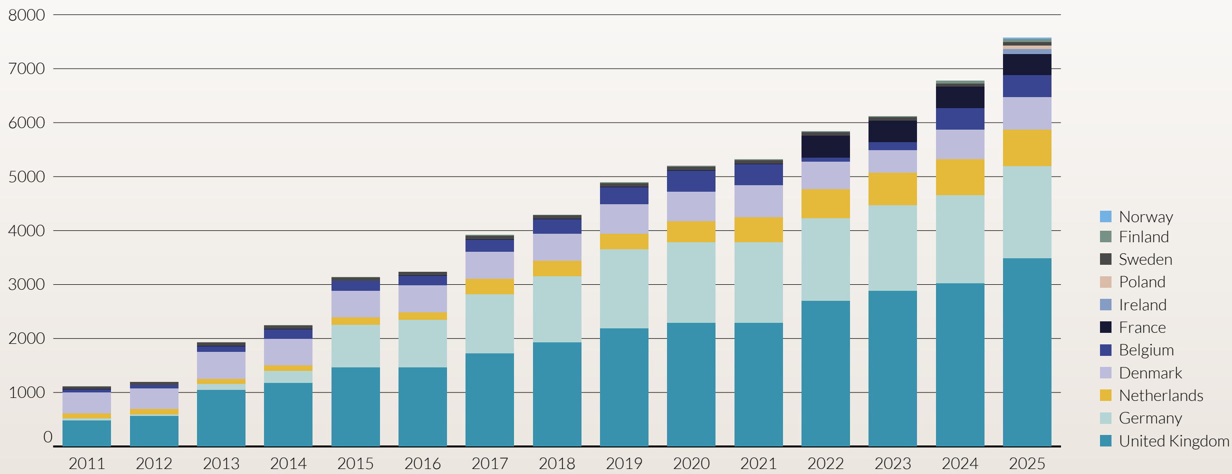
EU-27 and UK renewable energy share of energy consumption (per cent)



Source: Eurostat and EU Renewable Energy Directive, December 2019

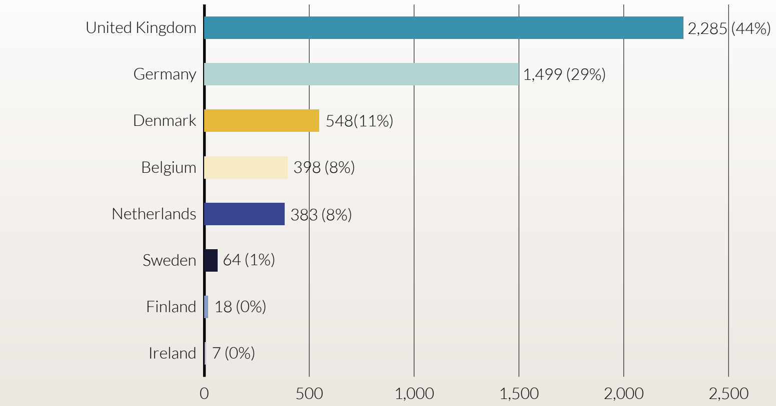
Expected growth in the number of turbines installed in Europe

Turbines grid connected, end of period



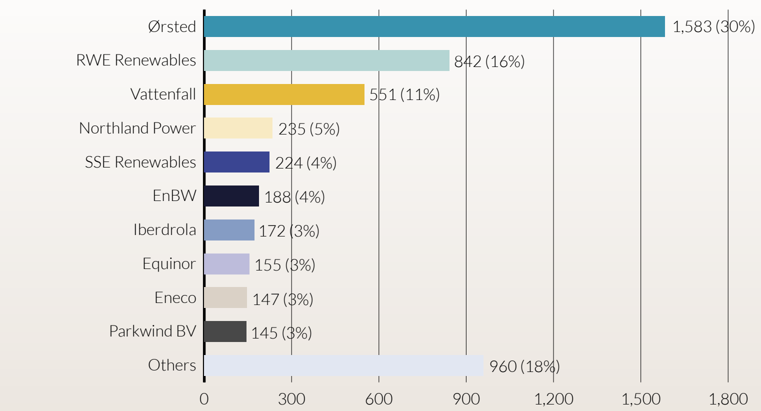
Source: ZITON data

Country distribution
Turbines installed in Europe, end 2020



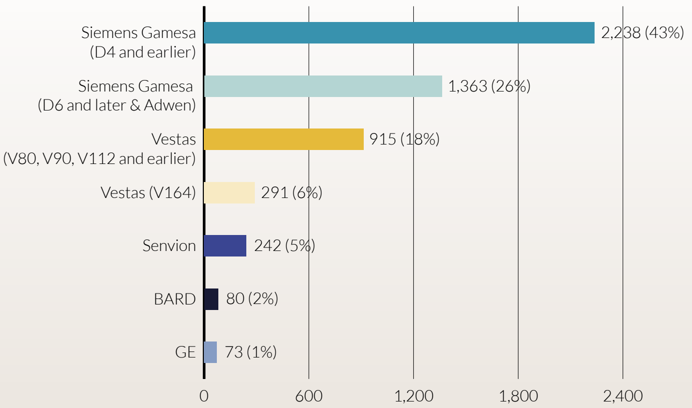
Source: ZITON data

Wind farm operator distribution
Turbines installed in Europe, end 2020



Source: ZITON data

Turbine model distribution
Turbines installed in Europe, end 2020



Source: ZITON data

In 2020, the UK remains the dominant nation within the European offshore wind industry with 2,285 turbines from fully commissioned sites, or 44% of the total installed base. Germany is the second-largest nation with 1,499 turbines (29%). Other notable countries are Denmark, Belgium and the Netherlands, which combined have 1,329 installed turbines (26%).

A few companies control a significant proportion of the installed capacity of wind farms in Europe, but more and more large corporations are turning towards a green transition, which especially is seen in the oil and gas industry, where many large companies are making investments in renewable energy. Thus, in 2020, CAPEX committed to offshore wind overtook investments in offshore oil and gas for the first time, while renewables generated more electricity in the EU than fossil fuels – also for the first time. Ørsted maintains the position as the largest offshore wind farm operator ("WFO"), operating 30% of Europe's installed base at the end of 2020. Other major European WFOs are RWE Renewables and Vattenfall, operating 16% and 11% respectively of the installed turbine base. The remaining capacity is relatively fragmented among several operators.

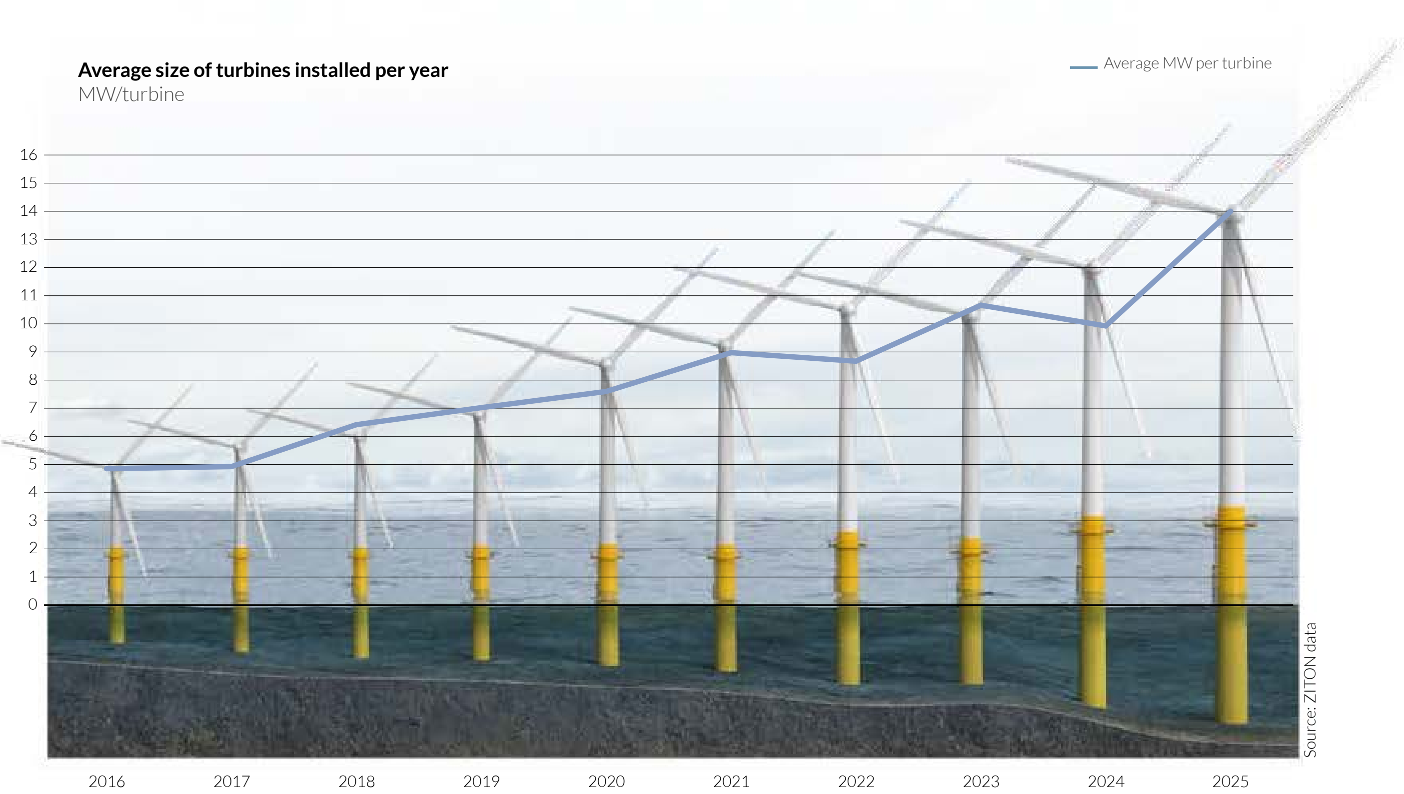
Manufacturing of offshore turbines in Europe has traditionally been the domain of two original equipment manufacturers ("OEMs"), Siemens Gamesa Renewable Energy ("SGRE") and Vestas Offshore Wind ("Vestas").

At the end of 2020, SGRE had delivered 69% of the installed turbine base in Europe, with Vestas having delivered 24%. SGRE had installed a total of 1,363 turbines of their D6, D7 & D8 direct drive and Adwen models at 23 wind farms, while Vestas had installed their V164 model across nine wind farms for a total of 291 turbines. SGRE had an installed base of 2,238 turbines of their previous smaller turbine models, while Vestas had 915.

At the end of 2020, Senvion and General Electric ("GE") had market shares of 5% and 1%, respectively.

The larger turbine models (D6, D7, D8 and Adwen from SGRE and V164 from Vestas) made up 32% of the installed base at the end of 2020. Over the next couple of years, these models are expected to make up the majority of turbines installed offshore. The drive towards larger turbines comes from the fact that the size of the swept area determines the amount of electricity a turbine can generate. As the swept area increases with the square of the rotor length, the swept area and electricity generation will quadruple with a doubling of the blade length. A larger swept area combined with high and consistent wind speeds makes it economically viable for wind farm developers to continue installing larger turbines, even if the larger sizes imply higher installation costs.

It was expected that turbines of 10-12 MW would become the new industry standard for a longer period, but the OEMs have already taken major development steps towards even larger models. Thus, in 2020, GE presented an upgraded version of their Haliade-X turbine of 14 MW with a 220-meter rotor diameter and 107-meter blades, and SGRE presented their new up-to-15 MW turbine with a 222-meter rotor diameter and 108-meter blades. In the beginning of 2021, Vestas also presented a new 15 MW turbine with a 236-meter rotor diameter and 115.5-meter blades. Currently, the GE 14 MW-model is projected for the Dogger Bank C site with 95 turbines, while the SGRE 15 MW-



model is projected for the Sofia site and the East Anglia Hub sites with a total of 331 turbines, and many more are expected to be announced in the near future with full commissioning from 2025 and onwards. As can be seen from the curve in the illustration above, this means that the average size of turbines installed will rise significantly from 2025. The small decrease in 2024 is due to the installation of 7 and 8 MW turbines in the French market.

ZITON'S ADRESSABLE MARKET

The market for major component replacement, such as gearboxes, blades, generators, transformers, main bearings and main shafts is driven by the number of turbines installed and turbine failure rates.

The first of the two major drivers of demand for operations & maintenance ("O&M") services is the number of installed turbines. The number of installed offshore turbines in Europe has grown at a compound annual growth rate of 19% from 2010 to 2020 and is expected to grow by 8% annually for the next five years. The 5,202 turbines installed in Europe at the end of 2020 will require servicing during their lifespan of about 20-25 years.

The second driver is the turbine failure rate. The offshore wind industry is still relatively young, meaning that the first generation of turbines installed in the early 2000s remains in operation. Hence, there is limited long-term, empirical data available on the failure rate of major components. Moreover, the data varies between first, second and later generations of turbines, and it varies from OEM to OEM, location to location etc. Earlier generations of turbine models suffered from serial defects caused by design or sub-component failures. These defects will often manifest themselves during the first few years after installation, but the prevalence of such serial defects has fallen as the industry has matured and OEMs have improved on turbine designs from generation to generation.

As illustrated by the chart on the next page, the offshore wind industry in Europe is still relatively young, with 45% of the installed base being less than six years old and thus still mainly within the respective OEM's warranty period, which is typically five years. Once maintenance responsibility is handed over to an owner and operator with a direct financial interest in maximising turbine uptime, predictive maintenance is often intensified. ZITON's proprietary data shows that failure rates increase considerably from year six to eight due to wear-and-tear, and during the next two years 731 turbines will pass six years of age, while 1,047 turbines will pass eight years of age. That is 14% and 20%, respectively, of the current installed base.

By tracking the age of installed turbines, the forecast installation pipeline and the expected failure rate of turbines (based on ZITON's proprietary data), it is possible to arrive at an estimate of the number of interventions required during the period to 2025. The forecast can be divided into regular interventions caused by normal wear and tear and blade campaigns. Blade campaigns are separate from regular interventions and are caused by blade edge erosion, which necessitates repair and a possible upgrade of the blades. While the full extent of blade edge erosion among European turbines is still unknown, ZITON believes that it will result in substantial O&M assignments going forward, which for example is seen from three major campaigns ZITON has or is in the process of completing.

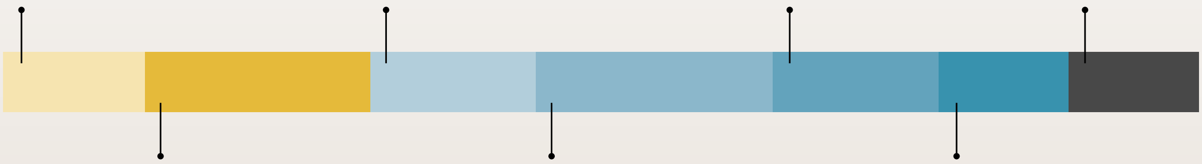
Age of turbines installed
Turbines installed in Europe, end 2020

Age
Up to 2 years old
Number of turbines
601
Percentage of total number of turbines
12%

Age
4 to 5 years old
Number of turbines
731
Percentage of total number of turbines
14%

Age
8 to 9 years old
Number of turbines
725
Percentage of total number of turbines
14%

Age
More than 12 years old
Number of turbines
552
Percentage of total number of turbines
11%



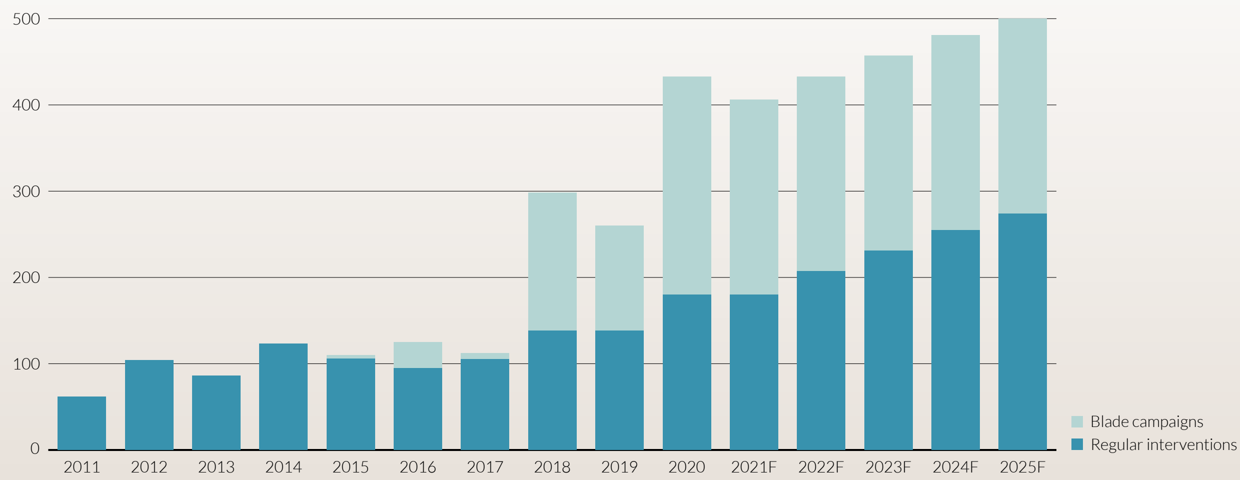
Age
2 to 3 years old
Number of turbines
988
Percentage of total number of turbines
19%

Age
6 to 7 years old
Number of turbines
1.047
Percentage of total number of turbines
20%

Age
10 to 11 years old
Number of turbines
558
Percentage of total number of turbines
11%

Source: ZITON data

Total market for regular interventions and blade campaigns
Number of interventions, actual and forecasted



Source: ZITON data

As illustrated by the chart to the left, the total number of interventions requiring a jack-up vessel increased by two thirds from 2019 to 2020, with the main growth coming from blade campaigns. ZITON and the vessel J/U WIND SERVER completed the first major blade campaign in 2018 by repairing and upgrading 88 sets of blades at the Anholt wind farm in Denmark, and during 2019 and 2020, we carried out a second major campaign covering 108 sets of blades at the West of Duddon Sands wind farm in the UK. Currently, we are working on yet another campaign of 80 turbines at the Meerwind Süd/Ost wind farm in Germany. The need for regular major component replacements is also forecasted to grow steadily over the coming years with higher numbers of interventions kicking in from 2022 to 2025 on the back of an increasing, and ageing, installed base.

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. ZITON has already carried out decommissioning of a number of met masts and turbines and expects this area to become an increasing contributor to overall revenue in the coming years, as illustrated by the chart below. Potentially, almost 300 turbines could be decommissioned during the next five years, but it remains to be decided whether this is going to be the case or not, since extending the lifetime of the turbines or upgrading them with new software and hardware may also be solutions chosen at some sites.

COMPETITIVE ENVIRONMENT

Over the last three years, ZITON has been the clear market leader within dedicated O&M services for major component replacements and blade exchanges at offshore wind farms, with a total market share of 46%.

The primary business for most other jack-up vessel owners in the industry is within transport & installation ("T&I") of new offshore wind farms, but from time-to-time T&I vessels are also used for O&M services if their pipelines are not filled with installation projects. The only clear exception to this is Van Oord, which operates a couple of jack-up vessels regularly used for O&M, and recently they were selected as first supplier for a four-year framework agreement with Vattenfall.

Nevertheless, ZITON believes that the competition in the O&M market has been reduced even further with SGRE's long-term charter of J/U WIND ENTERPRISE, since a lot of the interventions in the market will be made through this agreement. Further, we also see that the installation of new offshore wind farms is really gathering pace in especially Asia, which have seen several jack-up vessels moving out of the European market, also resulting in reduced competition within O&M.

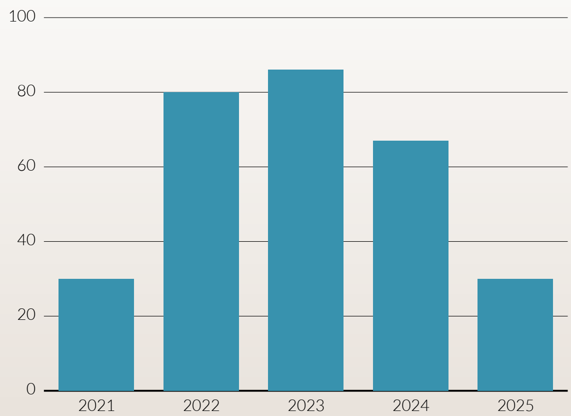
CUSTOMER CONTRACTS

ZITON applies different types of contracts with its customers; time charters ("T/C"), framework agreements and turnkey contracts. A T/C is characterised by being the hire of a vessel for a certain predetermined period at a fixed day rate. T/Cs 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. The 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 fixed prices or T/C rates. For fixed prices per replacement, 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. 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, turbines and blade campaigns. 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 the subpar performance of any sub-supplier. Having responsibility for a turnkey project requires strong project management skills in order to avoid cost overruns.
As can be seen on the next page, ZITON has entered into contracts with four of the leading companies within offshore wind.

Decommissioning potential
Number of turbines reaching 20 years of age



Source: ZITON data

LONG-TERM CHARTER WITH SGRE

ZITON and SGRE have signed a time charter of three years and eight months for J/U WIND ENTERPRISE, where the vessel entered into a fixed time charter from 1 March 2021 to 31 October 2024. As is customary for time charter contracts, SGRE will pay a fixed time charter rate and pay for variable OPEX-related costs during the tenor of the time charter. SGRE will take on the full weather risk, while ZITON will be responsible for operational uptime of the vessel.

TURNKEY CONTRACT FOR BLADE CAMPAIGN WITH SGRE

ZITON has signed a contract with SGRE to repair and upgrade blades on 80 turbines at the Meerwind Süd/Ost wind farm in Germany. J/U WIND SERVER will be occupied on the project from March 2021 and the next nine to twelve months depending mostly on weather. According to the terms of the contract, ZITON will receive a fixed price per intervention plus compensation for adverse weather days (up to a predetermined time period), thus significantly reducing weather risk for ZITON. ZITON provides a full turnkey solution including jack-up, SOV, lifting equipment, lift planning, technicians and blade repair with repair facilities. The blade campaign shows ZITON's ambition to remain an important player in both the market for blade campaigns and its traditional market for regular major component replacement.

FRAMEWORK AGREEMENT WITH ØRSTED

ZITON has a framework agreement with Ørsted covering the period from May 2019 until March 2022 on nine of Ørsted's offshore wind farms. Ørsted is Europe's largest operator of offshore wind farms. The agreement is not vessel specific. The framework agreement allows Ørsted to time charter ZITON's vessels, when available, with charter rates being dependent upon the number of interventions that Ørsted carries out.

FRAMEWORK AGREEMENT WITH VESTAS

ZITON has a framework agreement with Vestas entered into in December 2019 and running for three years. This agreement is an extension and amendment of the two companies' former framework agreement, and it further expands the scope to include sites where Vestas' 8.0-10.0 MW V164 turbine model are installed. The agreement is not vessel specific. Remuneration to ZITON takes place on a fixed price basis, with the price varying with the type and site of the intervention.

FRAMEWORK AGREEMENT WITH VATTENFALL

ZITON's former framework agreement with Vattenfall expired in November 2020. In late 2020, Vattenfall completed a tender to service both smaller and larger 8+MW turbines on a four-year contract, and as J/U WIND ENTERPRISE is on the SGRE long-term charter, and J/U WIND SERVER is occupied on the Meerwind campaign for most of 2021, ZITON is constrained in its ability to service Vattenfall on their larger turbines. However, ZITON was selected second supplier, meaning that if the first supplier declines to carry out a specific component exchange, ZITON will have the opportunity to assist Vattenfall.

> The West of Duddon Sands blade campaign was an important project for both Siemens Gamesa Renewable Energy and our customer. The project encountered weather delays while also having to deal with tidal restrictions. In ZITON we got a thrusted supplier and together we have managed to find necessary solutions to the challenges that we faced along the way.
>
> Paulina Hobbs, CEO Service NEME, SGRE.

Crane at
J/U WIND
ENTERPRISE.

