

SUNBORN FINANCE



Finland's Leading
Hotel



Finland's Leading
Hotel Suite



FINANCIAL STATEMENTS 2021
SUNBORN FINANCE OYJ

sunborn

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REPORT OF BOARD OF DIRECTORS 2021

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Revenue	3 856	3 060
Operating profit	2 862	-2 421
Investment property (Spa hotels)	61 759	61 820
Total Equity	2 638	2 587
Borrowings	49 906	49 616

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Revenue	22 469	18 454
EBITDA before rent and group admin	4 715	2 839

General

Sunborn Finance Oyj (“the Company”) was established 1 November, 2017 through a partial demerger of Sunborn Oy. The Company’s operations consist of acting as a lessor of the spa hotels and providing property, facility and IT related services. During the financial year, Sunborn Finance had on average four employees. The Company operates only in Finland.

Sunborn Finance Oyj owns the award winning Naantali Spa hotel located in Naantali by the Baltic Sea and Ruissalo Spa Hotel located in Turku by the scenic archipelago. Both properties have been leased to hotel operator Sunborn Saga Oy (“the Operator”). The hotels are well reputed and good performing assets with a strong management team.

Naantali Spa Resort has 214 rooms and 40 ancillary time share apartments and Ruissalo Spa Hotel 171 rooms. Both hotels also offer various ancillary facilities and services, such as conference and ball room facilities, spa facilities with treatment rooms and a pool complex with saunas, fully equipped fitness center, rehabilitation facilities, restaurants, bars, cafes and lounges.

Significant renovation was made in both spa hotels during recent years and renovations continued in year 2021.

Financial summary 1 January - 31 December 2021

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 2021 was 3.479 M€ (2020: 2.835 M€). The other revenue relates to IT and facility services income and cost support related to Covid-19.

Operating costs are in line with previous year, despite extraordinary legal and financial services costs related to bond amendments the Company had during 2020.

According to valuation reports, the value of the Spa hotels on 31 December 2021 is at Naantali Spa 52.2 M€ (+/- 0 MEUR) and at Ruissalo Spa 26.7 M€ (-0.2 MEUR) (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets). The effect of changes in fair value of investment is included in operating profit.

Notable events during the reporting period

The total lockdown in the spring 2021 and the restrictions due to Omicron variant at the end of the year impacted the Operator. Despite the pandemic disruptions, company lease income was as budgeted. The Operator business focused on domestic leisure, medical rehabilitation and domestic corporate and other groups and successfully navigated the challenges in the business environment.

Naantali Spa was certified with the Green Key award in December 2021 as part of implementing company ESG strategy. The Green Key award is the leading standard of excellence in the field of environmental responsibility and sustainable operation within the tourism industry. Ruissalo Spa Hotel is expected to receive the same by Q2 2022.

Business environment

The total lockdown in the spring 2021 and the restrictions due to Omicron variant at the end of the year impacted the Operator. Despite the pandemic disruptions, company lease income was as budgeted. The Operator business focused on domestic leisure, medical rehabilitation and domestic corporate and other groups and successfully navigated the challenges in the business environment.

Estimated future development

Prebooking for 2022 summer and autumn are at excellent levels and the hospitality and travel market is in recovery mode with much demand in waiting from the last two years. Despite the challenges of the pandemic, management believes the properties will continue successful operations and expects record sales in the coming seasons. Finland has succeeded relatively better than many other European countries in managing the pandemic. Finland has great potential in the future as a safe and attractive destination for international and domestic travellers alike.

Notable events after the end of the reporting period

Hotel operations in January and February were somewhat impacted by continued Omicron variant related event rescheduling and cancellations, however most events were moved and are taking place later in the year or next year. Booking development looks very healthy from March onwards and based on pre-bookings and industry reporting and operational management expects 2022 to be a record year in both revenue and profitability.

Short-term risks and uncertainties

Sunborn Finance's financial risks related to business are market risk (including interest rate risk), credit risk, liquidity risk, refinancing risk and business interruption due to incidents relating to environmental and or public health risks.

Covid restrictions have affected the tourism market globally. Prolonged restrictions could further impact the Company's business through the impact on the operator. Prolonged crisis could also in the long term impact the fair value of the spa hotels the Company holds as investment property.

Floating interest rate risk has not been hedged, and it is not considered currently significant.