59

wind farms

FROM THE BALTIC TO THE IRISH SEA. DEEP TO SHALLOW – ANY SEABED

7

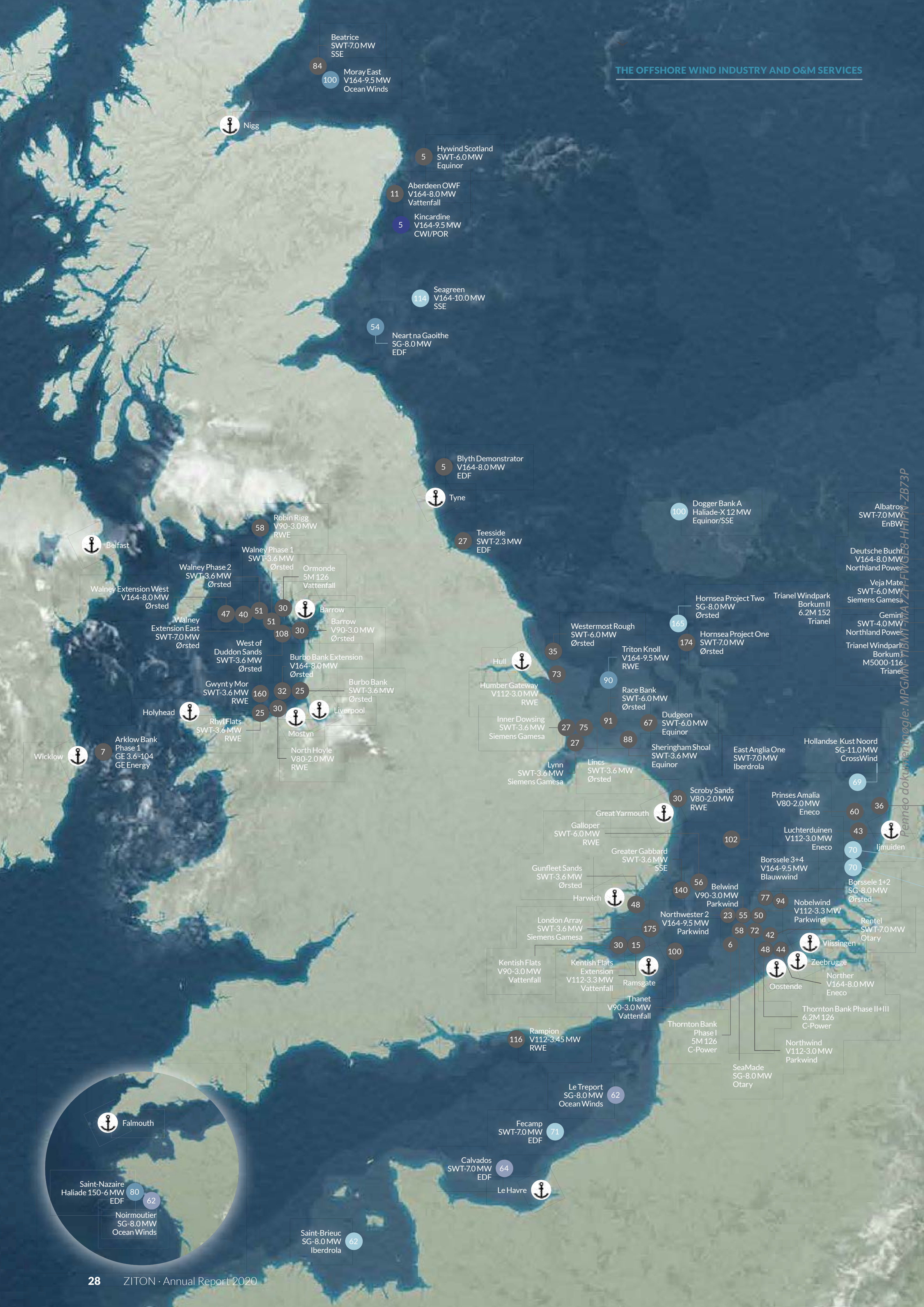
countries

PROVIDING OFFSHORE SERVICES ALL OVER NORTHERN EUROPE

1,094

interventions made

TURBINES, BLADES, GEARBOXES, GENERATORS TRANSFORMERS, SHAFTS, BEARINGS


Beatrice
SWT-7.0 MW
SSE
84
Moray East
V164-9.5 MW
Ocean Winds
100
Nigg
Hywind Scotland
SWT-6.0 MW
Equinor
5
Aberdeen OWF
V164-8.0 MW
Vattenfall
11
Kincardine
V164-9.5 MW
CWI/POR
5
Seagreen
V164-10.0 MW
SSE
114
Neart na Gaoithe
SG-8.0 MW
EDF
54
Blyth Demonstrator
V164-8.0 MW
EDF
5
Tyne
Teesside
SWT-2.3 MW
EDF
27
Robin Rigg
V90-3.0 MW
RWE
58
Belfast
Walney Phase 1
SWT-3.6 MW
Ørsted
Walney Phase 2
SWT-3.6 MW
Ørsted
Ormonde
5M 126
Vattenfall
Walney Extension West
V164-8.0 MW
Ørsted
47
40
51
30
51
Barrow
Walney
Extension East
SWT-7.0 MW
Ørsted
108
30
Barrow
V90-3.0 MW
Ørsted
West of
Duddon Sands
SWT-3.6 MW
Ørsted
Burbo Bank Extension
V164-8.0 MW
Ørsted
Gwynt y Mor
SWT-3.6 MW
RWE
160
32
25
Burbo Bank
SWT-3.6 MW
Ørsted
Holyhead
25
30
Liverpool
Rhyl Flats
SWT-3.6 MW
RWE
Mostyn
Arklow Bank
Phase 1
GE 3.6-104
GE Energy
7
Wicklow
North Hoyle
V80-2.0 MW
RWE
Dogger Bank A
Haliade-X 12 MW
Equinor/SSE
100
Albatros
SWT-7.0 MW
EnBW
Deutsche Bucht
V164-8.0 MW
Northland Power
Veja Mate
SWT-6.0 MW
Siemens Gamesa
Trianel Windpark
Borkum II
6.2M 152
Trianel
Hornsea Project Two
SG-8.0 MW
Ørsted
165
Gemini
SWT-4.0 MW
Northland Power
Westermost Rough
SWT-6.0 MW
Ørsted
Hornsea Project One
SWT-7.0 MW
Ørsted
174
Trianel Windpark
Borkum I
M5000-116
Trianel
35
Triton Knoll
V164-9.5 MW
RWE
Hull
73
90
Humber Gateway
V112-3.0 MW
RWE
Race Bank
SWT-6.0 MW
Ørsted
Inner Dowsing
SWT-3.6 MW
Siemens Gamesa
27
75
91
67
Dudgeon
SWT-6.0 MW
Equinor
27
88
Sheringham Shoal
SWT-3.6 MW
Equinor
East Anglia One
SWT-7.0 MW
Iberdrola
Hollandse Kust Noord
SG-11.0 MW
CrossWind
69
Lynn
SWT-3.6 MW
Siemens Gamesa
Lincs
SWT-3.6 MW
Ørsted
30
Scroby Sands
V80-2.0 MW
RWE
Prinses Amalia
V80-2.0 MW
Eneco
60
36
Great Yarmouth
Galloper
SWT-6.0 MW
RWE
102
Luchterduinen
V112-3.0 MW
Eneco
43
Ijmuiden
70
Greater Gabbard
SWT-3.6 MW
SSE
Borssele 3+4
V164-9.5 MW
Blauwwind
70
Gunfleet Sands
SWT-3.6 MW
Ørsted
56
140
Belwind
V90-3.0 MW
Parkwind
Borssele 1+2
SG-8.0 MW
Ørsted
Harwich
48
77
94
Nobelwind
V112-3.3 MW
Parkwind
Northwester 2
V164-9.5 MW
Parkwind
23
55
50
Rentel
SWT-7.0 MW
Otary
London Array
SWT-3.6 MW
Siemens Gamesa
175
58
72
42
Vlissingen
30
15
100
6
48
44
Zeebrugge
Kentish Flats
V90-3.0 MW
Vattenfall
Kentish Flats
Extension
V112-3.3 MW
Vattenfall
Ramsgate
Oostende
Norther
V164-8.0 MW
Eneco
Thanet
V90-3.0 MW
Vattenfall
Thornton Bank Phase II+III
6.2M 126
C-Power
Thornton Bank
Phase I
5M 126
C-Power
Rampion
V112-3.45 MW
RWE
116
Northwind
V112-3.0 MW
Parkwind
SeaMade
SG-8.0 MW
Otary
Le Treport
SG-8.0 MW
Ocean Winds
62
Falmouth
Fecamp
SWT-7.0 MW
EDF
71
Calvados
SWT-7.0 MW
EDF
64
Le Havre
Saint-Nazaire
Haliade 150-6 MW
EDF
80
62
Noirmoutier
SG-8.0 MW
Ocean Winds
Saint-Brieuc
SG-8.0 MW
Iberdrola
62

OFFSHORE WIND FARMS IN EUROPE

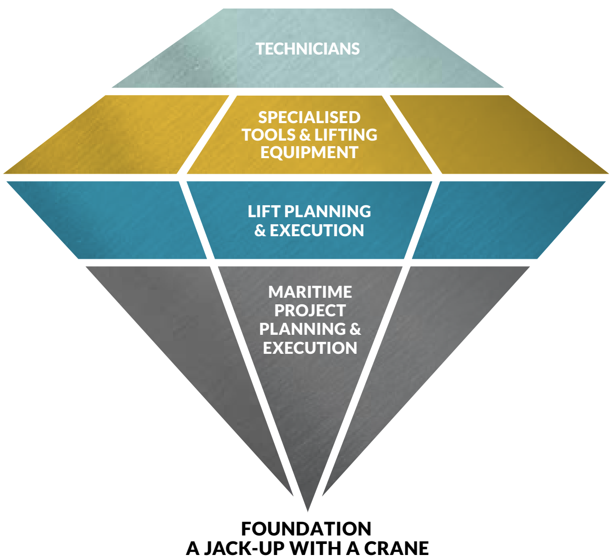
ZITON'S SERVICE OFFERINGS

ZITON's business arises from owning and operating jack-up vessels designed to carry out O&M services on turbines at offshore wind farms. The business model has evolved in recent years and now includes full-service and turnkey solutions.

FULL-SERVICE SOLUTIONS

ZITON's core business is to own and operate jack-up vessels. In recent years, we have expanded on this platform by introducing value-added services.

ZITON provides full-service solutions for major component replacements, including 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.



Full-service solutions have their obvious advantages from the customers' point of view. They have built their skills and expertise in day-to-day O&M routines, but those routines do not include major component replacements. Even for a large wind farm of 100 turbines, the wind farm operator may only need to perform a major component replacement once every three months or more. That makes it difficult to build the experience necessary to carry out major component replacements smoothly and efficiently. ZITON has performed more than 1,000 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 cost-efficient project documentation and to collaborate with our customers on such operations.

TURNKEY SOLUTIONS

ZITON has expanded its scope further by offering turnkey solutions for blade campaigns and decommissioning. For blade campaigns, ZITON collaborates with sub-suppliers to repair and upgrade blades, provides facilities that offer temperature and humidity management and other compulsory requirements when it comes to blade repair. For decommissioning, ZITON collaborates with sub-suppliers where relevant, and provides a turnkey solution for cutting, recycling of waste materials, seabed inspection, etc.

In a turnkey solution, ZITON takes full responsibility for the solution and assumes the risks that we feel we are better equipped to handle than our customers are, and that customers are willing to pay for. ZITON has the experience to handle risks like project management and coordination with sub-suppliers better than anyone, and when appropriate, ZITON will seek to share the weather risk with the customers, to limit the total risk for ZITON. This has its obvious advantages from the customer's point of view, as it means less risk and only one contracting partner. From ZITON's perspective, the benefit is equally attractive as it further differentiates ZITON's service offering from that of the competition.

BLADE CAMPAIGNS

Blade campaigns are increasingly developing into an important segment for O&M services. The reason is mainly erosion of the leading edge of the blades, and the top coat. Erosion occurs because the offshore environment is very rough on the blades with rain, hail and salt water damaging the blades as the tip speed often exceeds 300 km/h. This will lead to a notable reduction in electricity generation if not mitigated.

To mitigate this problem, leading edge protection ("LEP") in the form of protective tape or shells are mounted on the leading edge of the blade to prevent further erosion and ensure the integrity of the blade. Reshaping the aerodynamic profile of the blade is often required before applying LEP, thus recreating the aerodynamic properties of the blade and ensuring energy productivity of the turbines. Repair is often combined with an upgrade of the blade performance by adding aerodynamic add-on components and upgrading software.

A few OEMs and wind farm operators have applied varying solutions for addressing blade erosion. Blade repair is still in its infancy, thus no one solution has emerged that solves all needs at the most cost-effective price.

ZITON is determined to remain an important player both in the blade campaign segment and in major component replacement. As a result, ZITON offers a range of solutions for blade campaigns that meets the requirement of customers at the most cost-effective price, including:

Onshore blade repair and upgrade solutions that specifically target blades with deeper structural damage and upgrade of blade performance, in addition to LEP. Blades are transported from the offshore wind farm to an onshore blade repair facility, repaired, and then used to replace worn blades on the next turbine.

On-deck blade repair and upgrade solutions that is similar to onshore in scope, but carried out on the deck of the vessel.

HangOut tip repair that mainly involves basic repair of the tip and the leading edge of a blade. This solution is more limited in scope, but also more cost effective than the others. ZITON has invested in the HangOut, which is an advanced platform that is raised from the deck of the jack-up and lowered over the tip of the blade using vacuum suction cups. The HangOut contains all the necessary equipment to make the repairs, and it provides a safe and protected working zone for blade technicians. Furthermore, it is operational in harsher weather conditions than tolerated for basic blade repair performed using rope, thus providing significantly more working days per year. Please refer to the more detailed description of HangOut on page 10-11.

All ZITON's solutions mentioned above enable a considerable higher process quality than other blade access solutions like rope access, due to improved work ergonomics and by providing climate-controlled habitats. All solutions are illustrated on the following pages.

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 of 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 large 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 the replacement of gearboxes, blades, generators and other components.

A typical O&M setup and ZITON's solutions are illustrated on the following pages

OFFSHORE WIND FARMS

TYPICAL O&M SETUP AND ZITON'S SOLUTIONS

CREW TRANSFER VESSEL (CTV)

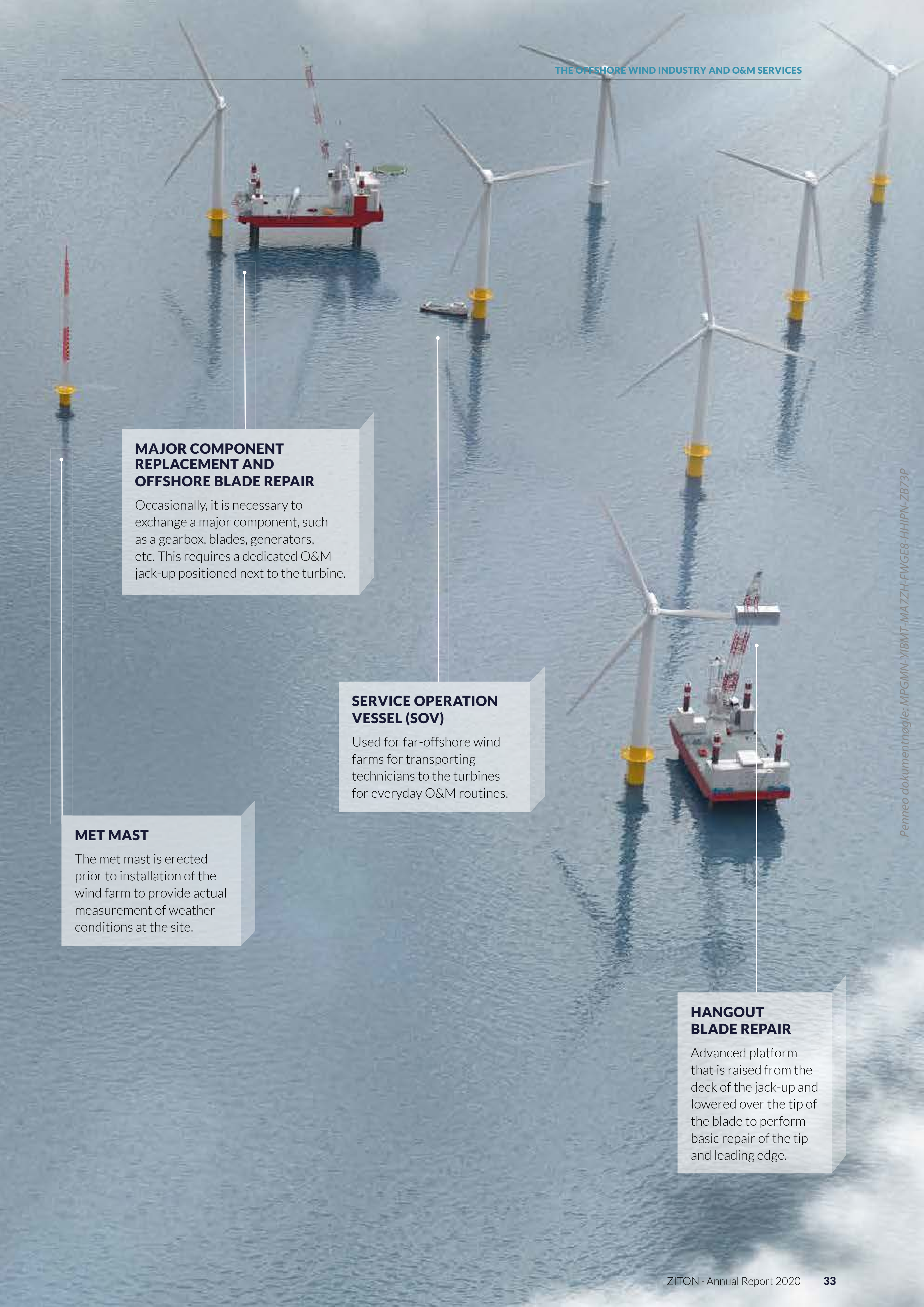
Used for near-shore wind farms for transporting technicians to the turbines for everyday O&M routines.

SUBSTATION

The substation connects the offshore wind farm to the onshore electricity network and converts and transmits the power.

ONSHORE BLADE REPAIR AND UPGRADE FACILITY

Blades are transported from the offshore wind farm to the onshore blade repair and upgrade facility.


MAJOR COMPONENT REPLACEMENT AND OFFSHORE BLADE REPAIR
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.
SERVICE OPERATION VESSEL (SOV)
Used for far-offshore 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 weather conditions at the site.
HANGOUT BLADE REPAIR
Advanced platform that is raised from the deck of the jack-up and lowered over the tip of the blade to perform basic repair of the tip and leading edge.

DIGITAL TRANSFORMATION

ZITON continually invests in the digitalisation of the business to improve operations and its interaction with customers. Digitalisation is one of four key strategic initiatives at ZITON.

Digital transformation at ZITON encompasses the processes across the company from operation to connectivity with customers, and automation of processes to data-driven decision making. We continually review process by process. Initially, we strive to reduce waste and streamline processes. Then we investigate the digitalisation and automation potential of each process. We also review technology trends to evaluate whether there are solutions we can utilise in our digital transformation.

It is our leadership philosophy that innovation does not necessarily occur in a top-down approach, but one that is rooted in individual initiative by all employees of ZITON. Likewise, digital transformation initiatives are often driven by the curiosity of our people and their enthusiasm for continual improvement.

We have successfully developed the ZITON Portal over the past few years in a process driven by a team dedicated to improving connectivity with our customers. The 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 browser. This is a very cost-effective solution that allows customers to access all documentation in one place. We also maintain all our safety and quality management documentation on the ZITON Portal, for our own and for our customers' convenience.

OPERATIONS

- Use of geographic information systems for turbine locations, positioning of jack-up, etc.
- Use of sensor data to support operation of crane and jacking system
- Use of app onboard vessels to enable real-time reporting of operational information

CONNECTIVITY

- Collaboration with customers on project documentation using a cloud-based collaboration platform
- Document repository for customers providing Daily Progress Reports, HSE plans, operating procedures, vessel certificates, crew certificates, technical information of vessels, etc.
- Use of app onboard vessels to report information used for invoicing of customers and to align the information with customers

AUTOMATION OF PROCESSES

- Automation of processes and support for work flow of financial processes using modern ERP
- Add-on modules to ERP system for expense management, invoice payment processes and reconciliation of accounts
- Automation of manual processes and integration of systems using Robotic Process Automation

DATA-DRIVEN DECISION MAKING

- Use of machine learning and advanced analytics to predict future market demand
- Use of app onboard vessels to report information used for invoicing of customers and to align the information with customers
- Cloud-based financial planning & analysis platform used for both short- and long-term planning

HangOut raised by crane at J/U WIND PIONEER.

ENVIRONMENT, SOCIAL & GOVERNANCE

ZITON maintains various policies in relation to environmental, social and governance criterias.

Crew member at J/U WIND ENTERPRISE.

ZITON maintains policies within environmental, social and governance criterias ("ESG"). This section covers the statutory requirements for ESG reporting in accordance with section 99a of the Danish Financial Statements Act within the areas of social and employee conditions, climate impact, environmental impact, human rights and measures to combat bribery and corruption.

SOCIAL AND EMPLOYEE CONDITIONS

At ZITON, we have a relentless focus on health, safety, environment and quality ("HSEQ") for our employees, subcontractors and customers. HSEQ is an important risk factor to ZITON. Management believes the implementation of various policies, systems and procedures has effectively mitigated the company's HSEQ risk exposure.

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 & ISO45001:2018 standards. The ISO standards are all voluntary, but the company applies them to strengthen its safety and quality standards. During the annual ISM review, Bureau Veritas reviews ZITON's performance according to various HSEQ performance measures.

Our 'safety first' culture permeates our entire organisation and is the all-encompassing rule onboard our vessels. Emergency drills are held monthly on all our vessels and we conducted more than 63 drills on each vessel in 2020. 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 for almost any unexpected situation that may arise. Further, we apply a vessel risk assessment management system which includes a toolbox talk before each assignment and a Safety Observation Card system, enabling us to react proactively to potentially unsafe conditions.

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. The monthly HSEQ report includes reporting on the following categories of incidents, which are consistent with the Oil Companies International Marine Forum's Marine Injury Reporting Guidelines, which are the most commonly used in the industry:

- Near miss reports – 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 cases – 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 injuries ("LTIs") – any work-related incident where the injured person is not able to work the day after the incident occurred.
- Lost-time injury frequency ("LTIF") – Lost-time incidents per million hours vessel crews are exposed to risk offshore.

Despite our high level of safety standards, incidents do occur within the three different categories. However, our objective is still to avoid any incidents altogether, and in 2020 we only had a few incidents more than in previous years despite the fact that we operated J/U WIND ENTERPRISE for a whole year compared to eight months in 2019 and none in the years before that.

	2016	2017	2018	2019	2020
Near miss reports *(Number of incidents)*	8	11	10	10	12
Medical treatment cases *(Number of incidents)*	0	3	2	1	3
Lost-time injuries (LTIs) *(Number of incidents)*	1	1	1	0	0
Lost-time injury frequency (LTIF) *(Number of incidents / exposure hours * 1,000,000)*	3.5	3.4	3.1	0.0	0.0

Having an objective of avoiding any incidents is also highly related to the retention of experienced officers, since this is considered important for maintaining a culture of high HSEQ standards onboard our vessels. ZITON has successfully maintained a high officer retention rate during the past five years, mainly by facilitating generally good working conditions. ZITON applies the BIMCO Shipping KPI system to monitor and follow-up on the retention rate.

	2016	2017	2018	2019	2020
Officer retention rate *(Officers end period – officers resigned / officers end period)*	99.0%	98.5%	99.1%	97.3%	98.7%

To support safety at sea further, ZITON also employs a policy of zero drug and alcohol tolerance. This policy is undebatable and never open to question. The policy applies not only to ZITON staff, but also to customers, subcontractors and suppliers. Unannounced examinations are standard procedure and are conducted by an independent, external agency with expertise in drug and alcohol-testing programmes. In 2017, the two positive tests resulted in the immediate dismissals of the persons tested positive, and our zero tolerance policy was emphasized for all offshore staff. In 2018, no positive tests were performed, but in 2019 we had two incidents again – one caused by an internal employee, and one caused by an external, resulting in the internal being dismissed immediately and the external being denied any future work for ZITON. Again, our zero tolerance policy was emphasized, and in 2020 we had no positive tests with the number of tests conducted being 23% higher than in 2019, and 51% higher than in 2018.

	2016	2017	2018	2019	2020
Drug and alcohol positive testing *(Positive test / number of tests * 100)*	2.0%	4.9%	0.0%	3.1%	0.0%

Working offshore is a demanding occupation with uneven working hours (four weeks on duty, four weeks off). Further, it may be difficult to maintain a healthy lifestyle with a proper diet and exercise onboard a vessel. ZITON maintains a policy of offering good working conditions for its crews, which include a healthy and balanced diet and access to a well-equipped fitness centre. In 2020, seven employees were on long-term leave due to health issues compared to three in 2019, but since we changed from a chartered crew to our own on J/U WIND ENTERPRISE resulting in 38 additional crew members, we have seen a decrese in the absenteeism ratio to 3.1%, and out of 126 offshore employees, the seven accounted for 70% af all absence.

	2016	2017	2018	2019	2020
Absenteeism ratio *(Number of hours of absence / exposure hours * 100)*	3.5%	4.6%	2.2%	5.7%	3.1%

In addition to the offshore staff, ZITON also employs technicians in ZITON Contractors A/S as well as office staff at offices in Denmark, the UK, Germany and China. ZITON had a full-time workforce at 31 December 2020 of 178 employees, of whom 111 were Danish citizens and the rest represented other nationalities. The total headcount increased significantly in 2020 mainly due to the fact that we hired our own crew for J/U WIND ENTERPRISE as well as additional employees to the West of Duddon Sands blade campaign.

	2016	2017	2018	2019	2020
Full-time workforce, Danish *(Number of full-time employees at year end)*	75	78	80	96	111
Full-time workforce, other nationalities *(Number of full-time employees at year end)*	18	17	19	34	67

COVID-19 IMPACT

In 2020, COVID-19 affected companies in almost every industry in one way or another, and ZITON was no exception. In the spring, governments across Europe responded to the pandemic by – among other things – creating restrictions on the free movement of people, which had an immediate effect on ZITON and its customers' ability to carry out operations.

Since then, ZITON has been taking all precautions possible to keep operations running, by implementing procedures for continuous testing of crew and technicians, requiring people to observe limited physical contact, social distancing, washing/sanitising their hands, cleaning, etc. Furthermore, ZITON has hired private test capacity and picked up crew members from their home addresses as well as chartered private jets for crew changes, in order to ensure protection against possible risks of infection.

In order to keep our vessels free of COVID-19 incidents, ZITON performs continuous testing of crews, turbine technicians and suppliers visiting its vessels. Thus, crew members and technicians are tested before they leave their homes, and when they arrive at the airport or other meeting points, and everyone is tested before they onboard the vessels. As a result, more than 2,500 tests were performed in 2020, of which 20 were positive. Only five were detected onboard a vessel, while the rest were preventively detected in time to avoid other crew members or technicians being infected.

Onboard our vessels, we had two incidents. The first one was swiftly contained and only one person was infected, while the other incident saw four persons on the same deck being tested positive. On this occasion, ZITON also reacted swiftly when the first person was tested positive by isolating all crew in their chambers, and quarantining the vessel until everyone onboard had three consecutive negative tests, which took two weeks. Three of all the positive cases where our own crew members – one with long-term absence and two with short-term – and those three accounted for 13% of all absence. In the offices in Denmark, the UK, Germany and China, we had no incidents.

Our office staff have been working from home whenever it was recommended by the governments in the respective countries. From management's side, it has been important to help all employees with their home offices by providing IT equipment and office supplies, as well as giving each employee the freedom and flexibility to plan their work days. Flexibility has been a necessity with closed nurseries, kindergartens and schools raising the need for childcare and homeschooling during ordinary work hours.

CLIMATE IMPACT

ZITON maintains a DNV-GL-certified Ship Energy Efficiency Management Plan ("SEEMP") to optimise fuel consumption, hull and machinery with a view to keeping energy consumption as low as possible, making our vessels less harmful to the environment compared to many of the other vessels in the market. CO_2 and SO_X (sulphur) emissions are monitored in accordance with the BIMCO Shipping KPI system. CO_2 emissions from our vessels increased slightly to 17,599 tonnes in 2020 from 17,081 tonnes in 2019, while SO_X emissions increased from 9,311 kilograms to 9,334 kilograms – in both cases because J/U WIND ENTERPRISE was operated for a full year, consuming signicantly more fuel than the other vessels due to its size. The volume of CO_2 emissions in 2020 was equivalent to the greenhouse gas emissions avoided by 3.7 wind turbines running for a year, according to the US Environmental Protection Agency's Greenhouse Gas Equivalencies Calculator.

ZITON's consumption of fuel is aligned with Annex VI of the MARPOL 73/78 convention, which effective from 1 January 2020 specifies a maximum sulphur content outside of the Emission Control Areas of 0.5%, while the maximum content allowed inside the areas has been 0.1% since 2015. The Baltic Sea and the North Sea are both part of an Emission Control Area, while the Irish Sea is the only one of ZITON's primary markets, which is not within such an area. To be able to work in the Baltic Sea and the North Sea, ZITON has been using Marine Gas Oil both before and during the entire measurement period. Marine Gas Oil is a clean fuel with a sulphur content below the maximum limit of 0.1%.

Emissions per intervention, where "intervention" is the number of component replacements, blade exchanges, or turbine decommissionings, decreased significantly thanks to the more efficient operations of J/U WIND ENTERPRISE and a higher combined activity level for the other vessels.

	2016	2017	2018	2019	2020
CO_2 emissions from vessels *(Tonnes CO_2)*	5,897	7,391	7,792	17,081	17,599
CO_2 emissions per intervention *(Tonnes CO_2 per intervention)*	91	95	44	153	100
SO_X emissions from vessels *(Kilograms SO_X)*	2,641	2,821	3,262	9,311	9,334
SO_X emissions per intervention *(Kilograms SO_X per intervention)*	41	36	18	83	53

Water consumption on the vessels also decreased slightly in 2020, mainly due to the more efficient operations of J/U WIND ENTERPRISE. Most of our water consumption is for cleaning purposes onboard the vessels, while relatively small amounts are used in kitchens and for bathing. ZITON employs a policy of keeping water consumption at a level as low as possible, and our sewage and waste water policy is part of Annex IV of the MARPOL 73/78 convention, which all crew members are made aware of.

	2016	2017	2018	2019	2020
Water consumption on vessels *(Cubic metres)*	2,849	3,015	3,819	4,645	4,479

ENVIRONMENTAL IMPACT

ZITON maintains an environmental policy specifying the objective to prevent environmental spills including oil, ballast water, garbage, etc. Our environmental policy is tested regularly through port stay controls performed by the maritime authorities of the country in question. Inspections are performed to check a vessel's certificates, its general condition as well as its compliance with various regulations including environmental regulations. If a vessel is not compliant with the regulations, the maritime authorities can place it in detention until the issue is resolved. ZITON has had zero detentions during the past five years.

Accidental fuel oil and hydraulic oil spills is an important environmental issue. ZITON uses biodegradable hydraulic oil so as not to harm the environment in case of accidental spills. ZITON had two incidents of accidental spills related to wear and tear on hoses carrying hydraulic oil to thrusters in 2018. The hoses were designed to have a product life of five years, but after the incidents in 2018, it was decided that future replacements would be carried out every three to four years. ZITON had no spills in 2019, but it has become clear that wear and tear on the hoses occurs even sooner, and as a result they are now examined frequently and replaced well in advance. As a result of these measures, ZITON had no spills in 2019 and 2020, and we target zero oil spills going forward.

Ballast water management violations are increasingly subject to scrutiny by maritime authorities due to the negative impact on the environment if ballast water from one biological area is emptied into other waters. ZITON has had zero ballast water violations during the past five years.

Our policy for garbage management aims to minimise the production of waste onboard our vessels and also at our office premises. Our garbage management policy is part of Annex V of the MARPOL 73/78 convention. 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. ZITON has had zero garbage disposal violations during the past five years.

	2016	2017	2018	2019	2020
Port stay control detentions *(Number of detentions)*	0	0	0	0	0
Accidental oil spills *(Number of oil spills)*	0	0	2	0	0
Ballast water management violations *(Number of violations)*	0	0	0	0	0
Garbage disposal violations *(Number of violations)*	0	0	0	0	0

RESPECT FOR HUMAN RIGHTS

Within the area of Human Rights and Labour, ZITON maintains a policy of not employing people under the age of 18 onboard the company's vessels. The aim is to avoid people under the age of 18 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 onboard our vessels by our own employees and by those of our suppliers or subcontractors. As in previous years, the policy was successfully applied in 2020, as no direct employees or employees of suppliers or subcontractors under the age of 18 worked on our vessels during the year.

	2016	2017	2018	2019	2020
Employees under the age of 18 *(Number of employees under 18)*	0	0	0	0	0

ANTI-BRIBERY AND 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 2020, as it was in previous years, since we have not identified any indications of bribery or corruption.

	2016	2017	2018	2019	2020
Bribery and corruption cases *(Number of incidents revealed)*	0	0	0	0	0


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.

16

YEARS WITHIN OFFSHORE WIND

Bent Vindahl Petersen

Technical Superintendent ZITON A/S

Helideck at
J/U WIND
ENTERPRISE.

STRATEGIC DIRECTION

The strategic direction for ZITON contains four key elements described below in conjunction with recent strategic achievements and focus areas for 2021.

VALUE-ADDED SERVICES

ZITON offers value-added services within the categories of maritime project planning & execution, lift planning & execution, specialised tools & lifting equipment and technicians in addition to a jack-up with an experienced crew. In a turnkey solution, ZITON takes full responsibility for the solution and assumes the risks that we feel better equipped to handle than our customers, and that customers are willing to pay for. From the customer's point of view, this means less risk and a one-stop contracting partner. From ZITON's perspective, the arrangement further differentiates ZITON's service offering from that of the competition.

RESULTS ACHIEVED IN 2020

In December 2020, ZITON completed the blade campaign at the West of Duddon Sands wind farm. ZITON provided a turnkey solution to repair and upgrade the blades on 108 turbines, of which 79 were completed in 2020 and 29 in 2019. Following a difficult start to the project in 2019, the project was successfully completed towards the end of 2020.

FOCUS AREAS FOR 2021

In January 2021, Siemens Gamesa Renewable Energy ("SGRE") and ZITON signed a final contract for the repair and upgrade of blades on 80 turbines at the Meerwind Süd/Ost wind farm. The focus for 2021 is to successfully complete the blade campaign from March 2021 and the next nine to twelve months depending mostly on weather.

SERVICE LARGER TURBINES

Turbine sizes continue to grow, because the economics of turbines improve with increases in the swept area of the blades. Consequently, adding a larger vessel to the fleet is a strategic priority in order to grow with the market and serve our customers in the future.

RESULTS ACHIEVED IN 2020

In May 2019, Vroon B.V. and ZITON signed a bareboat agreement for J/U WIND ENTERPRISE. As part of the agreement, ZITON was given an option to purchase the vessel. On 18 December 2020, ZITON gave notice to Vroon that it was exercising the purchase option. The purchase of the vessel was completed in January 2021. The ownership of J/U WIND ENTERPRISE provides ZITON with a fleet of vessels to service almost every offshore wind farm in northern Europe, from 2.0 MW to over 10.0 MW.

FOCUS AREAS FOR 2021

On 17 December 2020, SGRE and ZITON signed a time charter of three years and eight months for J/U WIND ENTERPRISE. During January and February 2021, the vessel completed 10-year dry-dock surveys and repairs to maintain the vessel in good condition before the vessel entered into the time charter from 1 March 2021 to 31 October 2024. The focus for 2021 is to maintain the vessel in good condition to avoid unexpected off-hire days.

STRATEGIC DIRECTION

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 only in the last few years has it begun to gain traction across the globe. ZITON has gained significant offshore wind experience over the years and is now exploring opportunities to apply this experience in other parts of the world.

RESULTS ACHIEVED IN 2020

We continued the business development activities at our office in Beijing, China, to explore market opportunities in the Chinese market using our experience from northern Europe.

FOCUS AREAS FOR 2021

We will continue to focus on the Chinese market and seek to deepen relationships within different parts of the offshore wind supply chain, while we are also monitoring the development on the US market.

DIGITALISATION

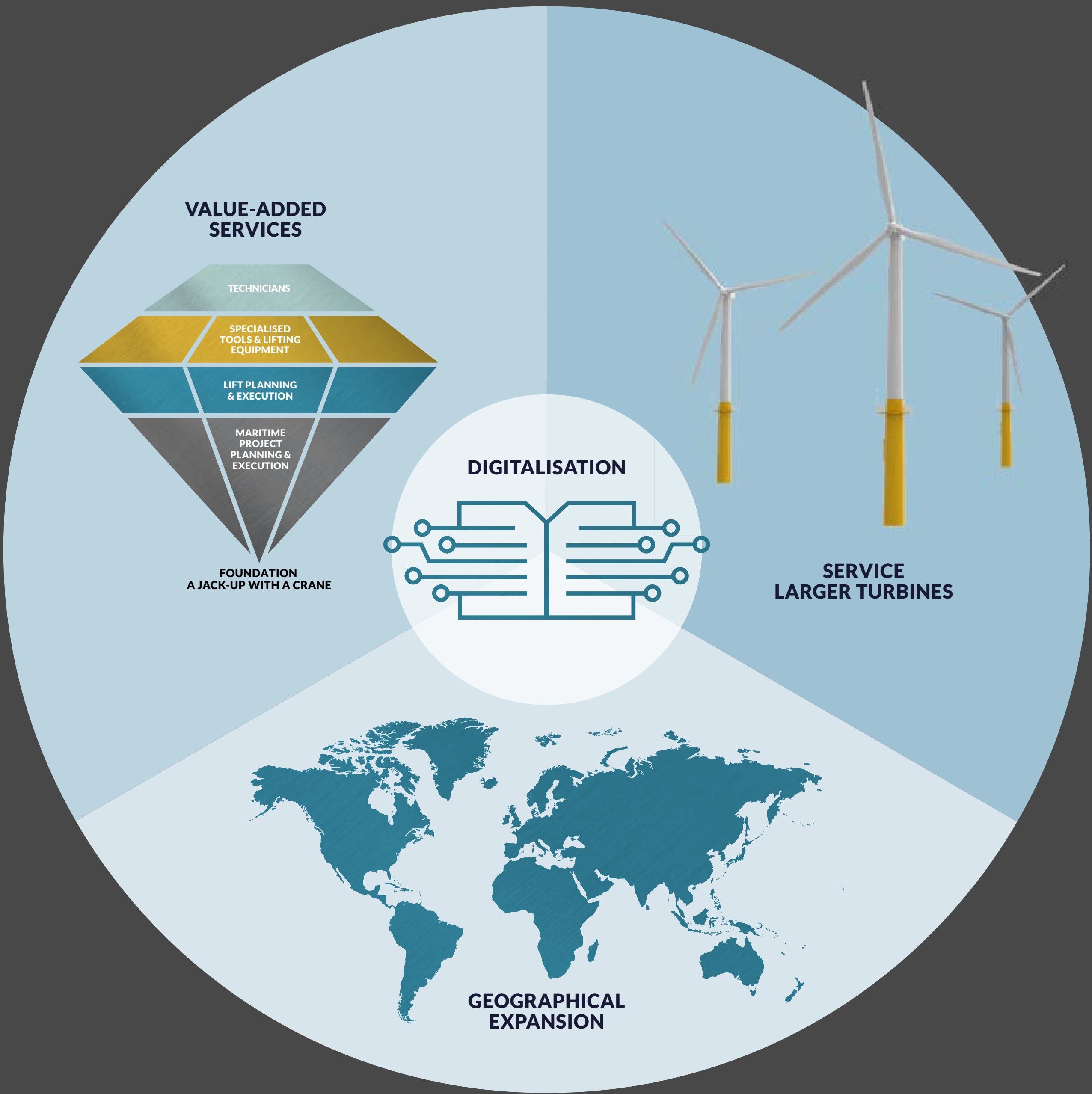
ZITON continually invests in the digitalisation of the business to improve operations and customer interaction. Achieving operational efficiency in major component replacement in the offshore wind industry is very much subject to weather conditions and also depends on the many touchpoints and the coordination needed between ZITON, customers and suppliers. ZITON seeks to digitise and integrate internal processes and touchpoints in the supply chain.

RESULTS ACHIEVED IN 2020

We mainly focused on building on capabilities within machine learning and advanced analytics to predict future market demand for major component replacement, blade campaigns, decommissioning, etc.

FOCUS AREAS FOR 2021

We will implement the use of apps on our vessels to enable real-time reporting of operational information and to report information used for invoicing of customers. Today, most of our applications are delivered as a service or are cloud-based. In the coming year, we will focus on porting additional applications from on-premise to the cloud.


VALUE-ADDED SERVICES
TECHNICIANS
SPECIALISED TOOLS & LIFTING EQUIPMENT
LIFT PLANNING & EXECUTION
MARITIME PROJECT PLANNING & EXECUTION
FOUNDATION A JACK-UP WITH A CRANE
DIGITALISATION
SERVICE LARGER TURBINES
GEOGRAPHICAL EXPANSION

BUSINESS MODEL

CLIMATE-RELATED RISKS AND OPPORTUNITIES

- ZITON operates within the offshore wind industry. Offshore wind is expected to play an important role in the transition to a low-carbon and climate-resilient economy. For ZITON, the offshore wind industry provides important climate-related opportunities for growth as the number of turbines installed in northern Europe is expected to continue to increase in the foreseeable future. In addition, as the offshore wind industry becomes increasingly global, it will provide opportunities for ZITON to expand its global presence.
- Operating vessels involves fuel consumption. However, ZITON's vessels are generally lighter and smaller than their installation counterparts. Thus, our fleet enables customers to select the vessel that provides the industry's lowest carbon footprint. ZITON's operations are considered to have a very positive net effect on the climate as CO_2 emissions in 2020 merely amounted to the greenhouse gas emissions equivalent avoided by 3.7 wind turbines running for a year. For more information, please refer to the ESG section of this annual report.

KEY RESOURCES

- Building or purchasing jack-up vessels requires a high initial investment and design requirement know-how.
- Project management capabilities are essential for planning and successfully executing projects. ZITON employs a customer portal to deliver cost-efficient project documentation and to collaborate with customers on projects.

In recent years, ZITON's business model has evolved to include full-service and turnkey solutions, building on the foundation of owning and operating jack-up vessels. ZITON operates in the offshore wind industry, which is expected to play an important role in the transition to a low-carbon and climate-resilient economy.

VALUE TO CUSTOMERS

- It is important for wind farm owners to avoid unscheduled downtime, as that would reduce 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 ("O&M") and are always ready to provide swift assistance to "keep the blades turning" at offshore wind farms.
- Blade repair provides important value for customers, as wear and tear of blades reduces the output of the turbines and consequently the profitability of 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, Vestas Offshore Wind and GE Renewable Energy.
  - Wind farm operators are primarily utilities like Ørsted, RWE Renewables, Vattenfall, Northland Power, SSE, EnBW, Equinor and Eneco, among others.
- Once an offshore wind farm has been installed, turbine manufacturers normally provide O&M services under their warranty programmes, which typically extend for two to 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, vessel crews, insurance, certifications and other costs are fixed, at least in the short-term, regardless of the level of activity.
- Providing turnkey solutions involves ZITON taking full responsibility for the solution and assuming all risks, including for the collaboration with subcontractors. If the cost of a project exceeds budget, ZITON may be liable not only for its own costs, but also for those of its subcontractors. This could severely increase ZITON's fixed cost base.
- COVID-19 has only slightly increased ZITON's cost base for more expensive crew changes, testing of crew and other procedures.

REVENUE STREAMS

- To the extent possible, ZITON endeavours to secure longer-term contracts with customers to ensure predictability of revenue. Longer-term contracts may be in the form of time charter contracts or right-of-first refusal framework agreements. It may also be in the form of turnkey solutions that may provide comparable predictability on revenue.
- It may not be feasible to secure longer-term contracts with predictable revenue. As a result, revenue may vary significantly from quarter to quarter and significantly increase the risk of fluctuations in earnings and cash flows.
- In 2020, an outbreak of COVID-19 on a vessel caused the vessel to be out of operations for six weeks. In future contracts, we will seek to share COVID-19 related risks with customers. Apart from the direct impact from outbreaks on the vessels, the effect on the revenue stream is limited.

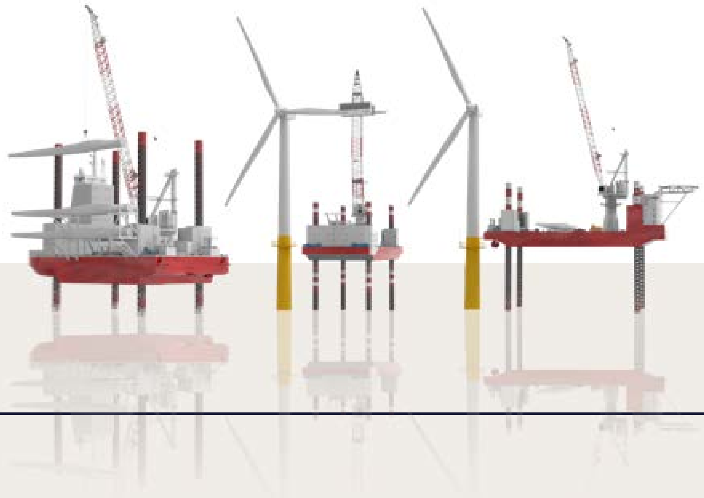
DIFFERENCE BETWEEN DEDICATED O&M SERVICE PROVIDERS AND PROVIDERS OF INSTALLATION JACK-UPS

There are some 25 jack-up vessels regularly operating in the offshore wind industry. Most of them are used for installing new wind farms. There are certain important differences between a dedicated O&M provider and a provider of installation jack-ups, such as:

- **Dedicated provider of O&M services**
  ZITON is the only dedicated provider of jack-ups for major component replacement. A dedicated provider operates vessels dedicated to O&M assignments, such as major component replacement, blade campaigns or decommissioning. Such vessels are not occupied by long-lasting installation assignments.

- **Coverage of all turbines from 2 MW to 10 MW and beyond**
  Our fleet of dedicated O&M jack-ups provides us with the flexibility and versatility to operate at almost every offshore wind farm in northern Europe, from 2 MW to over 10 MW. Our fleet allows us to offer our customers a cost-effective set-up for their particular needs to service locations with varying draft and soil.

BUSINESS MODEL



- **Lower carbon footprint**
  Being lighter and smaller, O&M jack-ups consume less bunker fuel than their installation counterparts. Thus, not only does our fleet provide customers with a cost-effective set-up, it also allows customers to select the vessel that provides the industry's lowest carbon footprint. For more information, please refer to the ESG section of this annual report.

- **Technical capability of the vessel**
  To carry out O&M assignments, our vessels do not require a large deck space and crane lifting capacity, such as installation jack-ups generally do. Moreover, 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 ten years of experience are rarely seen in this young industry, but that is what we can provide at ZITON. Our crews have experience from working with a variety of wind turbine models, sites, ports and under various operating conditions. Everyone in our crews knows exactly the sequence and details of operations including the imperative of 'safety first' in all operations. The experience of our crews enables us to execute major component replacement with unrivalled efficiency. For further elaboration on our officer retention rate, please refer to the ESG section of this annual report.

- **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 achieve our objectives".

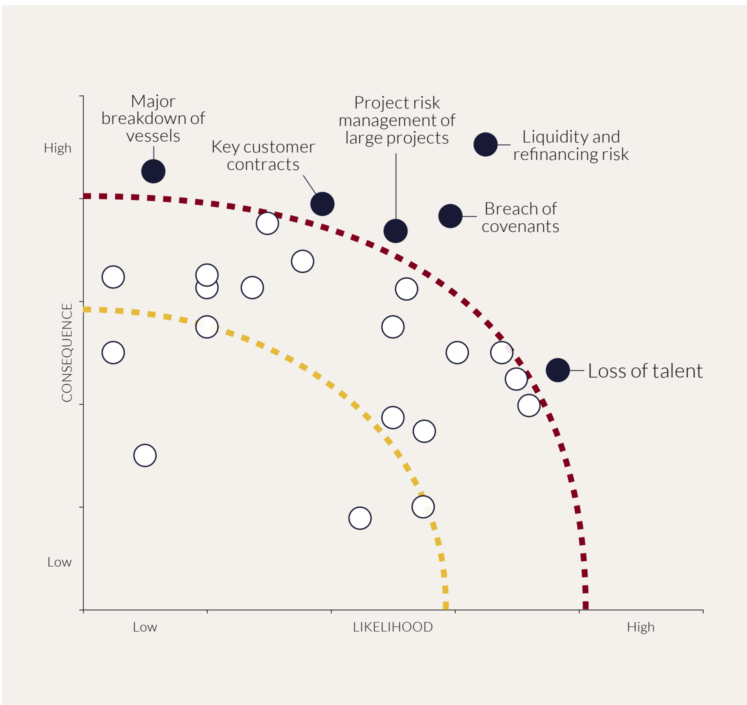
RISK MANAGEMENT PROCESS

The risk assessment process is anchored in the Executive Management Team, which regularly reviews the process of risk identification, analysis, evaluation and considers which steps should be taken, as illustrated below. At regular board meetings, the Board of Directors and the Executive Management assess and discuss main changes to 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 further develop the strategy. Strategic responses to risk factors may in some cases lead to an improved market position.

RISK HEAT MAP

To help visualise risks and opportunities, we prepare a heat map to illustrate the net risks after possible mitigation. Risk is defined as the combination of the likelihood of an event occurring and its consequences (defined as the impact on EBITDA and/or cash flow). The risks beyond the dotted red line are assessed to be the most significant risks to which the company is exposed.



Crew member at J/U WIND ENTERPRISE.

EVALUATION OF MAIN CHANGES TO RISK

The Board of Directors and the Executive Management have reviewed the risk assessment and compared it to the assessment in last year's annual report. Two risk factors, "Adverse weather" and "Competition" have been reduced and are no longer considered significant in terms of the combined risk of consequence and likelihood. The reason why "Adverse weather" is no longer considered a sizeable risk is that J/U WIND ENTERPRISE is on a time charter with Siemens Gamesa Renewable Energy ("SGRE") until 31 October 2024. This means that SGRE will pay a fixed charter fee and be fully responsible for utilisation of the vessel and weather risk. Further, from March 2021 J/U WIND SERVER operates on the Meerwind blade campaign expectedly for the remainder of 2021. According to the terms of the Meerwind contract, ZITON will receive a fixed price per intervention plus compensation for adverse weather days (up to a predetermined time period), thus significantly reducing weather risk for ZITON. All in all, ZITON will to a large extend have eliminated the weather risk on two thirds of the anticipated vessel utilisation for 2021. It is our assessment that "Competition" has been reduced as J/U WIND ENTERPRISE is not exposed to competition due to the SGRE long-term charter. Furthermore, the market for the installation of new offshore wind farms is really picking up, not just in Europe, but also in Asia. Consequently, jack-up vessels are increasingly being fully utilised for installing new offshore wind farms, resulting in reduced competition within operations & maintenance ("O&M").

In the Board's assessment, two risk factors have increased in importance: "Major breakdown of vessels" and "Loss of talent". In addition, it is the Board's assessment that four risk factors continue to be sizeable. These are "Key customer contracts", "Breach of covenants", "Project risk management of large projects" and "Liquidity and refinancing risks". These risk factors are elaborated upon in the table below.

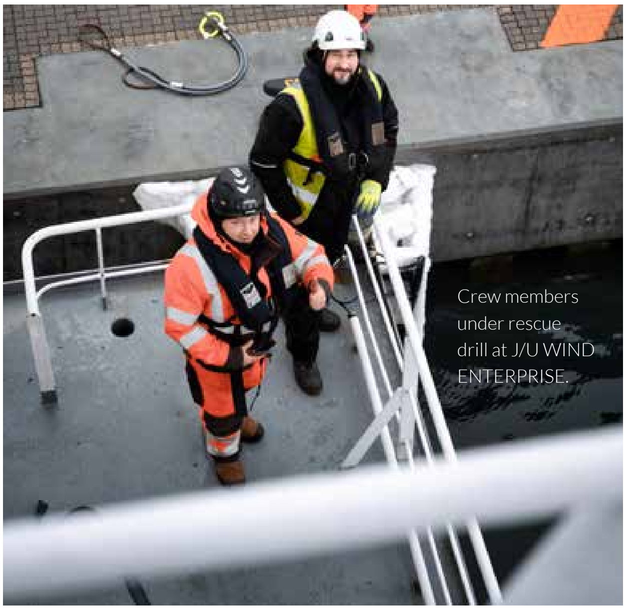
In addition, the Board reviewed the potential impact of 'Brexit'. In 2020, ZITON generated about 73% of its revenue in the UK, as can be seen from note 2.1 to the consolidated financial statements. Accordingly, the UK market is of substantial importance. The Brexit trade deal was signed on 24 December 2020. For ZITON, this has made it more cumbersome to do business in the

THE SIX MOST IMPORTANT RISK FACTORS SHOWN IN THE RISK HEAT MAP ARE ELABORATED UPON BELOW

RISK FACTORS	POSSIBLE CAUSES	POTENTIAL CONSEQUENCES	ENSUING MITIGATION
Liquidity and refinancing risk	· Liquidity and refinancing risk include the risk of the group experiencing a liquidity shortage and/or the inability to refinance its maturing bond loan and credit lines as needed	· If ZITON does not have the liquidity available to pay its obligations as they fall due, the company may be forced to seek to refinance its credit facilities, renegotiate terms of its bond loans and working capital facility, or otherwise seek a capital injection · If ZITON is not able to refinance or renegotiate bond loans and credit facilities or otherwise get a capital injection the company may enter into a reconstruction	· Cash flow from operations will mainly be used for reducing debt before maturity of senior bond loans · The subordinated lenders and the majority owner, BWB Partners, have provided a Second Super Senior Working Capital Facility amounting to EUR 9m to provide additional liquidity
Breach of covenants	· The bond loan agreements include financial covenants that if broken results in a default on the credit facilities. The covenants for the subordinated capital ratio for Q1 and Q2 2021 have been waived and the covenants for Q3 and Q4 2021 have been amended to be at a minimum of 27.0%, increasing to 31.0% from January 2022 · ZITON's subsidiary Wind Enterprise P/S has independently issued a bond for which covenants for asset coverage ratio and interest coverage ratio apply	· If the company breaches its financial covenants, the credit facilities will fall due for repayment. Thus, if ZITON is not able to negotiate an agreement with lenders or obtain alternative financing the company may enter into reconstruction	· ZITON's equity was increased by EUR 10m as the acquisition of J/U WIND ENTERPRISE was financed partly by issuing shares to the seller of the vessel. The new equity was used for capitalising the subsidiary Wind Enterprise P/S · ZITON constantly monitors the covenant situation and seeks to optimise the earnings and balance sheet in order not to breach covenants
Loss of talent	· ZITON and the offshore wind industry in general are showing tremendous prospects for future growth. ZITON is an established company in the industry with talented and experienced employees that may be recruited by other industry participants	· It may be challenging to replace talented and experienced employees	· ZITON applies succession planning to ensure that we have qualified replacements in our organisation · ZITON focuses on being an attractive employer in order to retain employees and to be able to replace loss of talent

UK due to increased paperwork, requirements for work permits etc. However, Brexit has so far not prevented ZITON from operating efficiently in the UK, and management does not anticipate that happening going forward.