Financial risk management carried out by the management of the Company aims to protect the Company against unfavourable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

The Company's bond is maturing for repayment on 9th February 2023. Management views the current high yield market conditions to be less favourable due to the higher industry risk and ongoing pandemic risk but financing to be available subject to terms and conditions.

The war in Ukraine is not estimated to have a direct impact on the company's operations.

Company's shares

Total number of Company's shares is 400 and the Company has two classes of shares. A-shares have 20 votes per share and B-shares have one vote per share, otherwise the terms are the same. Shares have no nominal value.

Corporate Governance

Sunborn Finance Oyj's ownership, corporate structure, operational activities and related party transactions are described in notes to the financial statements.

The governance of Sunborn Finance Oyj is based on the Finnish Limited Liability Companies Act and Sunborn Finance Oyj's articles of association. The Company's shares are not listed for public trading. Sunborn Finance Oyj has issued a secured bond that is listed by NASDAQ Helsinki Oy, and the Company complies with its rules and regulations for listed bonds, the Securities Markets Act as well as the Financial Supervisory Authority's regulations.

The Annual General Meeting is the highest decision-making body in Sunborn Finance Oyj, deciding on matters laid down in the Finnish Limited Liability Companies Act. The AGM is held once a year, in June at the latest, on a date determined by the Company's Board of Directors.

The Board of Directors of Sunborn Finance Oyj consists of three ordinary members, elected by the AGM for one year at a time. The Board of Directors decides on significant matters concerning the Company strategy, investments and finance. In the reporting period the Board had three meetings.

Members of the Board of Directors in 2021 were Ritva Niemi, Pekka Niemi and Hans Niemi. The Board of Directors did not receive remuneration in 2021. Sunborn Finance Oyj has no committees.

Sunborn Finance Oyj's Board of Directors appoints the Chief Executive Officer. The CEO Hans Niemi is responsible for the Company's management, financial performance and organizing business operations and administration according to legislation as well as instructions and orders issued by the Board.

The Annual General Meeting elects the authorized public accountants until further notice. Sunborn Finance Oyj auditors are PricewaterhouseCoopers Oy with Kalle Laaksonen, APA, as principal auditor since 2017.

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that the funds are carried forward to retained earnings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Revenue	5, 13	3 856	3 060
Changes in fair value of investment property	9	-377	-4 612
Personnel expenses	6	-249	-228
Operating expenses	6	-368	-642
Operating profit		2 862	-2 421
Interest expenses	7	-2 797	-2 981
Result before taxes		65	-5 402
Change in deferred tax	8	-13	1 081
Result for the period		52	-4 322
Total comprehensive income for the period		52	-4 322

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Dec 2021	31 Dec 2020
Assets			
Non-current assets			
Investment property	9	61 759	61 820
Total non-current assets		61 759	61 820
Current assets			
Receivables from related party	13	70	74
Other receivables		17	4
Cash and cash equivalents		676	430
Total current assets		763	508
Total assets		62 522	62 328

EUR thousand	Note	31 Dec 2021	31 Dec 2020
Equity and liabilities			
Share capital	11	80	80
Reserve for invested unrestricted equity		6 638	6 638
Retained earnings		-4 080	-4 132
Total equity		2 638	2 587
Liabilities			
Non-current liabilities			
Borrowings	12	49 906	49 616
Lease liabilities	2	632	635
Deferred tax liabilities	10	8 645	8 632
Total non-current liabilities		59 183	58 882
Current liabilities			
Lease liabilities	2	8	30
Trade and other payables		262	120
Payables to related parties	13	10	12
Accrued expenses		421	698
Total current liabilities		700	859
Total liabilities		59 883	59 742
Total equity and liabilities		62 522	62 328

The above balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 Jan, 2020	80	6 638	190	6 909
Result for the period	0	0	-4 322	-4 322
Equity at 31 Dec, 2020	80	6 638	-4 132	2 587
Equity at 1 Jan, 2021	80	6 638	-4 132	2 587
Result for the period	0	0	52	52
Equity at 31 Dec, 2021	80	6 638	-4 080	2 638

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Cash flows from operating activities			
Profit before tax		65	-5 402
Adjustments for			
Change in fair value of investment property	9	370	4 612
Interest expenses	7	2 797	2 981
Change of working capital			
Change in trade and other receivables		-9	-74
Change in trade and other payables		-136	195
Net cash flows from operating activities		3 086	2 311
Cash used in investing activities			
Additions to investment properties	9	-311	-514
Net cash flows used in investing activities		-311	-514
Cash flows from financing activities			
Land lease agreement		-71	-23
Interest paid		-2 459	-2 452
Net cash flows from financing activities		-2 530	-2 475
Cash and cash equivalents at the beginning of period		430	1 108
Change in cash and cash equivalents		245	-678
Cash and cash equivalents at the end of period		676	430

The above statement of cash flows should be read in conjunction with the accompanying notes.