Finally, the Board also reviewed the potential impact of COVID-19. The potential impact on ZITON is the risk that vessel crews are quarantined and not allowed or able to operate the vessels because someone from the crew has been infected, or delays caused by other parties in the value chain beyond the control of ZITON. ZITON has taken a number of precautions to prevent crews becoming infected or being quarantined, including by hiring private test capacity and arranging pick-ups of crew members from their home addresses as well as chartering private airplanes for crew changes etc. In spite of all the efforts to avoid COVID-19, ZITON registered instances of COVID-19 on two of its vessels during 2020, resulting in J/U WIND SERVER being out of operations for six weeks. The negative effect on 2020 revenue was about EUR 3.0m. For 2021, ZITON has inserted clauses into key contracts that share the financial impact of COVID-19 with our customers, though a negative impact may still be felt.



Crew members under rescue drill at J/U WIND ENTERPRISE.

RISK FACTORS	POSSIBLE CAUSES	POTENTIAL CONSEQUENCES	ENSUING MITIGATION
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 to long term, the company relies on the extension of existing contracts and on winning new contracts	· Contracts with SGRE, Ørsted and Vestas collectively accounted for most of 2020 revenue	· ZITON seeks to retain customers by providing value to customers through offering turnkey solutions, by being a dedicated O&M supplier with a diverse fleet, offering experienced crews and by having an organisation capable of and geared to provide efficient O&M services
Major breakdown of vessels	· Breakdown of vessels can range from a breakdown that can be resolved within a couple of weeks to a total loss. A major breakdown could for example be caused by damage to the jacking system or the crane, in practice making the vessel inoperational. Breakdown of vessels may occur for multiple reasons including, but not limited to, extremely harsh weather, punch through a hard crust while jacking, broken wire in the crane, malfunction of the electrical system or software of the jacking system etc.	· A major breakdown of J/U WIND ENTERPRISE may involve the suspension of hire for the vessel, and SGRE will have the option to terminate the contract early if the vessel is not operational for a longer period of time	· ZITON is insured against vessel total loss and breakdowns. However, the latter is limited to a few months of cover · ZITON performs preventive maintenance on mechanical parts on the vessels and has certain levels of redundancy built into the design of vessels
Project risk management of large projects	· ZITON provides turnkey solutions for blade repair, decommissioning etc. In a turnkey solution, the company typically takes on a larger scope and higher risk compared to a traditional time charter and also fixed-price-per-intervention projects. Risks involve cost overruns, extended project duration, and possible liabilities caused by project delays, deviations to plans etc.	· Project-related expenses increased from EUR 5.4m in 2019 to EUR 10.8m in 2020, as can be seen from the table on page 67. This increase was primarily due to the costs of providing a turnkey solution for the WoDS blade campaign. Thus, turnkey projects increase the operational leverage and breakeven level for the company	· ZITON has implemented strong project planning and management processes to handle projects and mitigate unforeseen events · In contract negotiations, ZITON seeks to ensure that the company does not take on or at least limits potential risks that ZITON is not able to control, e.g. adverse weather risk. The weather risk on the Meerwind blade campaign is shared with the customer as opposed to the now completed WoDS blade campaign, where ZITON carried the full weather risk

ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures ("APMs") are non-IFRS financial measures used as supplements to financial statements.

APMS	DEFINITION	RECONCILIATION
Weighted average utilisation rate	Weighted average utilisation rate is calculated as vessel revenue plus other operating income less project-related expenses during the period divided by full utilisation at standard rates. The combined standard rate for the four vessels is EUR 185k per day. Each vessel has a different weighting depending on its specifications	Revenue – non-vessel-related revenue + other operating income (during the period) less project-related expenses / EUR 185k * days (in the period) * 100
EBITDA	EBITDA is short for earnings before interest, tax, depreciation and amortisation	Income before tax + financial payments, net + depreciation and amortisation
EBITDA margin	EBITDA divided by revenue	Income before tax + financials, net + depreciation and amortisation / revenue * 100
Cash flows from operating activities	Cash flows from operating activities is defined as EBITDA less working capital adjustments and other adjustments	Income before tax + reversal of financial expenses, net + depreciation and amortisation + other adjustments + working capital adjustments
Subordinated capital	Subordinated capital consists of equity, subordinated loan and a second lien bond. Subordinated capital ranks last if the company goes into liquidation	Equity + subordinated loan + second lien bond loan
Subordinated capital ratio	Subordinated capital ratio is subordinated capital as a percentage of total assets in ZITON excluding Wind Enterprise P/S	Equity + subordinated loan + second lien bond loan – when effected "2020 Capital Issue of EUR 10.0m + fixed amount of EUR 3.2m of the Equity Financing of Wind Enterprise P/S plus the Issuer Capex of EUR 1.0m" / total assets less total assets of Wind Enterprise P/S * 100
Net interest-bearing debt (adjusted for capitalised financing costs)	Net interest-bearing debt ("NIBD") is senior debt with the highest priority level. It ranks ahead of subordinated debt if the company goes into liquidation	Bond loan, first lien (current and non-current) + lease obligations (current and non-current) less capitalised financing costs less cash and cash equivalents
Loan to vessels ratio	The loan to vessels ratio expresses NIBD (adjusted for capitalised financing costs) compared to the book value of the company's vessels	Bond loan, first lien (current and non-current) + lease obligations (current and non-current) less capitalised financing costs less cash and cash equivalents / vessels * 100
Available liquidity	The liquidity available to the company less cash on retention account, which is provided as security for the company's credit facilities, plus available working capital credit facilities	Cash and cash equivalents less cash on retention account less draw on working capital facility + available draw on facility
Liquidity	The liquidity available to the company less cash on retention account, which is provided as security for the company's credit facilities	Cash and cash equivalents less cash on retention account

ZITON presents its consolidated financial statements in accordance with generally accepted accounting practices (IFRS). Accordingly, key figures and ratios have been prepared in accordance with CFA Society Denmark's online version of "Recommendations & Ratios". In addition, ZITON presents APMs according to the Directives of European Securities and Markets Authority ("ESMA"). Management uses APMs in its decision-making and to evaluate the performance of the company. Furthermore, APMs present useful information which supplements the financial statements. APMs are not defined under IFRS and may not be directly comparable with APMs for other companies. Set out below are details of disclosures required by ESMA on definition, reconciliation, explanation of use, comparisons and coherence of each APM.

EXPLANATION OF USE	COMPARISON	COHERENCE
The weighted average utilisation rate at standard day rates expresses our ability to effectively utilise and capture the value of our fleet of vessels. This performance measure is a key driver of profitability	Prior-year comparative figures are presented in the "How we measure performance" section. However, J/U WIND ENTERPRISE was included from Q2 2019	The criteria used to calculate the weighted average utilisation rate are unchanged from last year with the exception that "other operating income" is a new line of income in Q4 2019 and Q1 2020, and project-related expenses are deducted. Project-related expenses are deducted as the purpose of weighted average utilisation rate is to show the utilisation of the vessels alone, without turnkey revenue. Further, J/U WIND ENTERPRISE was included from Q2 2019 when it became part of ZITON's fleet
EBITDA is a good approximation of pre-tax operating cash flow before working capital variations. This performance measure is a key driver of overall operational efficiency	Prior-year comparative figures are presented in the "Key figures" section	We use the modified retrospective approach for the implementation of IFRS 16. Hence, in 2018 finance leases were included in administrative expenses. From 2019 they are included in depreciation and financial expenses. All other criteria used to calculate EBITDA are unchanged
EBITDA margin is a good measure of operating efficiency	Prior-year comparative figures are presented in the "Key figures" section	The criteria used to calculate EBITDA margin are unchanged from last year, with the effect on EBITDA of IFRS 16 elaborated upon above
Cash flows from operating activities is a good measure of the company's cash generating power, and the ability to pay interest, service loans and carry out investments	Prior-year comparative figures are presented in the "Key figures" section	The definition of cash flows from operating activities has been changed from 2018 when we also deducted financial payments in our definition of cash flows from operating activities. Further, as a consequence of using the modified retrospective approach for implementation of IFRS 16, finance leases were included in administrative expenses in 2018. From 2019 they are partly included in financial expenses
Subordinated capital can be considered risk capital provided to the company. It consists of equity and loans that are subordinated to the first lien bond loan, working capital facility and guarantees	Prior-year comparative figures are presented in the "Key figures" section	In the Written Resolution approved by bondholders on 17 December 2020, the definition of subordinated capital was amended. As J/U WIND ENTERPRISE would no longer be bareboat chartered, the equity adjustments related to the effect that "call option to purchase a Temporary Chartered Vessel shall be excluded" was discontinued
The subordinated capital ratio is a maintenance covenant defined in the company's loan agreements for the first lien and second lien bond loans. The 2020 Capital Issue of EUR 10.0m was completed in January 2021, and consequently not in effect at the end of 2020	Prior-year comparative figures are presented in the "Key figures" section	The calculation was substantially changed when the Written Resolution was approved by bondholders on 17 December 2020. As J/U WIND ENTERPRISE would no longer be bareboat chartered, the equity adjustments related to the effect that "call option to purchase a Temporary Chartered Vessel shall be excluded" was discontinued
NIBD (adjusted for capitalised financing costs) is a measure of the senior debt less cash and cash equivalents	Prior-year comparative figures are presented in the "Key figures" section	We use the modified retrospective approach for implementation of IFRS 16, hence finance leases are now capitalised and included in NIBD from 2019
The loan to vessels ratio is considered a quick way for investors to assess the security of the company's vessels relative to the loans provided	Prior-year comparative figures are presented in the "Key figures" section	The criteria used to calculate the loan to vessels ratio is unchanged from previous years, with the effect on NIBD
Available liquidity is a good measure of the liquidity available to the company including drawing rights on the working capital facility for paying interest and instalments and withstanding variations in future operating cash flows	Prior-year comparative figures are presented in the "Review of cash flows for 2020" section of the financial statements	The criteria used to calculate available liquidity are unchanged from previous years
Liquidity is a good measure of the liquidity available to the company and its ability to pay interest and instalments and to withstand variations in future operating cash flows	Prior-year comparative figures are presented in the "Review of cash flows for 2020" section of the financial statements	The criteria used to calculate liquidity are unchanged from previous years

HOW WE MEASURE PERFORMANCE

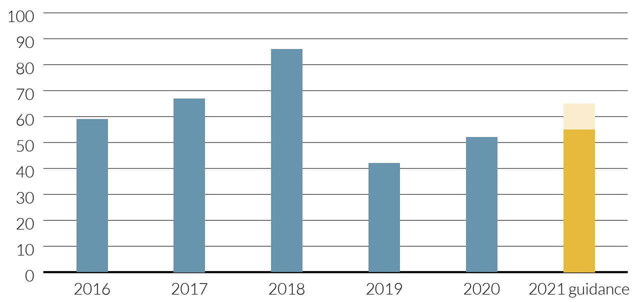
The Board of Directors and Executive Management monitor a number of key performance indicators ("KPIs") to evaluate the performance of our strategy over time.

The Board of Directors and the Executive Management monitor a number of key performance indicators ("KPIs") to evaluate the performance of our strategy over time. The KPIs applied are both financial and operational, internal and external, leading and lagging indicators. KPIs are maintained for various 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, HSEQ reporting, vessel utilisation, day rates, return on invested capital and employee turnover. The three main KPIs, disclosed externally, are elaborated upon below. For specific definitions of the KPIs and an explanation of use, please refer to the section Alternative Performance Measures.

WEIGHTED AVERAGE UTILISATION RATE

In March 2016, J/U WIND SERVER entered into a three-year time charter with Siemens Gamesa Renewable Energy ("SGRE"). This provided stable base utilisation of the company's fleet from 2016 to 2018. In 2018, the utilisation of J/U WIND and J/U WIND PIONEER improved markedly, resulting in a weighted average utilisation rate of 86% in that year. Utilisation declined significantly to 42% in 2019, primarily because the utilisation of J/U WIND SERVER dropped as the three-year charter expired and the vessel continued on the West of Duddon Sands ("WoDS") blade campaign. The blade campaign was delayed by a couple of months, and we experienced a steep learning curve when the project was initiated. In May 2019, J/U WIND ENTERPRISE was bareboat chartered and we saw good utilisation of the vessel in 2020 as it worked on various framework agreements. J/U WIND SERVER continued on the WoDS blade campaign for virtually all of 2020, resulting in satisfactory utilisation, even though the first two months of the year saw very low utilisation due to adverse weather, while a COVID-19 outbreak in the fourth quarter also had an impact on the utilisation. The projected improvement in vessel utilisation during 2021 reflects the time charter of J/U WIND ENTERPRISE with SGRE for three years and eight months from the beginning of March and J/U WIND SERVER initiating the Meerwind blade campaign from mid-March and for the remainder of 2021.

Weighted average utilisation rate
Per cent



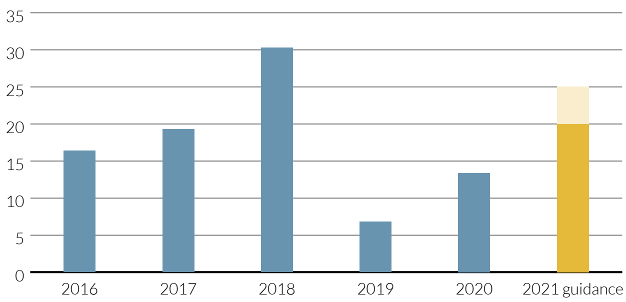
EBITDA

EBITDA improved steadily from 2016 to 2018, mainly as a consequence of the improved vessel utilisation. In 2019, EBITDA declined sharply as a result of the lower vessel utilisation rate, and the fact that ZITON's cost base mainly consists of a high percentage of fixed operating costs and a low percentage of variable costs. Consequently, as vessel utilisation and revenue declined, it caused a notable reduction of EBITDA. In 2020, we saw some improvement, mainly as the utilisation of J/U WIND SERVER improved due to better execution at the WoDS blade campaign, and the full-year contribution from J/U WIND ENTERPRISE. The projected improvement for 2021 reflects that for most of the year, J/U WIND ENTERPRISE will be on time charter with SGRE and J/U WIND SERVER will be on the Meerwind blade campaign.

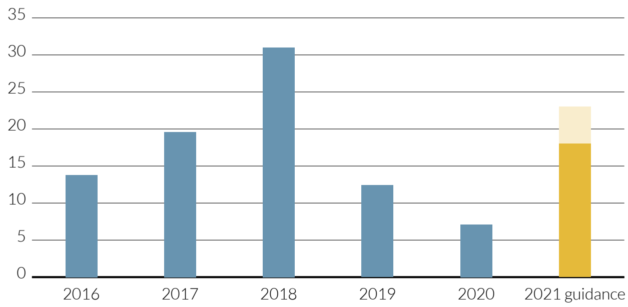
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities is defined as EBITDA less working capital and other adjustments. Consequently, cash flows from operating activities is a good indication of the company's cash flow generation power. Cash flows from operating activities increased from 2016 to 2018, in line with the improvements in EBITDA. In 2019, the decline in cash flows from operating activities were not as abrupt as the decline in EBITDA, as ZITON received an advance payment for the WoDS blade campaign amounting to approximately EUR 6.5m. The advance payment was reversed at the end of 2020, as the WoDS blade campaign was completed. The projection for 2021 reflects the increase in EBITDA, which is partly offset by a negative change in working capital as revenue is expected to increase due to the SGRE long-term charter and the Meerwind blade campaign.

EBITDA
EUR million



Cash flows from operating activities
EUR million



2020 PERFORMANCE REVIEW

The following is a review of the guidance provided to bondholders in terms of our performance in 2020.

We provided initial guidance to the bondholders on 4 December 2019 in connection with Summons for Written Resolution for approval of an advance payment of GBP 5.5m on the now completed West of Duddon Sands ("WoDS") blade campaign.

At the release of our Q4 2019 interim report published on 27 February 2020, we lowered our EBITDA guidance to EUR 20-24m. The reason being that work was halted at WoDS for two weeks in January 2020, as a consequence of two work incidents. In addition, the weather remained a challenge during the first two months of 2020.

In Q1 2020, adverse weather continued to negatively impact operations, and we lowered our EBITDA guidance on 14 May 2020 to EUR 18-22m.

Market activity during Q2 2020 was influenced by the COVID-19 situation, which caused the postponement of major component replacements. Consequently, we lowered our EBITDA guidance on 27 August 2020 to EUR 15-18m.

In the beginning of Q4 2020, an outbreak of COVID-19 occurred on J/U WIND SERVER operating on the WoDS blade campaign. ZITON reacted swiftly and was able to encapsulate the outbreak to four people. However, as the vessel was quarantined and subsequently had to be up-manned to be fully operational, it was out of operation for six weeks. As a result, we lowered our EBITDA guidance on 19 November 2020 to EUR 14-16m.

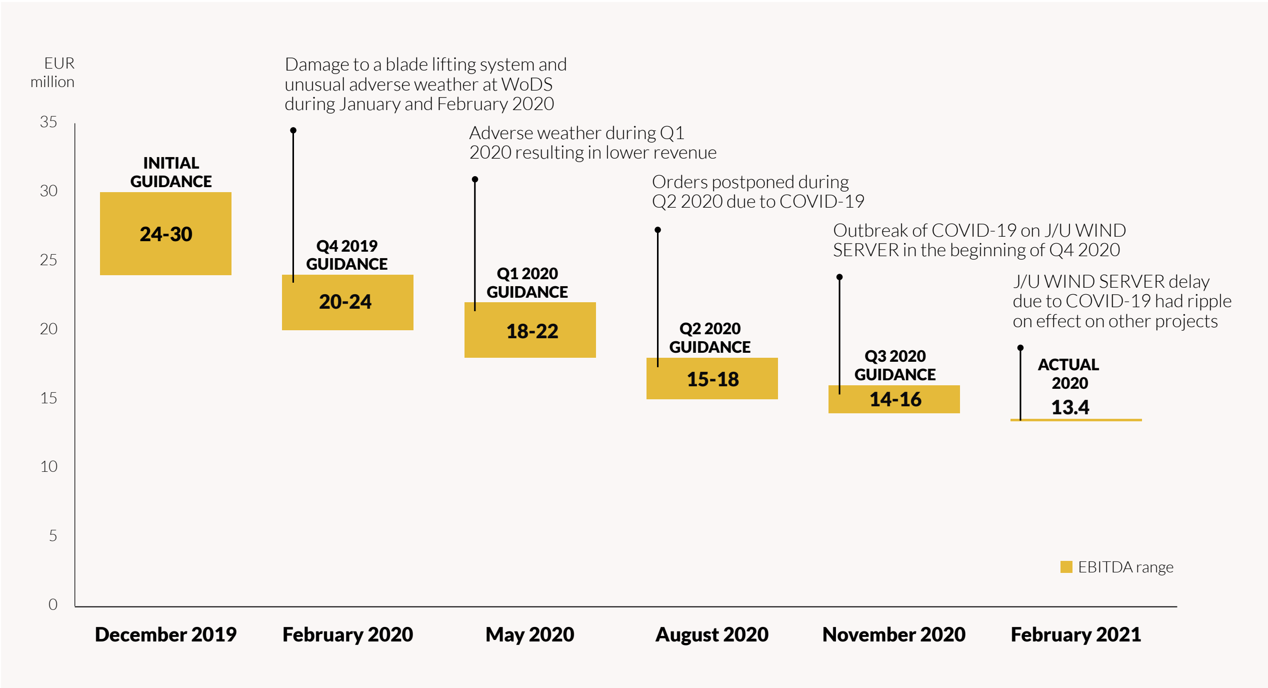
The impact from COVID-19 delayed J/U WIND SERVER in completing other operations during Q4 2020. That had a negative impact on ZITON's EBITDA, which ended at EUR 13.4m in 2020.

Rescue drill with lifeboat at J/U WIND ENTERPRISE.

THE TABLE BELOW SHOWS THE FULL KPI GUIDANCE ANNOUNCED DURING THE FINANCIAL YEAR 2020. QUARTERLY FIGURES FROM Q1 2019 TO Q4 2020 ARE ALSO AVAILABLE IN THE KEY FIGURES SECTION ON PAGE 67.

	INITIAL GUIDANCE DECEMBER 2019	REVISED GUIDANCE FEBRUARY 2020	REVISED GUIDANCE MAY 2020	REVISED GUIDANCE AUGUST 2020	REVISED GUIDANCE NOVEMBER 2020	ACTUAL 2020 FEBRUARY 2021
WEIGHTED AVERAGE UTILISATION RATE	No specific guidance	65-75%	60-70%	50-60%	50-55%	52%
EBITDA	EUR 24-30m	EUR 20-24m	EUR 18-22m	EUR 15-18m	EUR 14-16m	EUR 13.4m
CASH FLOWS FROM OPERATING ACTIVITIES	No specific guidance	EUR 12-16m	EUR 10-14m	EUR 7-10m	EUR 5-7m	EUR 7.1m
CAPEX	No specific guidance	Up to EUR 4m	Up to EUR 4m	Up to EUR 4m	Up to EUR 2m	EUR 2.6m

THE ILLUSTRATION BELOW SHOWS THE CHANGES IN EBITDA GUIDANCE ANNOUNCED DURING THE FINANCIAL YEAR 2020.



OUTLOOK FOR 2021

The 2021 guidance is based on various assumptions on market developments for major component replacement and blade campaigns, volume of business based on current agreements with customers, failure rates of turbines installed and our ability to provide cost-effective solutions for projects requiring a jack-up vessel, such as blade campaigns, decommissioning assignments etc.

From the beginning of March, J/U WIND ENTERPRISE went on time charter with Siemens Gamesa Renewable Energy (“SGRE”) for three years and eight months, and from mid-March, J/U WIND SERVER initiated the Meerwind blade campaign for the remainder of 2021. These two contracts cover approximately two thirds of the revenue forecast for 2021, which together with reduced weather risk provides a high degree of visibility into earnings for 2021. However, the delay caused by COVID-19 during Q4 2020 had a knock-on effect on project completion into Q1 2021. Further, initiation of the Meerwind blade campaign was postponed by two months mainly resulting from customer delays.

Crew member at J/U WIND ENTERPRISE.

THE FOLLOWING SETS OUT OUR KPI GUIDANCE FOR 2021:

Weighted average utilisation rate

We expect a utilisation rate in the range of 55-65%.

EBITDA

We expect EBITDA to be in the range of EUR 20-25m, compared to previous expectations of EBITDA in the range of EUR 25-30m.

Cash flow from operating activities

We expect cash flows from operating activities of EUR 18-23m. This reflects a strong reduction of working capital achieved towards the end of 2020, which is not assumed to be repeated at the end of 2021.

CAPEX

We expect CAPEX of up to EUR 5.0m, including CAPEX for the 10-year classing of J/U WIND ENTERPRISE before entering into the SGRE long-term time charter.

Staircase in the crane pedestal at J/U WIND ENTERPRISE.

CAPITAL STRUCTURE

ZITON's financial leverage has increased during the past three years following the refinancing in October 2018, the bareboat charter of J/U WIND ENTERPRISE in May 2019 and the sizeable financial losses incurred in 2019 and 2020.

The operational challenges experienced during the first two months of 2020 resulted in a financial performance below expectations and a significant drain on liquidity. Consequently, a summons for written resolution was issued on 23 March 2020, resulting in bondholders' approval of the proposal on 6 April 2020.

In April 2020, following approval of the written resolution, the corporate loans were adjusted, and a second super senior working capital facility of EUR 6.0m was provided, collectively improving the company's available liquidity by up to EUR 14.3m.

Bondholders of the first lien bond approved on 6 April 2020 a proposal to:

- Extend the maturity of the loan by one year to 3 October 2022;
- Waive covenants for the subordinated capital ratio until 31 December 2020;
- Postpone semi-annual amortisation payments from 3 April 2020 and 3 October 2020 by one year to 3 April 2021 and 3 October 2021 respectively, which improved the liquidity by a total of EUR 5.0m in 2020, and;
- Option for the company to postpone quarterly interest payments on 3 April 2020 and 3 July 2020 until the bonds mature, improving the liquidity by up to EUR 3.3m. ZITON has, since then, utilised both options, for which bondholders were compensated by increasing the coupon rate on the postponed amount by one percentage point.

The bondholders of the second lien bond approved on 6 April 2020 a proposal to:

- Extend the maturity of the loan by one year to 3 April 2023, and;
- Waive covenants for the subordinated capital ratio until 31 December 2020.

The subordinated loan provider approved a proposal to:

- Extend the maturity of the loan by one year to 3 October 2023, and;
- Waive covenants for the subordinated capital ratio until 31 December 2020.

The bondholders and subordinated capital providers are compensated by, among other things, an increase in the coupon of one percentage point, new covenants and an improved call structure for early repayment. Detailed terms of the amendments to the bond terms are available in note 4.3.

The new covenants include:

- 12-month rolling EBITDA of EUR 11.0m for the second lien bond and EUR 9.0m for the first lien bond at the end of Q3 2020. This covenant was met;
- 12-month rolling EBITDA of EUR 14.0m for the second lien bond (on 17 December 2020, amended to EUR 12.0m) and EUR 12.0m for the first lien bond at the end of Q4 2020. This covenant was met;
- Capital issue of EUR 10.0m in subordinated capital to be in place before 31 December 2020 (on 17 December 2020, amended to be closed before 1 February 2021). This covenant was met, and;
- In addition, the bareboat charter for J/U WIND ENTERPRISE was to be extended or the call option exercised in due time before 20 December 2020. This covenant was met.

With the objective of fulfilling the last two covenants listed above, ZITON exercised the call option to purchase J/U WIND ENTERPRISE on 18 December 2020, partly by issuing new shares to the seller of the vessel equivalent to EUR 10.0m. J/U WIND ENTERPRISE was purchased for EUR 42.5m, of which EUR 32.5m was cash and EUR 10.0m shares in ZITON A/S.

The purchase of the vessel was financed by establishing Wind Enterprise P/S as a wholly-owned subsidiary of ZITON A/S. The EUR 10.0m in new capital was transferred into Wind Enterprise P/S as subordinated capital. Wind Enterprise P/S purchased the vessel J/U WIND ENTERPRISE and is the counterpart to Siemens Gamesa Renewable Energy ("SGRE") under the time charter contract. Wind Enterprise P/S has no employees, but an operational support agreement with ZITON A/S for the performance of all services related to sales, technical management, maintenance costs, operations, crewing, administration etc. The structure was set up to provide new bondholders with strong security as cash flows from the SGRE long-term charter and security in the vessel J/U WIND ENTERPRISE is ringfenced into Wind Enterprise P/S. This enabled Wind Enterprise P/S to issue a bond loan of EUR 35.0m to finance the cash payment to the seller of J/U WIND ENTERPRISE as well as for general corporate purposes in Wind Enterprise P/S.

A summons for a written resolution was issued on 3 December 2020, resulting in ZITON A/S' existing bondholders' approval of the financing proposal on 17 December 2020.

Bondholders of the first lien bond approved on 17 December 2020 a proposal to:

CAPITAL STRUCTURE

- Accept the fulfilment of the capital issue covenant if the purchase of J/U WIND ENTERPRISE was completed on or before 1 February 2021. This covenant was met as the purchase was completed in January 2021;
- Amend the subordinated capital ratio to be reset at a minimum of 29.0% from December 2020 onwards, to increase to 31.0% from 1 January 2022 and to be tested quarterly, and;
- Postpone semi-annual amortisation payments from 3 April 2021 and 3 October 2021 by six months each to 3 October 2021 and 3 April 2022 respectively.

The two former proposals were also approved by the second lien bondholders and providers of the subordinated loans. In addition, the maturity of the second working capital facility of EUR 6.0m was extended from 31 December 2020 to 30 June 2021.

A summons for a written resolution was issued on 29 April 2021, resulting in ZITON A/S' existing bondholders' approval of the proposal on 18 May 2021. Bondholders of the first and second lien bond, as well as provider of subordinated capital approved on 18 May 2021 a proposal to:

- Waive covenants for the subordinated capital ratio ("SCR") for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%;
- Increase the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extend the facility until 31 December 2021;
- Postpone the approval and announcement of final 2020 Annual Financial Statements, due at the end of April 2021, until 31 May 2021, and;
- Postpone the payment into the Retention Account of the first lien bond, scheduled for 30 April 2021, until 31 May 2021.

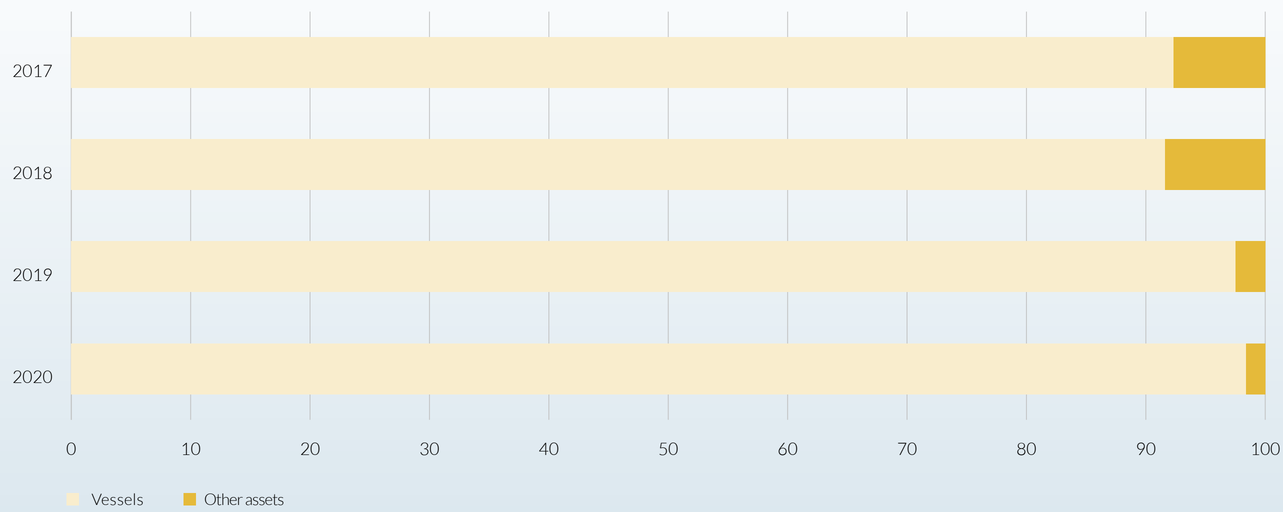
The bondholders and subordinated capital providers are compensated by a new 12-month rolling EBITDA covenant of minimum EUR 14.0m for Q2 2021, EUR 15.5m for Q3 2021 and EUR 17.0m for Q4 2021.

Further, the first lien bondholders are compensated by 0.15% of the amount outstanding to be repaid when ZITON refinances or at maturity.

The illustration below shows how the capital structure of ZITON evolved from 2017 to 2020. Vessels made up 98% of assets at the end of 2020.

Financing of the vessels is illustrated below to the right. In October 2018, ZITON issued a three-year EUR 100.0m first lien bond loan and a three-and-a-half year EUR 25.0m second lien bond loan. Proceeds from the bond issues were used to refinance the outstanding bond, acquire shares in the subsidiary Jack-Up InvestCo 3 Plc., repay part of the subordinated debt and to pay transaction costs. Jack-Up InvestCo 3 Plc. was established in 2013 as a joint venture between ZITON

ASSETS



A/S and Blue Water Capital S.A. for the purpose of constructing J/U WIND SERVER. Jack-Up InvestCo 3 Plc. was fully consolidated in ZITON's financial statements at the end of 2017. As a result, Blue Water Capital's share of equity was accounted for as non-controlling interests at the end of 2017, amounting to EUR 19.0m. ZITON A/S acquired the 50% ownership interest held by Blue Water Capital S.A. in October 2018. As a result, the non-controlling interests were eliminated from ZITON's financial statements.

Furthermore, a partial repayment of EUR 17.0m of the subordinated loan was completed during the refinancing in October 2018. As part of the refinancing, the non-controlling interests and partially repaid subordinated loan, amounting to EUR 36.0m, were partially replaced by a new second lien bond loan of EUR 25.0m. The net effect of EUR 11.0m constituted an increase in financial leverage and resulted in the non-controlling interests being replaced by the second lien bond loan.

In May 2019, ZITON bareboat chartered J/U WIND ENTERPRISE until 31 March 2021. As part of the agreement, ZITON was given an option to purchase the vessel. According to IFRS 16, the bareboat charter commitments and the price at which the option could be called was discounted and capitalised in the balance sheet as assets and lease liabilities. On 18 December 2020, ZITON gave notice to Vroon B.V. that it was exercising the purchase option for J/U WIND ENTERPRISE. As the purchase of the vessel was completed in January 2021, lease liabilities were still on the balance sheet at 31 December 2020. The bareboat charter of J/U WIND ENTERPRISE constitutes almost the entire amount of the lease liabilities of EUR 43.1m at the end of 2020. In January 2021, the lease obligations related to J/U WIND ENTERPRISE were replaced by the above-mentioned bond issue of EUR 35.0m, as the purchase of the vessel was completed.

Furthermore, the financial leverage has increased as a result of negative net income during the last three years. This has reduced equity from EUR 8.9m at the end of 2017 to minus EUR 17.2m at the end of 2020. An equity issue is contemplated towards the end of 2021 to restore the equity capital of the company. The equity is owned by BWB partners, Dansk Bjergning og Bugsering Holding ApS, OY Finans ApS and management. In January 2021, shares in ZITON A/S equivalent to EUR 10.0m were issued to Vroon B.V. as part of the payment for J/U WIND ENTERPRISE.

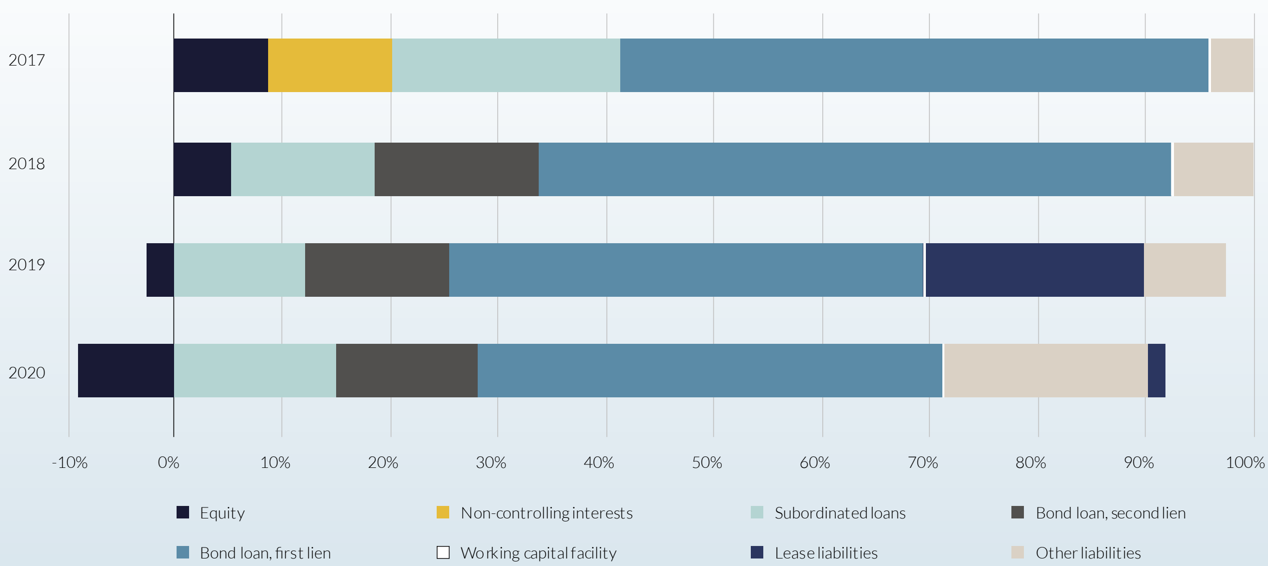
The subordinated loan matures on 3 October 2023 (extended by one year from 3 October 2022) and was provided by a Danish pension fund. There are no instalments on the subordinated loan, and interest accrues until maturity. Interest is a floating coupon of 3M CIBOR + 15.0% (increased from 3M EURIBOR + 14.0% on 8 April 2020).

The second lien bond matures on 3 April 2023 (extended by one year from 3 April 2022). There are no instalments on the second lien bond loan and interest accrues quarterly until maturity. Interest is a floating coupon of 3M EURIBOR + 12.85% (increased from 3M EURIBOR + 11.85% on 6 April 2020).

The first lien bond matures on 3 October 2022 (extended by one year from 3 October 2021). It bears a floating coupon of 3M EURIBOR + 7.9% (increased from 3M EURIBOR + 6.9% on 6 April 2020) with quarterly interest payments. The bond has fixed amortisation of EUR 2.5m on 3 October 2021 and 3 April 2022, as amortisations in 2020 and April 2021 have been waived.

The First Super Senior Working Capital Facility ("FSS WCF") is provided by ZITON's bank. The providers of the FSS WCF and Second Super Senior Working Capital Facility ("SSS WCF") and the bond loans make up a joint security package with security in three of the vessels owned by the company. The main items of the security package are set out in note 6.1 to the financial statements.

LIABILITIES



KEY FIGURES

EUR '000	IFRS 2016	IFRS 2017	IFRS 2018	IFRS 2019	IFRS 2020
Income statement					
Revenue	29,042	33,227	45,504	33,572	49,637
EBITDA	16,411	19,257	30,348	6,844	13,416
Net financial expenses	-13,186	-13,168	-17,624	-16,999	-19,756
Income before tax	-4,550	-1,841	4,799	-20,025	-17,252
Income after tax	5,804	-2,984	-1,283	-15,549	-12,356
Balance sheet items					
Non-current assets	167,370	161,011	153,424	195,586	187,939
Current assets	6,398	6,720	13,908	4,939	2,869
Total assets	173,768	167,731	167,332	200,526	190,808
Equity	36,824	33,843	8,902	-5,267	-16,910
Equity and subordinated capital	69,197	69,403	56,483	48,807	44,986
Current liabilities	10,975	8,703	7,278	16,430	49,825
Cash flows					
Net cash flows from operating activities	13,790	19,566	31,010	12,369	7,107
Net cash flows before investment activities	4,049	10,401	18,416	3,109	1,021
Net cash used in investing activities	-2,378	-1,474	-24,235	-3,477	-2,556
Net cash used/received in financing activities	-2,500	-5,500	13,933	-8,465	-188
Net change in cash and cash equivalents	-829	3,427	8,114	-8,833	-1,723
Financial ratios and other key figures					
EBITDA margin	56.5%	58.0%	66.7%	20.4%	27.0%
Subordinated capital ratio	39.8%	41.4%	33.8%	33.8%	31.1%
NIBD (adjusted for capitalised financing costs)	98,209	89,412	89,321	135,282	142,917
Loan to vessel ratio	61.0%	57.9%	58.3%	69.4%	76.2%
Total number of operating vessels (average)	3	3	3	4	4

Key ratios have been prepared in accordance with CFA Society Denmark's online version of "Recommendations & Ratios". Financial ratios and other key figures are described in the management review section "Alternative Performance Measures".

EUR '000 Quarterly key figures at a glance	Q1-20	Q2-20	Q3-20	Q4-20
Revenue	7,346	14,955	16,799	10,536
Other operating income	-	-	-	-
Project-related expenses	-2,788	-2,417	-2,893	-2,669
Operational expenses	-4,740	-4,925	-4,901	-4,682
Gross profit	**-182**	**7,613**	**9,005**	**3,185**
SG&A	-1,392	-1,463	-1,520	-1,831
EBITDA	**-1,574**	**6,151**	**7,485**	**1,354**
Subordinated capital ratio	31.5%	32.7%	36.7%	31.1%
Weighted average utilisation	22%	70%	76%	41%

Quarterly key figures at a glance	Q1-19	Q2-19	Q3-19	Q4-19
Revenue	9,693	5,560	8,711	9,608
Other operating income	488	-	-	-
Project-related expenses	-232	-235	-1,965	-2,957
Operational expenses	-2,186	-3,656	-4,725	-5,904
Gross profit	**7,763**	**1,669**	**2,021**	**746**
SG&A	-1,199	-1,461	-1,060	-1,636
EBITDA	**6,564**	**208**	**961**	**-889**
Subordinated capital ratio	35.4%	32.8%	32.7%	33.8%
Weighted average utilisation	76%	34%	34%	31%

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Executive Management and the Board of Directors have today considered and approved the annual report of ZITON A/S for the financial year 1 January to 31 December 2020.

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 2020 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 2020.

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, 20 May 2021

EXECUTIVE MANAGEMENT

Thorsten Henrik Jalk

BOARD OF DIRECTORS

Vagn Lehd Møller Chairman	Henrik Kleis	Jacob Ø. Bergenholtz
Ove Carsten Eriksen	Lars Thorsgaard Jensen	Morten Melin
Herman Marks		

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 2020, which comprise income statement and statement of comprehensive income, balance sheet, cash flow statement for the Group, statement of changes in equity, notes including 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 under 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 2020 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 at 31 December 2020 and of the results of the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 belief we have not performed any, prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014.

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 13 years including the financial year 2020.

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 2020. 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.

Valuation of vessels

Key audit matter

Vessels consist of several jack-up-vessels and the value amounts to EUR 185,293k (December 31 2019: EUR 192,209k). Vessels are presented as a part of Vessels, including property, fixtures and equipment. Refer to note 3.1 in the consolidated financial statements. Vessels are subject to an impairment test where indicators of impairment exist. Lower utilisation than expected during 2020 has given rise to an indicator of impairment for the vessel fleet. Significant judgements are required by Management in determining the recoverability of the carrying amount of Vessels. Vessels have a relatively long-lived nature and Management's long-term estimates of cash flow and determining WACC are therefore the most significant judgements. The judgement in determining expected cash flow includes long-term estimates on charter rates, utilisation of the vessels, operating costs and capital expenditure. The key assumptions related to Vessels are described in note 3.1 to the consolidated financial statements. Present value of expected cash flow lead to management judgement. Combined with the significance of Vessels to the financial statements as a whole the valuation of Vessels is considered to be a Key Audit Matter.

How our audit addressed the key audit matter

Based on our risk assessment we assessed the relevant internal controls for Vessels primarily relating to Management's impairment test. We obtained management's impairment test of vessels. We considered and challenged management's assessment for indicators of impairment of vessels. We considered and challenged the judgements used to determine the value in use of the Vessels. This includes those relating to charter rates, expected utilisation rates and operating costs. We tested the judgements by reference to third-party documentation such as signed framework agreements with customers. We also assessed the Management's underlying key judgements including challenge of future market and market share and utilisation rates. We used valuation specialists to assess the discount rates (WACC) used by Management. We assessed and challenged 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, in our view, 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 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 achieves fair presentation.
- 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 submit a statement, to those charged with governance, that we have met relevant ethical requirements in relation to independence, and inform of all relations and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. Based on the matters communicated to the Management, we determine which matters were the most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent 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, 20 May 2021
BDO Statsautoriseret revisionsaktieselskab, CVR-no. 20 22 26 70

Claus Muhlig, MNE no.: mne26711
State Authorised Public Accountant

FINANCIAL REVIEW AND STATEMENTS

TABLE OF CONTENTS

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	2020	2019
Revenue	2.1	**49,637**	**33,572**
Other operating income		-	488
Project-related expenses		-10,767	-5,389
Operating expenses	2.2	-19,249	-16,471
Gross profit		**19,621**	**12,200**
Administrative expenses		-1,563	-1,819
Staff costs, office staff	2.3	-4,643	-3,537
EBITDA		**13,416**	**6,844**
Depreciation and amortisation	3.1	-10,912	-9,870
EBIT		**2,504**	**-3,026**
Financial income	4.4	1,198	43
Financial expenses	4.4	-20,954	-17,042
Income before tax		**-17,252**	**-20,025**
Tax on profit (loss)	5.1	4,896	4,476
Income for the year		**-12,356**	**-15,549**
Attributable to:			
Shareholders of ZITON A/S		-12,348	-15,543
Non-controlling interests		-8	-6
Income for the year		**-12,356**	**-15,549**

STATEMENT OF COMPREHENSIVE INCOME

EUR´000	2020	2019
Income for the year	**-12,356**	**-15.549**
Items that will subsequently be reclassified to the income statement when specific conditions are met:		
Exchange adjustments of foreign entities, net of tax	-221	10
Cash flow hedges, realised (gains)/losses incurred during period	63	170
Cash flow hedges, deferred gains/(losses) incurred during period	638	-871
Total comprehensive income for the year, after tax	**-11,877**	**-16.240**
Attributable to:		
Shareholders of ZITON A/S	-11,869	-16.234
Non-controlling interests	-8	-6
Total comprehensive income for the year, after tax	**-11,877**	**-16,240**

REVIEW OF THE INCOME STATEMENT FOR 2020

Revenue
The fully consolidated results for ZITON show net revenue for 2020 of EUR 49.6m compared to EUR 33.6m for 2019, an increase of EUR 16.0m. The main reason for the increase in revenue was a strong improvement in execution of the West of Duddon Sands ("WoDS") blade campaign and the full-year contribution from J/U WIND ENTERPRISE, which was bareboat chartered at the end of May 2019.

Expenses
Total expenses in ZITON increased to EUR 36.2m in 2020 from EUR 27.2m in 2019. The increase comprised a full year of operating J/U WIND ENTERPRISE and a full year on the WoDS blade campaign.

Project-related and operating expenses
Project-related costs and operating expenses increased to EUR 30.0m in 2020 from EUR 21.9m in 2019. The main reason for the increase in costs was the full-year effect of project-related expenses for providing a turnkey solution for the WoDS blade campaign that was initiated in July 2019 and the full-year effect of ownership of J/U WIND ENTERPRISE.

Administrative and salary expenses
SG&A expenses amounted to EUR 6.2m in 2020 compared to EUR 5.4m in 2019. The increase was due to an increased headcount in our foreign subsidiaries.

EBITDA
EBITDA was a EUR 13.4m profit in 2020 compared to a profit of EUR 6.8m in 2019. The main reason for the increase in EBITDA was a strong improvement in execution of the WoDS blade campaign and the full-year contribution from J/U WIND ENTERPRISE.

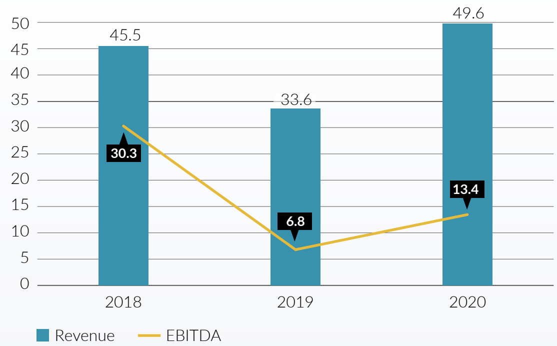
Depreciation and amortisation
Depreciation charges amounted to EUR 10.9m in 2020 compared to EUR 9.9m in 2019. The increase in depreciation was mainly related to the full-year effect of the lease of J/U WIND ENTERPRISE.

Net financials
Net financials was an expense of EUR 19.8m in 2020 compared to an expense of EUR 17.0m in 2019. The increase in financial expenses was mainly as a consequence of capitalisation and interest expensing of the bareboat charter of J/U WIND ENTERPRISE and the increased rate of interest on the bond loans, the terms of which were renegotiated in April 2020.

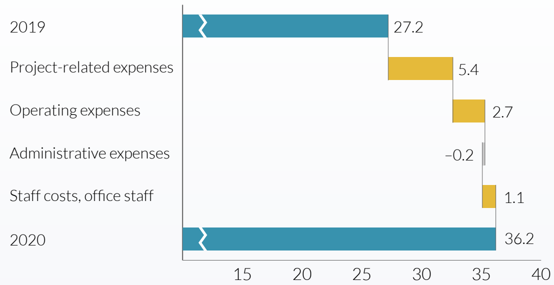
Tax on profit (loss)
Tax on profit was an income of EUR 4.9m. Taxation is described further in note 5.1.

Non-controlling interests
Flex Wind ApS owns 50% of Hangout A/S. A non-controlling interest of EUR 8k represents 50% of the income for the year in Hangout A/S.

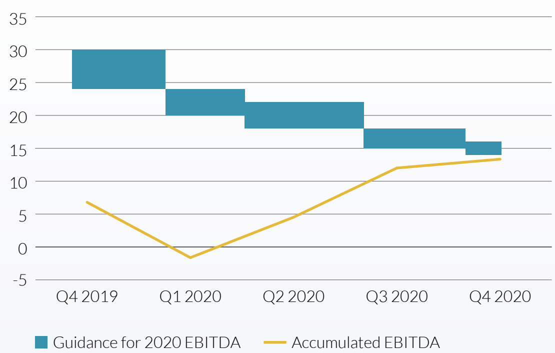
Revenue & EBITDA
EUR million



Expenses
EUR million



Accumulated EBITDA & expected range
EUR million



BALANCE SHEET
31 DECEMBER

ASSETS

EUR '000	Note	2020	2019
Non-current assets			
Vessels, including property and fixtures & equipment	3.1	187,671	194,939
Intangible assets	3.2	160	128
Deferred tax asset	5.2	108	519
Total non-current assets		**187,939**	**195,586**
Current assets			
Inventories		233	293
Trade and other receivables	3.4	2,352	2,638
Cash and cash equivalents	4.2	284	2,008
Total current assets		**2,869**	**4,939**
Total assets		**190,808**	**200,526**

EQUITY AND LIABILITIES

EUR '000	Note	2020	2019
EQUITY			
Share capital		13,098	13,098
Reserves		-23	-502
Retained earnings		-30,272	-17,923
Total equity attributable to shareholders of ZITON A/S		**-17,196**	**-5,328**
Non-controlling interests		287	61
Total equity		**-16,910**	**-5,267**
LIABILITIES			
Non-current liabilities			
Subordinated loan	4.1-4.4	29,574	25,472
Bond loan, second lien	4.1-4.4	32,322	28,602
Bond loan, first lien	4.1-4.4	94,305	88,117
Lease obligations	4.1-4.4	878	40,832
Deferred tax liability	5.2	497	6,109
Provision for other liabilities	3.3	318	230
Total non-current liabilities		**157,893**	**189,362**
Current liabilities			
Bond loan, first lien	4.1-4.4	3,482	4,314
Lease obligations	4.1-4.4	42,257	2,546
Working capital facility	4.1-4.4	490	156
Current tax payable		336	-
Trade and other payables	3.5	2,599	8,540
Provision for other liabilities	3.3	660	874
Total current liabilities		**49,825**	**16,430**
Total liabilities		**207,718**	**205,792**
Total equity and liabilities		**190,808**	**200,526**

REVIEW OF THE BALANCE SHEET 2020

Vessels, including property and fixtures & equipment
The total value of the vessels (incl. property and fixtures & equipment) amounted to EUR 187.7m at the end of 2020. This compares to EUR 194.9m at the end of 2019. The decrease was mainly due to depreciation.

Net working capital
Changes in working capital were positive in the amount of EUR 1.1m in 2020.

Trade receivables
Trade and other receivables amounted to EUR 2.4m at the end of 2020 compared to EUR 2.6m at the end of 2019.

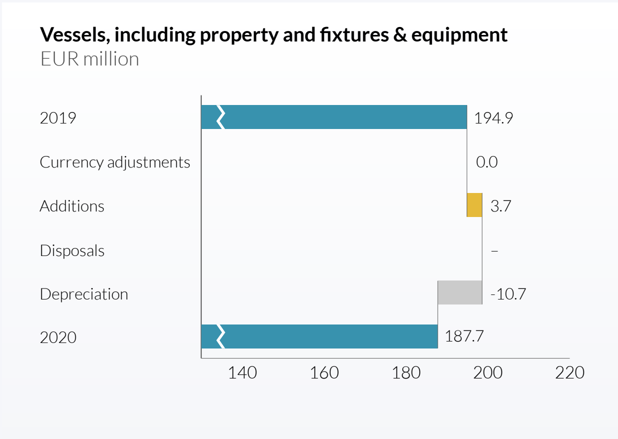
Trade payables
Trade and other payables decreased to EUR 1.6m in 2020 from EUR 2.7m in 2019 due to reduced activity ahead of year-end.

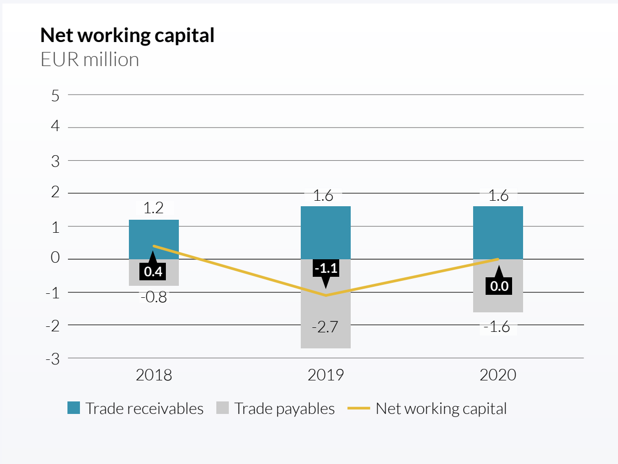
Equity
Total equity was negative at EUR 16.9m at the end of 2020, a change from a negative amount of EUR 5.3m at the end of 2019. The decline compared to 2019 was mainly a consequence of losses incurred during 2020.