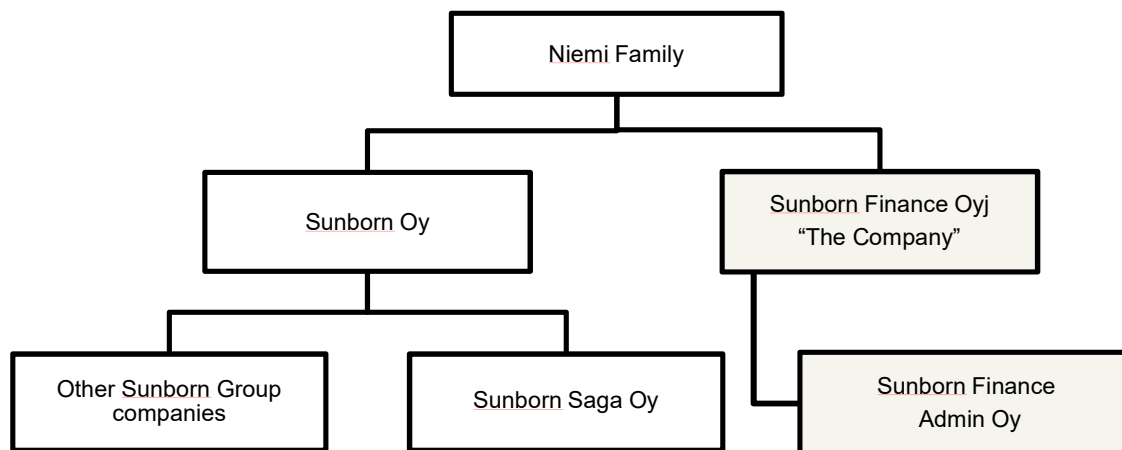
NOTES TO THE FINANCIAL STATEMENTS (IFRS)

1. General information

Sunborn Finance Oyj is a public limited liability company (“the Company”) and together with its subsidiary “the Group” incorporated in Finland. The registered address of Sunborn Finance Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn Finance Oyj was established on November 1, 2017 through a partial demerger of Sunborn Oy. Sunborn Finance owns spa hotel “Naantali Spa” and approximately 30% of the “Ruissalo Spa” (together “hotels”) properties located in south west Finland. Naantali Spa has 218 and Ruissalo Spa 171 hotel rooms with several event rooms, restaurants, bars, café’s and lounges, spa facilities, pools and fitness centre. The Company was established for purpose of owning the hotels. The hotel operations of the spa hotels Naantali Spa and Ruissalo Spa, (together “Spa hotels”), are operated by Sunborn Saga Oy (“Sunborn Saga”, “operator”), a subsidiary of Sunborn Oy, in accordance with a lease contract between Sunborn Finance and Sunborn Saga. Sunborn Finance provides also property management and IT support services and has four employees.

Sunborn Finance is owned by the Niemi Family. The Niemi Family also controls the Sunborn Group, Sunborn Oy being the parent company of the Group. Sunborn Group’s focus is on the development of luxury spa and yacht hotels, restaurants and other high-quality property in the hospitality sector. Sunborn Group currently has operations in Finland, Denmark, UK and Gibraltar, and operates under several individual brands. Sunborn Saga’s operations consist of hotel, spa and restaurant operations in the Spa hotels and in other restaurants.

Sunborn Finance ownership structure in 2021:



2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per December 31, 2021.

International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards. There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

The investment properties are measured at fair value. Measurement bases for other items are disclosed in connection with relevant accounting policies.

Preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The consolidated financial statements are presented in thousands of euros unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Leases

Sunborn Finance as Lessor

The Group leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga, which is a related party of the Group. The 10-year lease contract is treated as operating leases, and the lease income from these contracts is recognised as income on a straight-line basis over the lease term. The respective leased assets are shown as Investment Property on the balance sheet and measured at fair value.