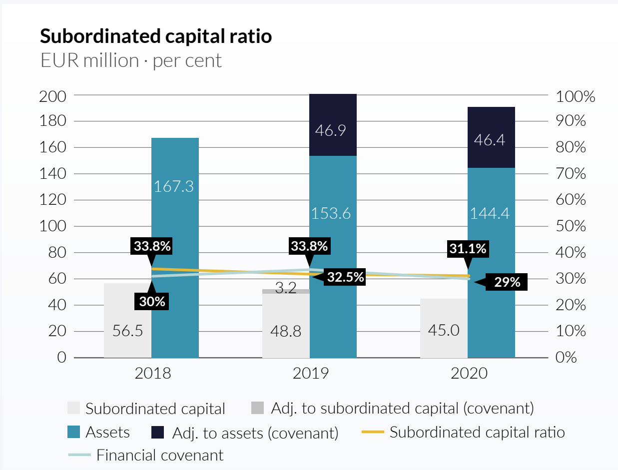
Subordinated capital ratio
The subordinated capital ratio at the end of 2020 was 31.1% compared to 33.8% at the end of 2019. However, the definition of subordinated capital ratio was altered when the Written Resolution was approved on 17 December 2020. This is further explained under "Alternative Performance Measures".

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 amounted to EUR 142.9m at the end of 2020 compared to EUR 135.3m at the end of 2019.







CASH FLOW STATEMENT
1 JANUARY - 31 DECEMBER

EUR '000	Note	2020	2019
Income before tax		**-17,252**	**-20,025**
OPERATING ACTIVITIES			
Adjustments for non-cash items			
Reversal of financial expenses, net	4.4	19,756	16,999
Depreciation and writedowns for the period	3.1	10,912	9,870
Other adjustments		-501	-1,663
Working capital adjustments			
Changes in inventories		61	-258
Change in trade receivables		286	394
Change in trade payables		-6,154	7,052
Net cash flows from operating activities		**7,107**	**12,369**
FINANCIAL PAYMENTS			
Financial receipts		-	-
Financial payments		-6,085	-9,260
Income tax expenses			
Income tax expenses		-	-
Net cash flows before investing activities		**1,021**	**3,109**
INVESTING ACTIVITIES			
Purchase of vessels, including property and fixtures & equipment (excl. interest)	3.1	-2,556	-3,544
Purchase of non-controlling interests		-	67
Net cash used in investing activities		**-2,556**	**-3,477**
FINANCING ACTIVITIES			
Repayment of debt to bank and bondholders	4.4	1,244	-6,245
Draw on working capital facility	4.1-4.4	334	156
Capital increase in parent		-	2,005
Lease payments	4.1-4.4	-1,766	-4,381
Net cash used/received in financing activities		**-188**	**-8,465**
Net change in cash and cash equivalents		**-1,723**	**-8,833**
Cash and cash equivalents at beginning of period	4.2	2,008	10,842
Exchange gains/losses on cash and cash equivalents		-1	-1
Cash and cash equivalents at end of period	4.2	**284**	**2,008**

REVIEW OF CASH FLOWS FOR 2020

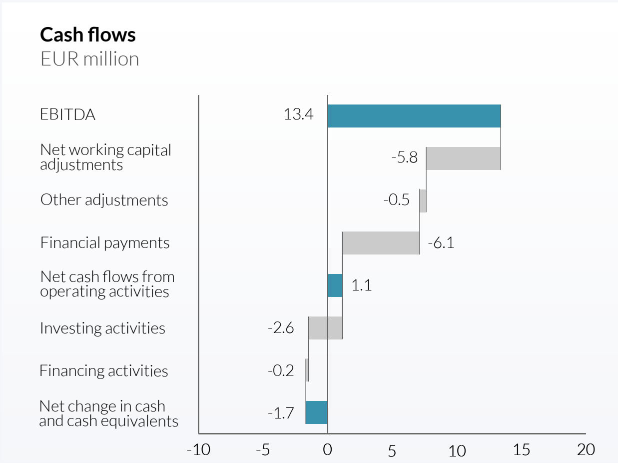
Operating activities
Cash flows from operating activities amounted to EUR 7.1m in 2020 compared to EUR 12.4m in 2019. Working capital adjustments in Q4 2019 was positively affected by an advance payment for the WoDS blade campaign from SGRE of approximately EUR 6.5m. The advance payment was was reversed at the end of 2020, affecting working capital changes negatively in 2020.

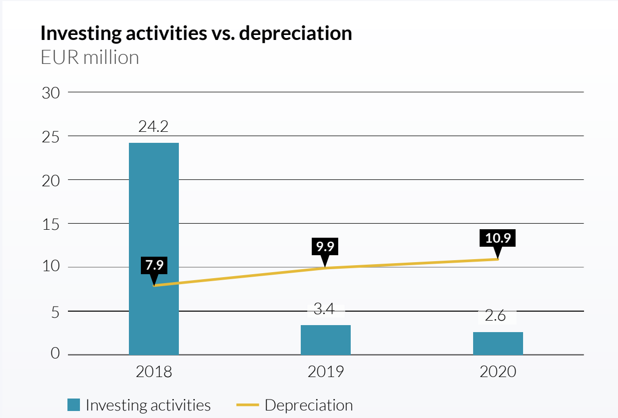
Investing activities
In 2020, investing activities amounted to an outflow of EUR 2.6m compared to an outflow of EUR 3.5m in 2019. The decline is mainly due to a large investment for the extension of the crane boom of J/U WIND ENTERPRISE in 2019.

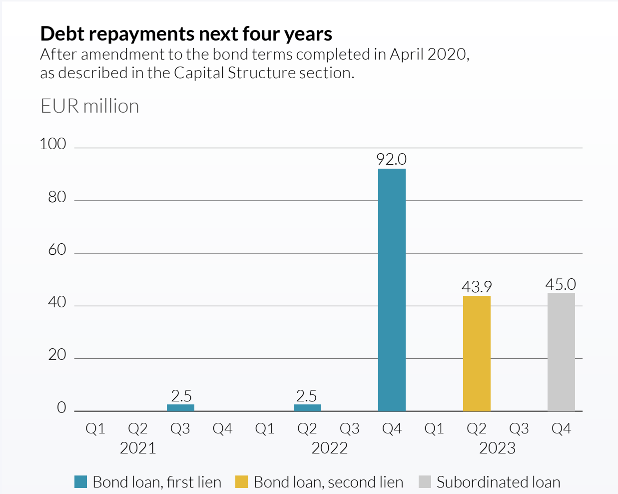
Financing activities
Financing activities amounted to a cash outflow of EUR 0.2m compared to a cash outflow of EUR 8.5m in 2019. The cash outflow in 2019 was mainly related to instalments on the first lien bond loan. These instalments were postponed in 2020, according to Written Resolution approved in April 2020.

Available liquidity
Available liquidity including drawings available on the working capital facility amounted to EUR 12.2m at the end of 2020. The total amount was EUR 4.0m higher than at the end of 2019, strongly influenced by the Second Super Senior Working Capital Facility arranged as part of the refinancing in April 2020.

EUR '000	2018	2019	2020
Liquidity	**9.6**	**2.0**	**0.3**
Available draw on working capital facility	6.7	6.5	12.2
Available liquidity	**16.3**	**8.5**	**12.5**







STATEMENT OF CHANGES IN EQUITY

2020 EUR '000	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of ZITON A/S								
Balance at 31 December 2019	**13,098**	**143**	**56**	**-701**	**-502**	**-17,923**	**-5,327**	**61**	**-5,267**
Total comprehensive income for the year, after tax	-	-	-221	701	480	-12,348	-11,869	-8	-11,877
Capital increase in subsidiaries	-	-	-	-	-	-	-	234	234
Balance at 31 December 2020	**13,098**	**143**	**-166**	**-**	**-23**	**-30,272**	**-17,196**	**287**	**-16,910**

Share capital
At the end of 2020, the share capital consisted of 97,782,192 shares of DKK 1 each (EUR 13,098k). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 82,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

ACCOUNTING POLICIES
Reserves on equity consist of the following:
Reserve for warrants consists 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 presentation currency.

2019 EUR '000	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of ZITON A/S								
Balance at 31 December 2018	**11,093**	**143**	**46**	**-**	**189**	**-2,380**	**8,902**	**-**	**8,902**
Total comprehensive income for the year, after tax	-	-	10	-701	-691	-15,543	-16,234	-6	-16,240
Capital increase in subsidiaries	-	-	-	-	-	-	-	67	67
Capital increase in parent	2,005	-	-	-	-	-	2,005	-	2,005
Balance at 31 December 2019	**13,098**	**143**	**56**	**-701**	**-502**	**-17,923**	**-5,327**	**61**	**-5,267**

Share capital
In 2019, the share capital was increased by 15,000,000 B shares of DKK 1 each (EUR 2,005k) by means of capital contribution in cash. At the end of 2019, the share capital consisted of 97,782,192 shares of DKK 1 each (EUR 13,098k). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 82,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

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.

In January 2021, shares in ZITON A/S equivalent to EUR 10m was issued to Vroon B.V. as part payment for J/U WIND ENTERPRISE. Following this increase in the share capital, ZITON A/S is controlled by Jack-Up Holding A/S, which holds 68.3% of the share capital. Dansk Bjergning & Bugsering Holding ApS, Vroon B.V. and OY Finans ApS hold 16.5%, 9.5% and 5.6% of the share capital respectively. The remaining shares, equivalent to 0.1% 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.

ZITON A/S is consolidated in the financial statements of Jack-Up Holding A/S (registered office: Fredensborg, Denmark), which is the smallest consolidated financial statement, and Anpartsselskabet af 1. december 2011 (registered office: Fredensborg, Denmark), which is the largest consolidated financiel statement.

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 consolidated financial statements are presented in EUR thousands (EUR ´000).

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and balances required to be measured at fair value. Other than as set out in the section "Relevant new accounting standards", the principal accounting policies adopted are consistent with the consolidated financial statements for the year ended 31 December 2019.

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 wholly-owned, ZITON Contractors A/S, Jack-Up InvestCo 3 Plc, ZITON Ltd, ZITON GmbH, ZITON Offshore Wind Power Technology (Beijing) Limited, and the 50% owned company Hangout A/S, 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 owners of the company and to the non-controlling interests even if this results in the non-controlling interests 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.

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 presentational 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 func-

tional currency for ZITON A/S is DKK, the consolidated financial statements are presented in EUR because the main financing is in EUR.

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 have the currency of a hyperinflationary economy) that have a functional currency other than the presentational currency are translated into the presentational 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.

Income statement
Project-related expenses
Project-related expenses consist of expenses in relation to projects and primarily involve expenses to subcontractors, tugboat, seabed analyses and special equipment used for operations. Like revenue, project-related expenses 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 vessels 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, lubricants 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 also 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 and changes in working capital.

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, instalments on leases, acquisition and disposal of subordinated debt and payment of dividends to shareholders and changes on the working capital facility.

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 assets and liabilities affected in future periods.

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

Accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the measurement of assets and liabilities in the following reporting period. Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. If necessary, changes are recognised in the period in which the estimate is revised. Management considers the key accounting estimates to be reasonable and appropriate based on currently available information. The actual amounts may differ from the amounts estimated as more detailed information becomes available.
In addition, management makes judgments and estimates in the process of applying the entity's accounting policies, for example regarding

recognition and measurement of deferred income tax assets or the classification of transactions.

Please refer to the specific notes for further information on the key accounting estimates and judgments as well as assumptions applied.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or is considered immaterial to the economic decision-making of the users of these financial statements.

Judgments
In the process of applying ZITON A/S's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognised in the financial statements.

Full consolidation of Hangout A/S:
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, Hangout A/S was fully consolidated in the balance sheet from 5 March 2019."

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:
· Revenue from contracts with customers (note 2.1)
· Impairment of vessels (note 3.1)
· Leases (note 3.1 and 6.1)
· Trade receivables (note 3.4)
· Deferred tax (note 5.2)
· Provisions (note 3.3)
· Contingent liabilities (note 6.1)

Going concern
ZITON Group incurred substantial losses during 2019 and 2020, resulting in negative equity at year-end. Further, the current capital structure shows sizeable interest-bearing debt compared to equity and cash flow to service the debt.

Bondholders of the first and second lien bond, as well as provider of subordinated capital approved on 18 May 2021 a proposal to, amongst others, waive covenants for the subordinated capital ratio ("SCR") for Q1 and Q2 2021 and amend the SCR covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%, and increase of the second super senior working capital facility from EUR 6.0m to EUR 9.0m and extension of the facility until 31 December 2021. It is management's assessment that the contemplated process to ensure sufficient liquidity will be successfully completed, consequently the financial statements have been prepared on a going concern basis.

Management has prepared scenarios for cash flow and SCR, and management is confident that the consolidated group retains sufficient liquidity to meet its debt obligations and the subordinated capital ratio during 2021. Further, ZITON is contemplating to issue new equity to enhance the capital structure and increase available liquidity.

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

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

RELEVANT NEW ACCOUNTING STANDARDS
Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the IASB and IFRSs endorsed by the European Union.

In 2020, the IASB issued a number of minor interpretations, amendments and improvements to existing standards:

· Disclosure Initiative - Definition of Material (Amendment to IAS 1 and IAS 8);
· Conceptual Framework for Financial Reporting (Revised);
- IBOR Reform and its Effects on Financial Reporting – Phase 1 (Amendment to IAS 39, IFRS 7 and IFRS 9), and; COVID-19-Related Rent Concessions (Amendment to IFRS 16).

It is assessed that application of other new interpretations effective on 1 January 2020 has not had a material impact on the consolidated financial statements for 2020. Furthermore, management does not anticipate any significant impact on future periods from the adoption of these new interpretations.

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 2020. ZITON A/S expects to adopt the standards and interpretations when they become mandatory.

· Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
· Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
· Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
· References to Conceptual Framework (Amendments to IFRS 3);
· Classification of Liabilities and as Current or Non-Current - Deferral of Effective Date (Amendment to IAS 1), and;
· IBOR Reform and its Effects on Financial Reporting – Phase 2 (Amendment to IAS 39, IFRS 7 and IFRS 9).

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.

2.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

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 vessels, ZITON Contractors A/S and Hangout A/S's revenue and expenses. As all four vessels, ZITON Contractors A/S and Hangout A/S operate on similar assignments, management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

Revenue
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.

Geographical distribution of revenue

EUR '000		2020	2019
United Kingdom		36,235	23,009
Denmark		7,446	5,706
Netherlands		1,985	238
Germany		1,489	2,099
Belgium		1,489	1,325
Sweden		993	1,195
Total	**I/S**	**49,637**	**33,572**

Sales to the largest customers, accounting for more than 10% of revenue, made up 52%, 18% and 14% of total revenue in 2020 (2019: 47%, 16%, 16% and 15%, respectively).

Ongoing contracts - Contract balance

	2020		2019	
EUR '000	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Accrued contract-related expenses on contracts with customers	-	-293	-	-342
Provision for ongoing contract	-	644	-	488
Net cash received in advance of performance	-	-	-	4,642
Total	**-**	**351**	**-**	**4,788**

Contract assets and contract liabilities are included in "trade and other receivables" and "trade and other payables" respectively on the face of the statement of financial position. They arise from the Group's accumulated experience in the development of turnkey contracts.

When measuring the revenue stream from a contract, an estimated amount from expected penalties should be included in the contract revenue. At the end of December 2020, transaction prices included a provision for downtime on wind turbines of EUR 644k (2019; 488k), which amount has been offset in revenue.

2.1 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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 vessels on fixed-price contracts, the type of service provided is analysed as either a lease, service or construction contract.

Revenue from contracts with customers

Revenue from vessel services is recognised when the performance obligations identified in contracts have been satisfied. The transaction price of each contract is measured considering contract payments and reductions for trade allowances, rebates, penalties and amounts collected on behalf of third parties. The transaction price is allocated to each performance obligation.

Where contracts are identified as services or contracts with customers, revenue is recognised at the point in time when all performance obligations have been delivered according to the contract.

The transaction prices deemed in the identified contracts are primarily based on fixed price agreements and fixed milestone payments. The variable elements in transaction prices may include penalties based on compliance with "*downtime on wind turbines*" and "*liquidated damages*" in accordance with contractually agreed deadlines.

Leases

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

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

2.2 OPERATING EXPENSES

Total operating expenses

EUR '000		2020	2019
Other operating expenses		10,277	8,521
Vessel staff costs		8,972	7,950
Total staff costs		**19,249**	**16,471**

The increase in operating expenses from 2019 to 2020 arose mainly from operating the bareboat chartered vessel J/U WIND ENTERPRISE.

2.3 STAFF COSTS

Total staff costs in the Group

EUR '000		2020	2019
Staff costs, office staff			
Wages and salaries		4,237	3,232
Pensions – defined contribution plans		302	249
Other social security costs		104	56
Total staff costs, office staff	**I/S**	**4,642**	**3,537**
Staff costs, vessel staff - the amount is included in "Operating expenses"			
Wages and salaries		8,597	7,617
Pensions – defined contribution plans		334	265
Other social security costs		41	68
Total staff costs, vessel staff		**8,972**	**7,950**
Total staff costs		**13,614**	**11,487**

Average number of employees

	2020	2019
Office staff, Danish nationality	31	28
Office staff, other nationalities	7	3
Vessel staff, Danish nationality	79	58
Vessel staff, other nationalities	60	28
Total employees	**177**	**117**

3.1 VESSELS AND EQUIPMENT

2020 EUR '000		Property	Fixtures & equipment	Vessels	Total
Cost at 1 January		1,181	2,517	239,521	243,219
Exchange rate adjustments		-1	5	39	43
Additions		-	374	1,929	2,303
Additions to right-of-use assets		-	127	1,254	1,381
Disposals of right-of-use assets		-	-253	-	-253
Cost at 31 December		**1,180**	**2,770**	**242,743**	**246,694**
Depreciation at 1 January		-242	-726	-47,313	-48,281
Exchange rate adjustments		2	-2	-7	-7
Depreciation	I/S	-	-372	-8,350	-8,722
Depreciation of right-of-use assets	I/S	-267	-142	-1,781	-2,190
Disposals of right-of-use assets		-	177	-	177
Depreciation at 31 December		**-507**	**-1,065**	**-57,451**	**-59,022**
Impairment losses at 1 January		-	-	-	-
Impairment losses at 31 December		-	-	-	-
Carrying amount at 31 December	**B/S**	**673**	**1,706**	**185,293**	**187,671**

The balance sheet shows the following amounts related to leases:

EUR '000	2020	2019
Right-of-use assets		
Vessels	46,381	46,883
Office rents	663	939
Cars	34	80
Total right-of-use assets	**47,078**	**47,902**

3.1 VESSELS AND EQUIPMENT (CONTINUED)

The statement of profit or loss shows the following amounts related to leases:

EUR '000	2020	2019
Depreciation charge of right-of-use assets		
Vessels	1,952	1,185
Office rents	267	242
Cars	26	29
Total depreciation charge of right-of-use assets	**2,245**	**1,456**
Interest expenses (included in finance costs)		
Vessels	2,936	1,987
Office rents	42	23
Cars	3	7
Total interest expenses	**2,982**	**2,017**

2019 EUR '000		Property	Fixtures & equipment	Vessels	Total
Cost at 1 January		-	1,353	190,351	191,704
Exchange rate adjustments		-	-	66	66
Additions		-	983	301	1,284
Additions to leased assets (right-of-use assets)		-	146	48,803	48,949
Transition to IFRS 16 leased assets (right-of-use assets)		1,181	109	-	1,290
Disposals of leased assets		-	-74	-	-74
Cost at 31 December		**1,181**	**2,517**	**239,521**	**243,219**
Depreciation at 1 January		-	-367	-38,012	-38,379
Exchange rate adjustments		-	-	-	-
Depreciation	I/S	-	-365	-1,559	-1,924
Depreciation of leased assets (right-of-use assets)	I/S	-	-	-7,741	-7,741
Transition of IFRS 16 leased assets (right-of-use assets)	I/S	-242	-29	-	-271
Disposals of leased assets		-	35	-	35
Depreciation at 31 December		**-242**	**-726**	**-47,312**	**-48,280**
Impairment losses at 1 January		-	-	-	-
Impairment losses at 31 December		-	-	-	-
Carrying amount at 31 December	**B/S**	**939**	**1,791**	**192,209**	**194,939**

On 28 May 2019, ZITON entered into a bareboat charter of J/U WIND ENTERPRISE until 31 March 2021. As part of the agreement, ZITON was given an option to purchase the vessel. If the call option had not been exercised by 20 December 2020, ZITON would be liable to pay a breakaway fee. At the end of December 2020, ZITON exercised the call option and purchased the vessel in January 2021.

COVID-19 did not affect leases for the group.

3.1 VESSELS AND EQUIPMENT (CONTINUED)

Assessment of impairment on vessels
Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2020, ZITON realised a loss for the year, and the weighted average utilisation of the vessels fell short of expectations. Such lower utilisation rates are indicators of impairment, and as a result, ZITON performed an impairment test. An impairment loss is recognised in the amount by which an asset's carrying amount exceeds its recoverable amount – measured using the higher of the fair value less cost to sell and value in use. An impairment loss is recognised if the higher of the fair value less cost to sell and value in use is less than the carrying amount of the assets.

The value in use is calculated as the present value of total expected cash flows during the rest of the vessels' economic lives. This includes any concluded framework agreements and signed charters as well as estimated utilisation and average day rates for the "open charter periods".
- The estimated utilisation is based on the projected future installation of offshore turbines, the average rate at which a turbine needs assistance from a jack-up vessel in the turbine's lifetime, ZITON´s expected market share, and jack-up vessel requirements for blade campaigns.
- Average day rates are based on estimated future market prices and/or contracts.

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

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

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

The value in use was estimated to be higher than the carrying amount of EUR 187,671k

Management assesses that the long-term value at the close of the financial period exceeds the carrying amounts, and accordingly, there is no indication of impairment loss.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS – IMPAIRMENT OF VESSELS
Significant accounting estimates include i.e. estimates of useful lives, residual values and impairment of tangible assets.

Useful lives of the vessels
The remaining useful lives of the vessels are assessed annually by the COO. At the current depreciation rate, the vessels are fully depreciated over 20 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 value of steel.

Impairment
Revenue for "open charter periods" is estimated 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 agreements or historical prices. The value applied in the calculation is sensitive to fluctuations in expected day rates and vessel utilisation. However, an increase of the WACC of 2 percentage points to 10.1% 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. The estimated weighted average utilisation used in the forecast period of the impairment test varies from 65% to 77%, which compares to realised figures of 42% and 52% in 2019 and 2020 respectively.

3.1 VESSELS AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICIES

The Group's accounting policy for vessels, office rent and fixtures & equipment is stated at historical costs less depreciation. Historical costs include expenditures directly attributable to the acquisition of the items. This includes capitalised staff costs and interests.

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
Cars and office rent:	between 2 and 5 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.

Leases

The Group leases vessels, offices and vehicles. Rental contracts are typically made for fixed periods of two to five years, but may have extension options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and to account for these as single-lease components instead. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

3.1 VESSELS AND EQUIPMENT (CONTINUED)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the implied interest rate of the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by ZITON A/S, and;
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are 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.

Right-of-use assets are measured at costs comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.2 INTANGIBLE ASSETS

2020 EUR '000		Software
Cost at 1 January		172
Additions		59
Cost at 31 December		**231**
Depreciation at 1 January		-44
Amortisation	I/S	-28
Depreciation at 31 December		**-72**
Carrying amount at 31 December	**B/S**	**159**

2019 EUR '000		Software
Cost at 1 January		120
Additions		52
Cost at 31 December		**172**
Depreciation at 1 January		-20
Amortisation	I/S	-24
Depreciation at 31 December		**-44**
Carrying amount at 31 December	**B/S**	**128**

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 an item.

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 PROVISIONS

Provisions for employee benefits

EUR '000		2020	2019
Provisions at 1 January		**1,104**	**1,298**
Change in employee bonus provision		142	-
Paid employee bonus		-	-466
Change in provision for employee-earned leave days		-10	42
Change in holiday provisions for employees		-200	205
Warranty provision		-57	25
Provisions at 31 December		**978**	**1,104**
Recognised in the balance sheet as follows:			
Non-current	B/S	318	230
Current	B/S	660	874
Total provisions		**978**	**1,104**

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, revenue figures and individual business targets.

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 provisions for employee bonus, earned leave days and holiday provisions.

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 when contractually obliged or where there is a past practice that has created a constructive obligation.

Earned leave days

Vessel staff earn overtime (earned leave days) during the year. 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 when 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.

In 2019 and 2020, an amount equivalent to the retained holiday scheme was classified as non-current. The classification of the holiday scheme was made due to changes in the Danish Holiday Act.

Post-employment obligations

The Group operates only post-employment schemes which are 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		2020	2019
Trade receivables		1,618	1,599
Other receivables		132	472
Intercompany receivables		422	389
Prepayments		180	178
Total trade and other receivables	**B/S**	**2,352**	**2,638**
Recognised in the balance sheet as follows:			
Non-current		-	-
Current		2,352	2,638
Total		**2,352**	**2,638**

The carrying amount of receivables is in all material respects equal to the fair value.

No trade receivables were overdue at 31 December 2020. (2019: No trade receivables were overdue at 31 December 2019).

SIGNIFICANT ESTIMATES AND ASSUMPTIONS - TRADE AND OTHER RECEIVABLES

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 was no need for provisions on receivables at 31 December 2020 (2019: No provision on receivables).

In 2019, ZITON entered into a legal dispute with the Danish tax authorities regarding a VAT claim, and as a result, ZITON paid the claim. However, despite paying the claim from the Danish tax authorities and based on consulting with the company's legal advisers it is management's assessment that the claim will be repaid in full, and hence the payment has been recognised under other receivables. In 2020, there are no changes to the above statement and management still expects that the claim will be repaid in full.

ACCOUNTING POLICIES

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for expected credit losses. The Group applies the simplifed approach to measuring expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risk characteristics, i.e. geographical region and customer type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit before other items. Subsequent recovery of amounts previously written off are credited against the same line item.

Other receivables and prepayments

Other receivables comprise deposits and a VAT payment in an ongoing legal dispute with the Danish tax authorities.

Prepaid expenses comprise expenses paid related 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		2020	2019
Trade payables		1,602	2,722
Financial instruments		-	701
Contract liabilities		351	146
Advance payments		-	4,642
Other liabilities		646	328
Total trade and other payables	**B/S**	**2,599**	**8,540**

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.

Financial instruments are cash flow hedges (see note 4.1).

Contract liabilities comprises the accrued contract-related expenses on contracts with customers and provision for ongoing contracts, which is a net liability.

Advance payments are payments received from customers in advance of services performed.

Other liabilities represent accruals for primarily interest and VAT.

Trade payables and other payables 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 Systemically Important Financial Institutions ("SIFI 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 2020, obtaining a capital structure with a subordinated loan maturing in October 2023, a first lien bond issue maturing in October 2022 and a second lien bond issue maturing in April 2023.

BWB Partners has agreed to support ZITON by increasing and extending its lending commitment under the second super senior working capital facility and intends together with additional stakeholders to provide an additional amount of EUR 3m and extend the maturity of the second super senior working capital facility to 31 December 2021.

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.

ZITON has no ongoing hedges as of end December 2020.

	Maturities				
EUR '000	In 2021	Between 2022 to 2023	2024 and onwards	Total	Book value
Loans and receivables					
Cash	284	-	-	**284**	284
Trade receivables	1,618	-	-	**1,618**	1,618
Other receivables	132	-	-	**132**	132
Financial liabilities					
Subordinated loan	-	29,911	-	**29,911**	29,574
Bond loan, second lien		32,854	-	**32,854**	32,322
Bond loan, first lien	3,482	96,094	-	**99,576**	97,787
Lease liabilities	42,257	878		**43,135**	43,135
Trade and other payables	1,602	-	-	**1,602**	1,602
Working capital facility	490	-	-	**490**	490

Response:
The company currently has a loan to book value of vessels ratio of 76% and plans to reduce that percentage before the current bond issue comes due for refinancing (first lien bond loan matures October 2022 and second lien bond loan matures in April 2023).

Covenants
The bond loan agreement includes financial covenants that, if breached, involve a default on credit facilities. The minimum required subordinated capital ratio at 31 December 2020 was 29%.

4.1 RISK MANAGEMENT (CONTINUED)

Market risk

Interest rate risk

Most of the Group's financing, including the bond issues and the subordinated loan, carries a floating rate of interest. Consequently, an increase in the general level of interest rates, as denoted by 3M EURIBOR for the bond issues and 3M CIBOR for the subordinated loan, 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 approximately EUR 2.05m. If EURIBOR or CIBOR rates declines, it would not benefit the Group to any major extent as there is a floor of 0% on ZITON A/S´s bond issue and subordinated loan.

Response:
Given the modet 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.

Foreign exchange risk

Foreign exchange risk is an important financial risk for ZITON and can have a significant impact on the income statement, statement of comprehensive income, balance sheet and cash flow statement.

The overall objective of foreign exchange risk management is to reduce the short-term negative impact of exchange rate fluctuations on earnings and cash flows, and thereby contribute to the predictability of the financial results.

The majority of ZITON's sales are in DKK, EUR or GBP. Most of ZITON's loans are in EUR. The foreign exchange risk is most significant in GBP, while the EUR exchange rate risk is regarded as low because of Denmark's fixed exchange rate policy towards EUR.

ZITON hedges existing assets and liabilities in key currencies as well as future expected cash flows up to a maximum of 24 months forward. Hedge accounting is applied to match the impact of the hedged item and the hedging instrument in the consolidated income statement.

During 2020, the hedging horizon for GBP varied between 0 and 9 months. Currency hedging is based on expectations of future exchange rates and mainly uses foreign exchange forwards and foreign exchange options matching the due dates of the hedged items. Expected cash flows are continually assessed using historical inflows, budgets and monthly sales forecasts. Hedge effectiveness is assessed on a regular basis. There is no expected ineffectiveness at 31 December 2020, primarily because hedging instruments match currencies of hedged cash flows.

The financial contracts existing at year-end cover the expected future cash flow for the following number of months:

ZITON has no ongoing hedges as of end December 2020.

	2019
GBP	9 months

Key currencies

Exchange rate EUR per 100	2020	2019
GBP		
Average	1.13	1.14
Year-end	1.11	1.17
Year-end change	-5.4%	5.9%

4.1 RISK MANAGEMENT (CONTINUED)

ACCOUNTING POLICIES

ZITON uses financial instruments to reduce the impact of foreign exchange on financial results. The derivative financial instruments are used to manage the exposure to market risk.

Use of derivative financial instruments

None of the derivatives are held for trading purposes. ZITON uses forward exchange contracts to hedge forecast transactions, assets and liabilities. The overall policy is to hedge the majority of total currency exposure. Currently, net investments in foreign subsidiaries are not hedged.

Initial recognition and measurement

On initiation of the contract, ZITON designates each derivative financial contract that qualifies for hedge accounting as one of:

- hedges of the fair value of a recognised asset or liability (fair value hedge), or;
- hedges of the fair value of a forecast financial transaction (cash flow hedge).

All contracts are initially recognised at fair value and subsequently remeasured at fair value at the end of the reporting period.

Fair value hedges

Value adjustments of fair value hedges are recognised in the income statement along with any value adjustments of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

Value adjustments of the effective part of cash flow hedges are recognised directly in other comprehensive income. The cumulative value adjustment of these contracts is transferred from other comprehensive income to the income statement when the hedged transaction is recognised in the income statement.

Discontinuance of cash flow hedging

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement under financial income or financial expenses.

4.1 RISK MANAGEMENT (CONTINUED)

Fair value determination
The fair value of derivative financial instruments is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, the fair value is based on the most recently observed market price at the end of the reporting period. If a financial instrument is quoted in a market that is not active, ZITON bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments assumed to be motivated by normal business considerations.

If an active market does not exist, the fair value of standard and simple financial instruments, such as foreign exchange forward contracts, interest rate swaps, currency swaps or unlisted bonds, is measured according to generally accepted valuation techniques. Market-based parameters are used to measure the fair value.

Hedging activities

	2020			2019		
EUR '000	Contract amount at year-end	Positive fair value at year-end	Negative fair value at year-end	Contract amount at year-end	Positive fair value at year-end	Negative fair value at year-end
FX forward contracts, cash flow hedges (GBP)	-	-	-	16,800	-	701
Total hedging activities	**-**	**-**	**-**	**16,800**	**-**	**701**
Recognised in the income statement	-	-	-	-	-	-
Recognised in other comprehensive income	-	-	-701	-	-	701
Presented in the balance sheet as						
Financial instruments (current assets/liabilities)	-	-	-	-	-	701
Cash at bank	-	-	-	-	-	-

4.2 WORKING CAPITAL FACILITY

Cash and bank overdraft

EUR '000		2020	2019
Cash and cash equivalents	B/S	284	2,008
Working capital facility	B/S	-490	-156
Total	**C/F**	**-206**	**1,852**

At 31 December 2020, the Group had an undrawn working capital facility with the bank of EUR 12,193k (2019: EUR 6,538k).

4.3 LOANS

2020 EUR '000		Interests type	Current debt	Non-current debt	Total
Subordinated loan	B/S	Floating rate	-	29,574	29,574
Bond loan, second lien	B/S	Floating rate	-	32,322	32,322
Bond loan, first lien	B/S	Floating rate	3,482	94,305	97,787
Lease liabilities	B/S	Floating rate	42,257	878	43,135
Working capital facility	B/S	Floating rate	490	-	490
Total loans			**46,229**	**157,079**	**203,308**

Fair value:
At 31 December 2020, the latest trading price quoted for the first lien bond on the stock exchanges was 102.2. The fair value (hierarchy level 1) of the bond is equivalent to EUR 97,090k, compared to the carrying amount of EUR 95,000k, and the bond extention loan as of April of EUR 4,576k (adjusted for capitalised fees of EUR 1,789k).

At 31 December 2020, there had been no trading of the second lien bond on the stock exchange. The exchange rate is set at 100. The fair value (hierarchy level 1) of the bond is EUR 32,854k, equivalent to the carrying amount of EUR 32,322k (adjusted for capital fees of EUR 532k).

The fair value of the subordinated loan (hierachy level 3) is equvalent to the carrying amounts (adjusted for capitalised fees on the subordinated loan of EUR 337k).

The total fair value of the bond loans and subordinated loan at 31 December 2020 was EUR 159,683k (adjusted for capitalised fees of EUR 2,658k).

Financial covenants:
BOND: FRN ZITON A/S 2018/2021 - ISIN NO0010832488 & FRN ZITON A/S 18/22 - ISIN NO 0010832512
Subordinated capital ratio: The issuer shall at all times maintain a subordinated capital ratio of at least 29% from December 2020 onwards, to increase to 31% from 1 January 2022 onwards. The key terms of the bond are listed under accounting policies.

4.3 LOANS (CONTINUED)

2019 EUR '000		Interests type	Current debt	Non-current debt	Total
Subordinated loan	B/S	Floating rate	-	25,472	25,472
Bond loan, second lien	B/S	Floating rate	-	28,602	28,602
Bond loan, first lien	B/S	Floating rate	4,314	88,117	92,431
Lease liabilities	B/S	Floating rate	2,546	40,832	43,378
Working capital facility	B/S	Floating rate	156	-	156
Total loans			**7,016**	**183,023**	**190,039**

Fair value:
At 31 December 2019, the latest trading price quoted for the first lien bond on the stock exchanges was 102.2. The fair value (hierarchy level 1) of the bond is equivalent to EUR 97,090k, compared to the carrying amount of EUR 95,000k (adjusted for capitalised fees of EUR 1,325k and prepayments of EUR 1,244k).

At 31 December 2019, there had been no trading of the second lien bond on the stock exchange. The exchange rate is set at 100. The fair value (hierarchy level 1) of the bond is EUR 28,978k, equivalent to the carrying amount of EUR 28,602k (adjusted for capitalised fees of EUR 376k and accumulated interests).

The fair value of the subordinated loan is equivalent to the carrying amounts (adjusted for capitalised fees on the subordinated loan of EUR 244k).

The total fair value of the bond loans and subordinated loan at 31 December 2019 was EUR 146,505k (adjusted for capitalised fees of EUR 1,945k).

Financial covenants:
BOND: FRN ZITON A/S 2018/2021 - ISIN NO0010832488 & FRN ZITON A/S 18/22 - ISIN NO 0010832512
Subordinated capital ratio: The issuer shall at all times maintain a subordinated capital ratio of at least 30% in the first 12 months from the issue date and increase it by 2.5 percentage points each subsequent year. At 31 December 2019, the minimum ratio was 32.5%. The key terms of the bond are listed under accounting policies.

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.

4.3 LOANS (CONTINUED)

Key terms for bond loans after amendment of bond terms completed in April and December 2020.

	EUR 100m first lien	EUR 25m second lien
Tap issue	Additional EUR 25m	None
Listing/ISIN	Oslo Børs - ISIN NO0010832488	Oslo Børs - ISIN NO 0010832512
Coupon	3m EURIBOR + 7.9% (0% floor)	3m EURIBOR + 12.85% PIK (0% floor)
Security	A joint security package has been established with all creditors. First lien bond ranks after First and Second Super Senior Obligations. Security package includes mortgages in J/U WIND, J/U WIND PIONEER, J/U WIND SERVER, vessel insurances, shares of ZITON A/S and subsidiaries, retention amount, etc.	Same security package with priority after first lien bond
Maturity	3 October 2022	3 April 2023
Amortisation	· Fixed amortisation: EUR 2.5m semi-annually (amortisation for 2020 has been waived. Next amortisation payments fall due on 4 October 2021 and 4 April 2022) · Mandatory cash sweep: Semi-annual cash sweep of all cash in excess of EUR 7,500,000 @ 102% of par	No amortisation
Call structure	104.0% from 6 April 2020 - 31 December 2020 103.0% from 1 January 2021 - 31 December 2021 102.0% from 1 January 2022 - 1 July 2022 101.5% from 2 July 2022 - 2 October 2022	104.0% from 6 April 2020 - 31 December 2020 103.0% from 1 January 2021 - 31 December 2021 102.0% from 1 January 2022 - 1 July 2022 101.5% from 2 July 2022 - 2 April 2023
Maintainance covenant	Subordinated Capital Ratio >29% at the end of December 2020 onwards, to increase to 31% from 1 January 2022 onwards. Minimum EBITDA (12 months rolling) of EUR 9m and EUR 12m, respectively at the end of Q3 and Q4 2020. This covenant was met ZITON shall within January 2021 complete a capital issue of EUR 10m. In January 2021, shares in ZITON A/S equivalent to EUR 10m was issued to Vroon B.V. as part payment for J/U WIND ENTERPRISE. Thus, this covenant was met	Subordinated Capital Ratio >29% at the end of December 2020 onwards, to increase to 31% from 1 January 2022 onwards. Minimum EBITDA (12 months rolling) of EUR 9m and EUR 12m, respectively at the end of Q3 and Q4 2020, respectively ZITON shall within January 2021 complete a capital issue of EUR 10m.
Dividends	Not permitted prior to an IPO and Equity Claw Back	Not permitted prior to an IPO and Equity Claw Back

4.4 NET FINANCIAL EXPENSES

EUR '000		2020	2019
Financial income:			
Foreign exchange gains		1,064	-
Other		134	43
Total financial income	**I/S**	**1,198**	**43**
Financial expenses:			
Subordinated loan		4,081	3,374
Bank loans		258	249
Transaction costs		1,059	1,036
Bond loan, second lien		3,720	3,394
Bond loan, first lien		8,241	6,665
Finance lease liabilities		3,089	2,027
Foreign exchange loss		-	218
Other interest expenses		506	78
Total financial expenses	**I/S**	**20,954**	**17,042**
Net financial expenses		**19,756**	**16,999**

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.

Other borrowing costs are expensed in the period in which they are incurred.

4.5 RECONCILIATION OF FINANCING LIABILITIES

			Non-cash changes			
EUR '000	2019	Cash flow	Other non-cash movements	Non-cash interests	Foreign exchange movements	2020
Subordinated loan	25,472	-	-	4,102	-	29,574
Bond loan, second lien	28,602	-	-	3,720	-	32,322
Bond loan, first lien	88,117	1,244	832	4,112	-	94,305
Bond loan - current liability	4,314	-	-832	-	-	3,482
Lease liabilities	40,832	-1,766	-38,188	-	-	878
Lease liabilities - current liability	2,546	-	39,711	-	-	42,257
Working capital facility	156	334	-	-	-	490
Total financing liabilities	**190,039**	**-188**	**1,523**	**11,934**	**-**	**203,308**

5.1 INCOME TAX EXPENSE

Income tax expenses

EUR '000		2020	2019
Current tax			
Current tax on income for the year		-336	-5
Adjustments in respect of prior years - current tax		-	-
Total current tax		**-336**	**-5**
Deferred tax (note 5.2)			
Deferred tax on the income (profit/loss) for the year		5,232	4,481
Adjustments in respect of prior years - deferred tax		-	-
Total deferred tax		**5,232**	**4,481**
Income tax expenses	**I/S**	**4,896**	**4,476**

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	2020	2019
Profit/loss before tax	**-17,252**	**-20,025**
Danish tax rate 22%	**3,796**	**4,406**
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate	77	-99
Notional interest on equity (Malta)	-	929
Deferred income tax from permanent establishment	-162	-172
Thin capitalisation and non-deductible interests	-3,538	-2,583
Other adjustments	4,723	1,995
Income tax expenses for the year	**4,896**	**4,476**

ZITON recognised a loss of EUR 17.2m for 2020 and a taxable income equivalent to a loss of EUR 22.3m, resulting in a tax income of EUR 4.9m.

As part of the restructuring of the Group going into the Danish tonnage tax scheme ZITON transfered the vessel J/U WIND SERVER owned by the wholly-owned Jack-Up InvestCo 3 Plc from Malta to Denmark in 2020. The transaction resulted in a current tax payable of EUR 0.3m, adjusting the deferred tax liability in Jack-Up InvestCo 3 Plc from EUR 4.5m at year-end 2019 to a current tax payable of EUR 0.3m at year-end 2020. On the other hand, the tax is negatively affected by thin capitalisation and non-deductible interests, thin capitalisation and EBITDA-reduction in Denmark, and also from the permanent establishment of ZITON in the UK.

ZITON recognised a loss of EUR 20.0m for 2019 and taxable income was a loss of EUR 20.4m, resulting in tax income of EUR 4.5m. The use of notional interest on equity financing in Malta and a reassessment of the tax on the vessel in Malta from executing the call option recognised as part of the vessel in Jack-Up InvestCo 3 Plc had the positive effect of changing the tax rate from 35% to 5%. On the other hand, the tax is negatively affected by deviations from foreign tax rates, thin capitalisation and non-deductible interests in Denmark, and the net financial loss from the permanent establishment of ZITON in the UK.

5.1 INCOME TAX EXPENSE (CONTINUED)

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 unutilised tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially 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	2020	2019
Deferred tax 1 January	-5,590	-9,782
Currency translation	-9	-
Change in deferred tax - recognised in the income statement	5,232	4,481
Adjustments in respect of prior years - deferred tax	-22	-289
Total deferred tax, net at 31 December	**-389**	**-5,590**
Deferred tax gross:		
Deferred tax asset	6,883	5,534
Deferred tax liability	-7,272	-11,124
Total deferred tax, net at 31 December	**-389**	**-5,590**

Specification of deferred tax

EUR '000	2020	2019
Vessels and equipment	-7,272	-11,124
Tax-loss carry forwards	6,883	5,534
Total deferred tax, net at 31 December	**-389**	**-5,590**

Deferred tax in balance sheet

EUR '000		2020	2019
Deferred tax asset	B/S	108	519
Deferred tax liability	B/S	-497	-6,109
Total deferred tax, net at 31 December		**-389**	**-5,590**

In 2020, total deferred tax consisted of a net tax liability of EUR 497k concerning Danish joint taxation and a deferred tax asset of EUR 108k from the permanent establishment in England, for a total of EUR 389k.

In 2019, total deferred tax consisted of a liability from Jack-Up InvestCo 3 Plc of EUR 4,949k, deferred tax liability of EUR 1,160k concerning Danish joint taxation and a deferred tax asset of EUR 519k from the permanent establishment in England, for a total of EUR 5,590k.

5.2 DEFERRED TAX (CONTINUED)

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. Deferred tax assets related to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date taking into account the impact from limitation in interest deductibility and restrictions in utilisation of tax losses in local tax legislation. The assessment of future taxable income is based on financial budgets approved by management and management's expectations on the operational development, mainly in terms of organic growth and operating margin in the following five years. Planned adjustments to capital structure in each country are also taken into consideration.

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 ZITON Contractors A/S and Hangout 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

Contingencies

Security
In April and December 2020, the company renegotiated the bond terms and obtained a working capital facility consisting of an overdraft facility and performance guarantees. The overdraft facility is limited to EUR 12,683k. The bondholders and the provider of the working capital facility have entered into an intercreditor agreement sharing the following security:
- three of the Group's vessels (J/U WIND, J/U WIND PIONEER and J/U WIND SERVER) with a total carrying amount of EUR 138.912k (2019: EUR 145,326k) have been pledged for a total amount of EUR 195,267k (2019: EUR 195,003k), and;
- the Group's entitlements under insurances related to the three vessels (J/U WIND, J/U WIND PIONEER and J/U WIND SERVER) other than third-party liability insurances.

Guarantees
As part of the working capital facility, the Group's bank provided two guarantees on the WoDS contract with Siemens Gamesa Renewable Energy A/S.

The first guarantee, for GBP 2,962k of the contract sum, was issued in respect of the work performance of the contract and would expire 24 months after completion or no later than on 31 January 2023.

The second guarantee, for GBP 5,500k of the contract sum, was issued in respect of the work performance of the contract and would expire no later than on 29 January 2021. The guarantee was reduced progressively in connection with the progress of the performance of the work on the remaining WTGs.

Both guarantees were on-demand, performance guarantees and served to guarantee the full and punctual performance of ZITON A/S's obligations and payments of any sums that ZITON A/S was liable to pay under or in connection with the contract.

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 advisers, including lawyers.

In 2019, ZITON entered into an legal dispute with the Danish tax authorities regarding a VAT claim, and as a result, ZITON paid the claim. However, despite paying the claim from the Danish tax authorities and based on consultations with the company's legal advisers it is management's assessment that the claim will be repaid in full, and hence the payment has been recognised under other receivables (note 3.4).

ACCOUNTING POLICIES

Contingent assets are recognised when it is considered reasonably 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 been reduced 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 2022. 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, the Subscription Price will be adjusted accordingly, depending on the circumstances, to the effect that the value of the warrants remains unaffected by the changes.

Management and selected employees (granted in 2016): The Board of Directors 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 decided to grant 20,849 additional warrants to management based on the 2012 warrant programme. The warrants carry a fair value of EUR 7k.

2020 Warrants – amount and value in EUR	Staff expenses Management	Staff expenses Employees	Interests Subordinated loan provider	Total
Outstanding warrants at 1 January 2020	327,329	51,078	99,500	477,907
Outstanding warrants at 31 December 2020	**327,329**	**51,078**	**99,500**	**477,907**
Number of exercisable options at 31 December 2020				**477,907**
Fair value at the time of grant (EUR ´000)	**68**	**10**	**64**	**142**

No warrants were granted, exercised or cancelled in 2020. The fair value of the warrants is fully recognised, hence there was no effect in the income statement or equity during 2020.

6.2 SHARE-BASED PAYMENTS (CONTINUED)

2019 Warrants – amount and value in EUR	Staff expenses Management	Staff expenses Employees	Interests Subordinated loan provider	Total
Outstanding warrants at 1 January 2019	327,329	51,078	99,500	477,907
Outstanding warrants at 31 December 2019	**327,329**	**51,078**	**99,500**	**477,907**
Number of exercisable options at 31 December 2019				**477,907**
Fair value at the time of grant (EUR ´000)	**68**	**10**	**64**	**142**

No warrants were granted, exercised or cancelled in 2019. The fair value of the warrants was fully recognised, hence there was no effect in the income statement or equity during 2019.

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 a 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.

6.3 FEES TO AUDITORS

The Group's fees to auditors appointed at the Annual General Meeting are listed below:

Fees to auditors appointed by the Annual General Meeting

EUR '000	2020	2019
BDO Statsautoriseret revisionsaktieselskab		
Statutory audit	71	31
Assurance engagements	3	-
Tax advisory	25	20
Other services	1	1
Total	**100**	**52**

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	2020	2019	2020	2019
Wages and salaries	359	440	54	54
Pensions – defined contribution plans	-	-	-	-
Other social security costs	-	-	-	-
Total	**359**	**440**	**54**	**54**

See note 6.2 for a description of the share-based payment.

Trading and accounts with related parties

EUR '000	2020	2019
Balance sheet items:		
Intercompany balances		
Effect of joint taxation with Jack-Up Holding A/S and Anpartsselskabet af 1. december 2011	422	389
Profit and loss		
Transactions with Dansk Bjergning & Bugsering A/S	18	562

No other material transactions took place during the year with members of 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 75.4% of the share capital in ZITON A/S. Dansk Bjergning & Bugsering Holding ApS and OY Finans ApS hold 18.2% and 6.3% 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.

The above-mentioned companies are considered related parties, including their subsidiaries and associates, members of the Board of Directors and Executive Management 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.

6.5 SUBSEQUENT EVENTS

At the end of Q1 2021, the company breached its covenant for a subordinated capital ratio of minimum 29.0%. The breach of covenant was cured by bondholders' approval of a written resolution on 18 May 2021. The written resolution resulted in bondholders of the first and second lien bond, as well as providers of subordinated capital to approve a proposal to waive covenants for the subordinated capital ratio for Q1 and Q2 2021 and amend the covenants for Q3 and Q4 2021 to be reset at a minimum of 27.0%.

Please refer to note 1.1 on going concern and the Capital Structure section on page 63 for further details.

The financial statements were approved by the Board of Directors and have been submitted for adoption at the Annual General Meeting to be held on 20 May 2021.

6.6 LEGAL ENTITIES

Name and place of domicile	Ownership (%)
Parent company	
ZITON A/S, Horsens, Denmark	-
Subsidiaries	
ZITON Contractors A/S, Horsens, Denmark	100%
Jack-Up InvestCo 3 Plc, Qormi, Malta	100%
ZITON Ltd, London, United Kingdom*	100%
ZITON GmbH, Hamburg, Germany **	100%
ZITON Offshore Wind Power Technology (Beijing) Limited, Beijing, China**	100%
Green Wind Enterprise ApS, Horsens, Denmark	100%
Wind Enterprise P/S, Horsens, Denmark	100%
Hangout A/S, Horsens, Denmark	50%

* The subsidiary ZITON Ltd, company number 11689541, has applied the exemption from audit available under s479A of the Companies Act 2006. In order for the subsidiary company to be entitled to this exemption, the parent company must guarantee all outstanding liabilities that the subsidiary is subject to at the year-end under s479C and ZITON A/S has guaranteed all outstanding liabilities that ZITON Ltd was subject to at 31 December 2020.

** Due to the limited size and complexity of the companies, the local financial statements of the foreign companies have not been audited in compliance with local legislation.

Crew member in
the workshop at J/U
WIND ENTERPRISE.

PARENT COMPANY FINANCIAL STATEMENTS **TABLE OF CONTENTS**

PARENT COMPANY FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT
1 JANUARY - 31 DECEMBER

		PARENT COMPANY	
EUR '000	Note	2020	2019
Revenue		**49,636**	**33,413**
Other operating income		-	488
Project-related expenses		-14,107	-8,720
Operating expenses		-13,941	-21,198
Gross profit		**21,588**	**3,983**
Administrative expenses		-2,789	-2,284
Staff costs	2.1	-10,305	-8,875
EBITDA		**8,494**	**-7,177**
Depreciation and amortisation	3.1-3.2	-7,971	-3,084
EBIT		**523**	**-10,261**
Income from equity investments		2,969	1,600
Financial income	2.2	1,026	6,383
Financial expenses	2.2	-19,866	-18,061
Income before tax		**-15,347**	**-20,339**
Tax on profit (loss)	2.3	298	2,701
Income for the year		**-15,049**	**-17,638**

BALANCE SHEET AT 31 DECEMBER **– ASSETS**

		PARENT COMPANY	
EUR '000	Note	2020	2019
Intangible assets	3.1	100	128
Intangible assets		**100**	**128**
Vessels	3.2	185,292	67,307
Fixtures & equipment	3.2	601	878
Tangible assets		**185,893**	**68,185**
Investments in subsidiaries	3.3	29,424	53,351
Deferred tax asset	3.4	108	2,808
Long-term receivables, subsidiaries		-	83,594
Financial assets		**29,532**	**139,753**
Inventories		233	293
Trade receivables		1,901	3,287
Intercompany receivables, subsidiaries		782	982
Other receivables		337	386
Prepayments		179	177
Cash and cash equivalents		120	1,874
Current assets		**3,552**	**7,000**
Total assets		**219,077**	**215,065**

BALANCE SHEET AT 31 DECEMBER
– EQUITY AND LIABILITIES

		PARENT COMPANY	
EUR '000	Note	2020	2019
EQUITY			
Share capital		13,098	13,098
Reserves		-6,408	7,529
Retained earnings		-23.886	-23,423
Total equity		**-17.196**	**-2,797**
LIABILITIES			
Subordinated loans	4.1	29,574	25,472
Bond loan, second lien	4.1	32,322	28,602
Bond loan, first lien		94,414	88,117
Lease obligation		178	40,102
Deferred tax liabilities		326	-
Provision for other liabilities		293	230
Total non-current liabilities		**157,107**	**182,523**
Bond loan, first lien	4.1	3,482	4,314
Lease obligation		42,257	2,280
Working capital facility		600	181
Trade payables		1,957	9,028
Intercompany payables, subsidiaries		29,936	18,053
Other liabilities		934	1,482
Total current liabilites		**79,166**	**35,339**
Total liabilities		**236,273**	**217,862**
Total equity and liabilites		**219,077**	**215,065**

STATEMENT OF CHANGES IN EQUITY

	PARENT COMPANY							
2020 EUR '000	Share capital	Reserve for warrants	Translation reserves	Cash flow hedges	Reserve for equity value	Total reserves	Retained earnings	Total equity
Balance at 31 December 2019	**13,098**	**142**	17	**-701**	**8,070**	**7,529**	**-23,423**	**-2,797**
Exchange rate adjustments	-	-	78	-	-131	-53	-	-53
Total income for the year, after tax	-	-	-	-	5,140	5,140	-20,189	-15,048
Intergroup merger adjustments	-	-	-	-	-10,504	-10,504	10,504	-
Dividend received	-	-	-	-	-9,221	-9,221	9,221	-
Financial instruments	-	-	-	701	-	701	-	701
Balance at 31 December 2020	**13,098**	**142**	**94**	**-**	**-6,646**	**-6,408**	**-23,886**	**17,196**

Share capital
At the end of 2020, the share capital consisted of 97,782,192 shares of DKK 1 each (EUR 13,098K). The shares are divided into two classes: 15,118,416 A shares of DKK 1 each and 82,663,782 B shares of DKK 1 each. Each A share carries one vote, while B shares do not carry voting rights, but carry preferential rights of dividend.

Specification of movements in the share capital

EUR´000	2020	2019	2018	2017	2016
Share capital	13,098	13,098	11,093	11,093	11,093

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 follow IFRS, with respect to only a few items, only policies that differ from those of the Group are detailed below. Reference is made to the accounting policies of the ZITON Group for the other items. ZITON A/S has not implemented IFRS 16.

In 2019, the ZITON Group-account implemented IFRS 16, which meant operating expenses and administrative expenses comprising inventory rent, office rent and operating leases on cars in ZITON A/S were classified as depreciation and financial expenses. The difference from the Group accounts are shown in the below tables:

Profit and loss

EUR '000	2020	2019
Decrease in operating expenses and administrative expenses	-225	-224
Increase in depreciation and financial expenses	225	224

Balance effect

EUR '000	2020	2019
Increase in assets	881	677
Decrease in liabilities	-881	-677

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 subsidiaries

Investments in ZITON Contractors A/S, Jack-Up InvestCo 3 Plc, Hangout A/S, Ziton Ltd, Ziton GmbH, ZITON Offshore Wind Power Technology (Beijing) Limited, Wind Enterprise P/S and Green Wind Enterprise ApS 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 subsidiaries".

The total net revaluation of investments in subsidiaries is transferred through the distribution of profit 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 0m, and a provision to cover the negative balance is recognised.

In October 2018, ZITON A/S acquired the outstanding shares in Jack-Up InvestCo 3 Plc. Consequently, the premium purchase price (EUR 2.1m) from the purchase of the non-controlling interests and the call option (EUR 6.0m) to purchase the non-controlling interests (previously recognised as a financial asset) have been recognised as the cost price related to the vessel in Jack-Up InvestCo 3 Plc.

As a result of the intergroup merger these amounts has been eliminated.

Depreciation of the vessel: 20 - 30 years

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		2020	2019
Staff costs			
Wages and salaries		9,663	8,298
Pensions - defined contributions plans		561	470
Other social security costs		81	107
Total staff costs	**I/S**	**10,305**	**8,875**
of which remuneration to:			
Management*		359	440
Board of Directors		54	54
Average number of employees			
Total employees		**111**	**85**

* Executive Management registered with the Danish Business Authority (Erhvervsstyrelsen)

2.2 NET FINANCIAL EXPENSES

		PARENT COMPANY	
EUR '000		2020	2019
Financial income			
Financial income, related parties		892	6,340
Other financial income		134	43
Total financial income	**I/S**	**1,026**	**6,383**
Financial expenses			
Financial expenses, related parties		982	1,055
Other financial expenses		18,884	17,006
Total financial expenses	**I/S**	**19,866**	**18,061**
Net financial expenses		**18,840**	**11,678**

2.3 INCOME TAX EXPENSES

		PARENT COMPANY	
EUR '000		2020	2019
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		298	2,701
Adjustments in respect of prior years - deferred tax		-	-
Total deferred tax		**298**	**2,701**
Income tax expenses	**I/S**	**298**	**2,701**

3.1 INTANGIBLE ASSETS

2020 EUR '000		PARENT COMPANY Software	Total
Cost at 1 January		172	172
Cost at 31 December		**172**	**172**
Depreciation at 1 January		-44	-44
Depreciation		-28	-28
Depreciation at 31 December		**-72**	**-72**
Impairment losses at 1 January		-	-
Impairment losses at 31 December		-	-
Carrying amount at 31 December	**B/S**	**100**	**100**

3.2 VESSELS AND EQUIPMENT

2020 EUR '000		PARENT COMPANY Fixtures & equipment	Vessels	Total
Cost at 1 January		1,471	86,188	87,659
Exchange rate adjustments		2	475	477
Merger additions		-	63,825	63,825
Merger adjustments		-	18,227	18,227
Additions		80	53,426	53,506
Additions on leased assets		122	1,254	1,376
Disposals		-302	-	-302
Cost at 31 December		**1,374**	**223,396**	**224,769**
Depreciation at 1 January		-593	-18,881	-19,474
Exchange rate adjustments		-	-61	-61
Merger additions		-	-11,119	-11,119
Merger adjustments		-	-413	-413
Depreciation		-234	-5,848	-6,081
Depreciation on leased assets		-95	-1,781	-1,876
Disposals		149	-	149
Depreciation at 31 December		**-772**	**-38,103**	**-38,876**
Impairment losses at 1 January		-	-	-
Impairment losses at 31 December		-	-	-
Carrying amount at 31 December	**B/S**	**601**	**185,292**	**185,894**
- of which interior and design		-	-	-
- of which finance leases		260	45,932	46,192

3.3 FINANCIAL ASSETS

PARENT COMPANY

Equity investment in

2020 EUR '000	ZITON Offshore Wind Power Technology (Beijing) Limited	Ziton Ltd	Ziton GmbH	Hangout A/S	Jack-Up InvestCo 3	Jack-Up InvestCo 2	Green Wind Enterprise ApS	Wind Enterprise P/S	ZITON Contractors A/S	Total
Cost at 1 January	99	-	25	67	43,637	1,473	-	-	67	45,368
Exchange rate adjustments	-	-	-	-	-	-	-	-	-	-
Merger adjustments	-	-	-	-	-	-1,473	-	-	-	-1,473
Disposals	-	-	-	-	-8,117	-	-	-	-	-8,117
Additions	-	-	-	234	-	-	5	54	-	293
Cost at 31 December	**99**	**-**	**25**	**301**	**35,520**	**-**	**5**	**54**	**67**	**36,070**
Adjustments at 1 January	6	8	5	-6	8,890	-1,255	-	-	335	7,983
Exchange rate adjustments	-3	-1	-	-	-47	-	-		7	-44
Dividend received	-	-	-	-	-9,221	-	-	-	-	-9,221
Intragroup merger adjustments	-	-	-	-	-11,759	1,255	-	-	-	-10,504
Profit during the year	11	17	2	-8	4,612	-	-	-	506	5,140
Adjustments at 31 December	**14**	**24**	**7**	**-14**	**-7,525**	**-**	**-**	**-**	**848**	**-6,646**
Total	**113**	**24**	**32**	**287**	**27,995**	**-**	**5**	**54**	**915**	**29,425**
Transfer to other liabilities	-	-	-	-	-	-	-	-	-	-
Carrying amount at 31 December B/S	**113**	**24**	**32**	**287**	**27,995**	**-**	**5**	**54**	**915**	**29,425**

Legal entities
ZITON Offshore Wind Power Technology (Beijing) Limited - registered office: Beijing, China (share of ownership 100%))
Ziton Ltd - registered office: London, United Kingdom (share of ownership 100%)
Ziton GmbH - registered office: Hamburg, Germany (share of ownership 100%)
Hangout A/S - registered office: Horsens, Denmark (share of ownership 50%)
Jack-Up InvestCo 3 Plc - registered office: Qormi, Malta (share of ownership 100% as of 3 October 2018).
Jack-Up InvestCo 2 A/S - registered office: Horsens, Denmark (share of ownership 100%) and merged with ZITON A/S as of 1 January 2020
Green Wind Enterprise ApS - registered office: Horsens, Denmark (share of ownership 100%)
Wind Enterprise P/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 2020	2019
Deferred tax 1 January		2,808	318
Merger of Jack-Up InvestCo 2 A/S		-3,245	-
Change in deferred tax - recognised in the income statement		298	2,348
Utilisation of tax loss in joint taxation		-187	142
Adjustments related to previous years		-	-
Adjustment to deferred tax asset		-	-
Total deferred tax, net at 31 December	**B/S**	**-326**	**2,808**
Deferred tax gross			
Deferred tax asset		6,736	5,840
Deferred tax liability		-7,062	-3,032
Total deferred tax, net at 31 December	**B/S**	**-326**	**2,808**

4.1 LOANS

PARENT COMPANY

2020 EUR '000		Current debt 0-1 year	Non-current debt 1-5 years	After 5 years	Total
Subordinated loan		-	29,574	-	29,574
Bond loan, second lien		-	32,322	-	32,322
Bond loan, first lien		3,482	94,414	-	97,896
Lease obligation		42,257	178	-	42,435
Total	**B/S**	**45,739**	**156,488**	**-**	**202,227**

2019 EUR '000		Current debt 0-1 year	Non-current debt 1-5 years	After 5 years	Total
Subordinated loan		-	25,472	-	25,472
Bond loan, second lien		-	28,602	-	28,602
Bond loan, first lien		4,314	88,117	-	92,431
Lease obligation		2,280	40,102	-	42,382
Total	**B/S**	**6,594**	**182,293**	**-**	**188,887**

4.2 PROPOSED DISTRIBUTION OF PROFIT

	PARENT COMPANY	
EUR ’000	2020	2019
Reserve for equity value	2,969	1,600
Dividend from subsidiary	-9,221	-
Accumulated profit (loss)	-8,798	-19,238
Proposed distribution of profit	**-15,049**	**-17,638**

5.1 COMMITMENTS AND CONTINGENCIES

Commitments (operating lease arrangements)
See note 6.1 to the consolidated financial statements.

Contingencies
Lease obligations
Operating leases in 2020 relate to leases of office space and cars. In 2019, ZITON A/S bareboat chartered the vessels J/U WIND SERVER and J/U WIND PIONEER from Jack-Up InvestCo 3 Plc and Jack-Up InvestCo 2 A/S respectively. The bareboat leases were based on the Group’s transfer pricing policy and were set up as operating leases. Both vessels were transfered to ZITON A/S in 2020.

Operating leases

EUR ’000	2020	2019
Recognised in the income statement in respect of rentals:		
Within 1 year	267	5,198
Between 1 and 5 years	534	5,198
After 5 years	-	-
In total	**800**	**10,396**

Security
Vessels with a total carrying amount of EUR 138,912k (2019: EUR 19,052k) have been pledged as security for bond and bank debt at a total carrying amount of EUR 195,267k (2019: EUR 40,002k).

ZITON A/S has pledged the shares in the wholly-owned Jack-Up InvestCo 3 Plc.

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

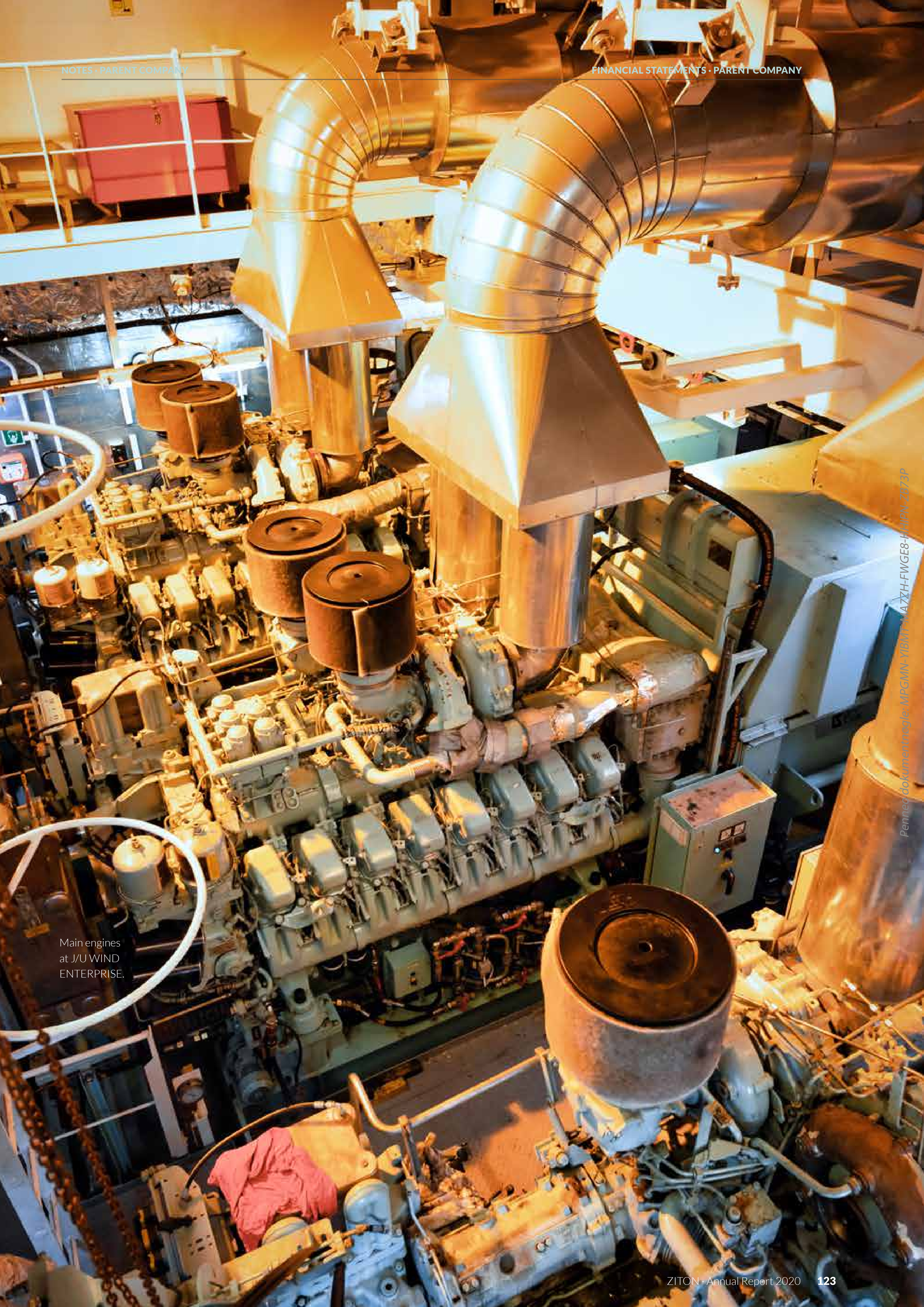
See note 6.4 to the consolidated financial statements.

All agreements relating to transactions between ZITON A/S and subsidiaries are based on market prices (arm's length).

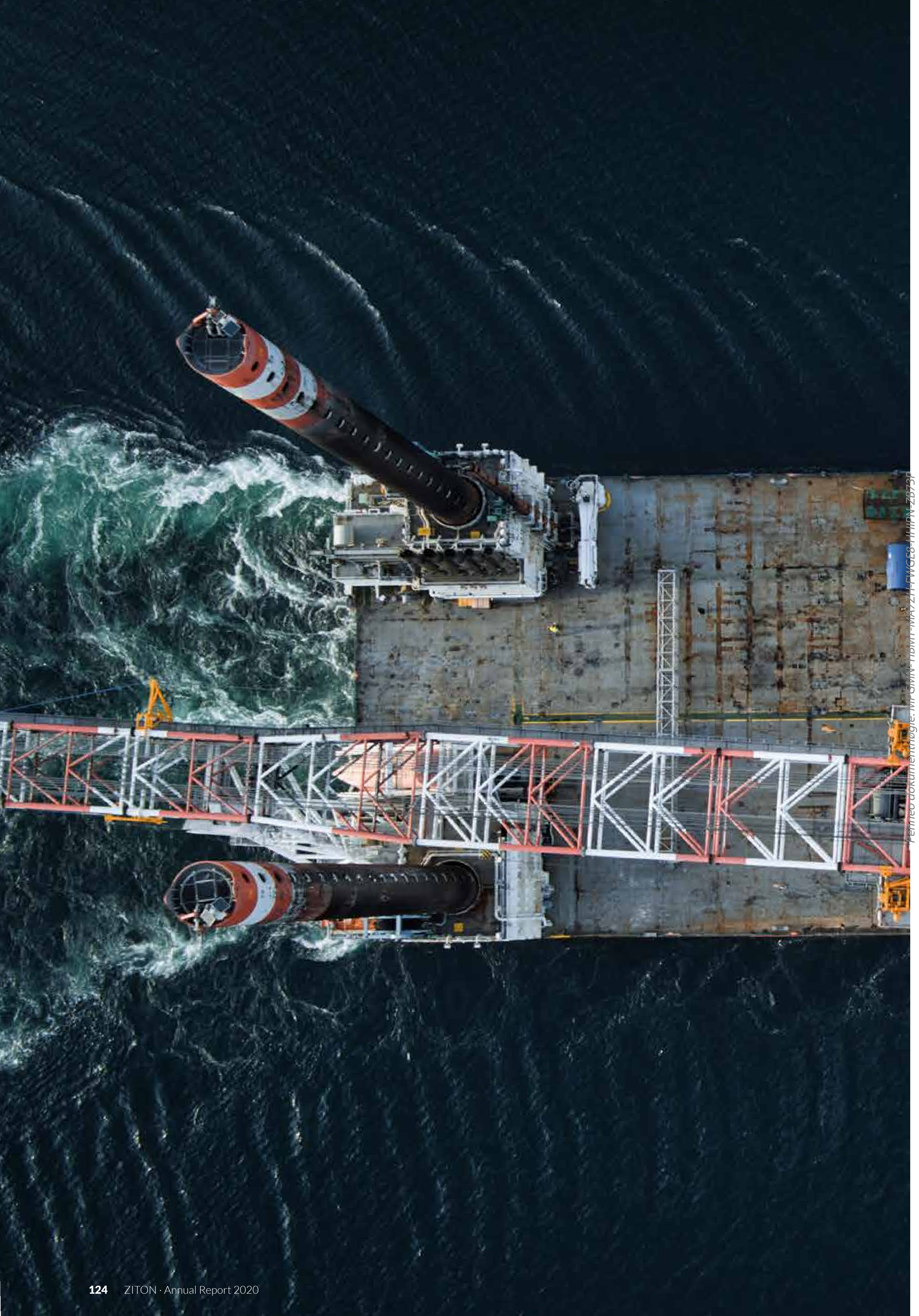
The ownership shares of more than 5% are listed on page 16 of the consolidated financial statements.

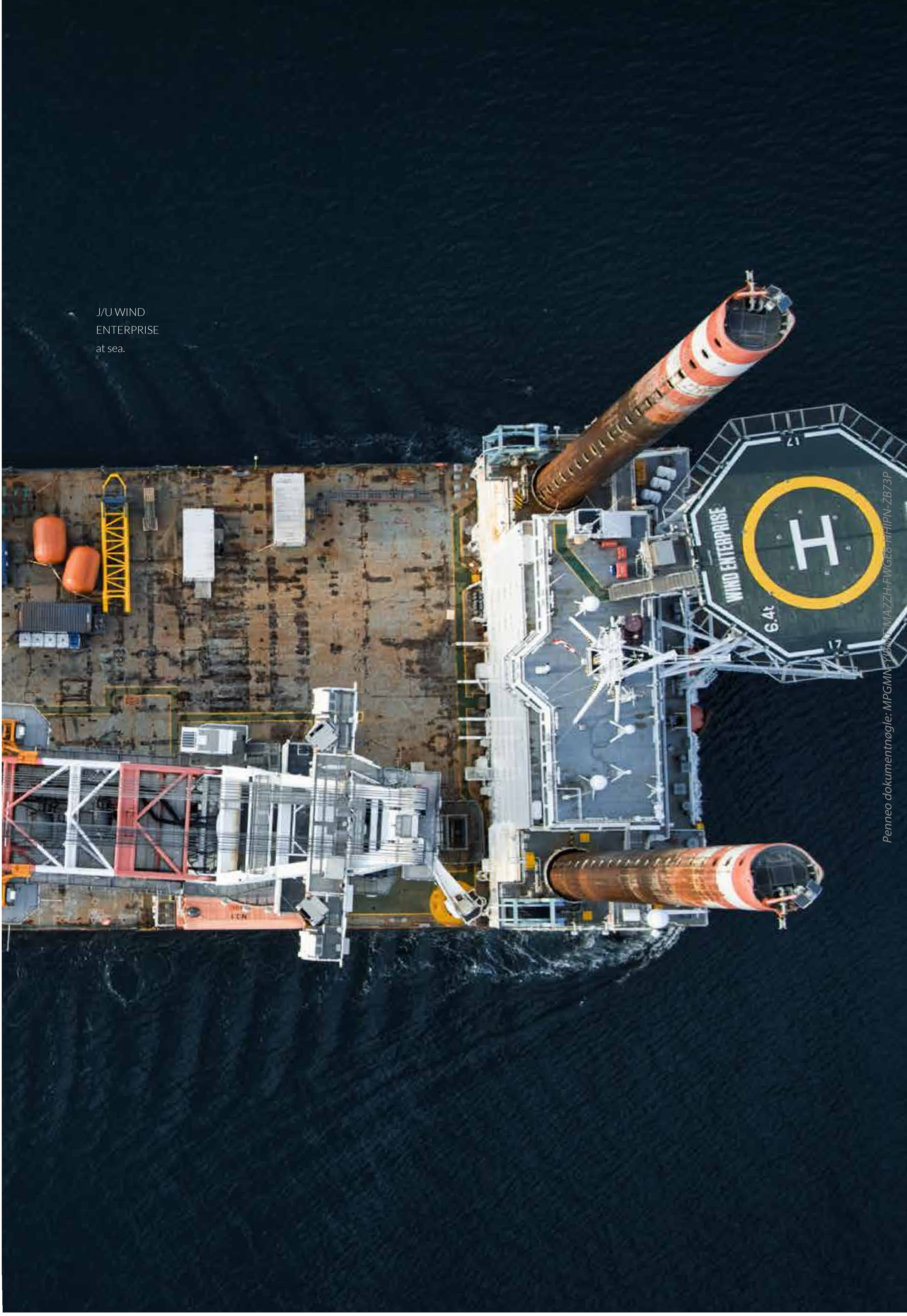
5.5 SUBSEQUENT EVENTS

See note 6.5 to the consolidated financial statements.



Main engines at J/U WIND ENTERPRISE.





J/U WIND
ENTERPRISE
at sea.

Company
ZITON A/S
Bygholm Søpark 21E
8700 Horsens
Denmark

Website
www.ziton.eu

Underskrifterne i dette dokument er juridisk bindende. Dokumentet er underskrevet via Penneo™ sikker digital underskrift. Underskrivernes identiteter er blevet registereret, og informationerne er listet herunder.

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Vagn Lehd Møller
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-031580267047
IP: 188.178.xxx.xxx
2021-05-21 14:40:05Z
NEM ID

Ove Carsten Eriksen
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-110441411204
IP: 85.202.xxx.xxx
2021-05-21 15:03:30Z
NEM ID

Henrik Kleis
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-947987071340
IP: 80.208.xxx.xxx
2021-05-21 16:01:14Z
NEM ID

Morten Melin
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-037131017947
IP: 178.155.xxx.xxx
2021-05-23 14:40:37Z
NEM ID

Jacob Østergaard Bergenholtz
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-462283160950
IP: 2.106.xxx.xxx
2021-05-23 16:57:27Z
NEM ID

Lars Thorsgaard Jensen
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-040148061862
IP: 93.164.xxx.xxx
2021-05-24 18:03:02Z
NEM ID

Thorsten Henrik Jalk
Direktør
Serienummer: PID:9208-2002-2-186467134077
IP: 2.109.xxx.xxx
2021-05-26 08:17:22Z
NEM ID

Herman Marks
Bestyrelsesmedlem
Serienummer: herman.marks@vroon.nl
IP: 89.20.xxx.xxx
2021-05-26 12:01:38Z

Underskrifterne i dette dokument er juridisk bindende. Dokumentet er underskrevet via Penneo™ sikker digital underskrift. Underskrivernes identiteter er blevet registereret, og informationerne er listet herunder.

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Claus Muhlig
Statsautoriseret revisor
Serienummer: CVR:20222670-RID:1097478813740
IP: 77.243.xxx.xxx
2021-05-26 12:11:04Z
NEM ID

Jens Michael Haurum
Dirigent
Serienummer: PID:9208-2002-2-591343056354
IP: 178.157.xxx.xxx
2021-05-26 15:35:53Z
NEM ID

Penneo dokumentnøgle: MPGMN-YIBMT-MA7ZH-FWGE8-HHIPN-ZB73P