Sunborn Finance as Lessee

The Group leases the land area for Naantali Spa hotel from the city of Naantali under a lease contract, which ends in 2055, and the water area under a contract which ends in 2035. The contracts are classified as operating leases because the significant portion of the risks and rewards of ownership remain with the city of Naantali. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

These liabilities are measured initially at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. Due to the similar characteristics of these two leases, the Group used a single discount rate of 6.34 % to discount the future cash flows, based on management estimation. The associated right of use asset is presented as investment property and is at 1 January 2019 initially recognised at the amount equal to the lease liability. Subsequently, the right of use assets are measured as part of the investment property at fair value in accordance with the Group's accounting policy for investment property. The land use right is subleased to Sunborn Saga and under operating lease. The lease payments are classified in cash flow statement as lease liability repayments in cash flows from financing activities and interest expenses in operating activities.

Investment property

Owned property that is held to earn rental are classified as investment property. The Group presents as investment property its investment in spa hotels (Naantali and Ruissalo Spas). The spa hotels are leased out to Sunborn Saga (related party) that operates the spa hotels.

Investment property is measured initially at its cost. Directly attributable transaction costs are included in the initial measurement. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at fair value. Valuations are performed as of the financial reporting date by professional, external valuers who hold recognised and relevant professional qualifications. These valuations form the basis for the carrying amounts in the financial statements. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. The current use of the investment property equates to the highest and best use.

Changes in fair values are recognized in the income statement. Investment properties are derecognized when they have been disposed.

Revenue recognition

Lease income generated from operating leases is recognised as revenue on a straight line basis over the lease term. Revenue from providing services property management and IT support services is recognised over time in the accounting period in which the services are rendered. The customers for such services receive and use benefits simultaneously.

Employee benefit expenses

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service 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.

Financial assets at amortised cost

The Group classifies all its financial assets as at amortised cost. The Group's financial assets comprise lease receivables and are held within a business model whose objective is to collect the contractual cash flows, and the financial assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

Receivables are included in current assets and recognised initially at fair value. They are subsequently carried at amortised cost less provision for impairment. Receivables are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset or the group of financial assets in question.

Impairment of financial assets at amortised cost

The Group uses expected loss model to assess the impairment of the financial assets. The Group's receivables comprise lease receivables from Sunborn Saga. The Group has assessed that the impairment calculated under the expected loss model is not material.

Financial liabilities

Financial liabilities of the Group consist of borrowings and accounts payable. Financial liabilities are recognised initially at fair value, net of transaction costs incurred. A financial liability is derecognized when it is extinguished – that is when the obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) 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.

Borrowings

Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as interest expense over the period of the borrowings using the effective interest method.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable are measured at amortised cost.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Finland, the country where the group entities operate and generate taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Group's revenue is mainly generated from owning and leasing the Spa hotels. The chief operating decision maker is determined as the Board of Directors of the Company who monitor the result of the Group at group level based on revenue less operating expenses and fair value changes of investment property. The Group operates and all its assets are in Finland.

3. Critical accounting estimates and management judgement

Preparation of the financial statements in compliance with IFRS requires making estimates and assumptions. Application of accounting policies requires making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates, assumptions and judgements are based on historical experience and various other factors, including projections of future events, which are believed to be reasonable under current circumstances.

Fair value measurement of the Spa hotels

The Group applies fair value model to its investment property as explained in the accounting policies. The fair value of the Spa hotels excluding the right of use assets of land and water areas is determined by a professional external valuator. The fair value is measured under income approach and reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

In making the valuations, the investment property is considered in its highest and best use. The Group has ownership only in the new part of the Ruissalo Spa hotel. The fair value of the new part of the Ruissalo Spa is based on the fair value of the property as a whole and has been separated from the total fair value of the Ruissalo Spa based on management estimation which is based on the relative surface areas of the new part and the old part. The management estimation has also been supported by independent valuator.

Fair valuations are divided to levels 1-3 in fair value hierarchy depending on to what extent the value is based on observable inputs. Fair values of the Group's investment property are classified in level 3, because the inputs in the valuation models are based on unobservable information. The management and valuation agency continue to assess possible longer-term impact of Covid-19 in the fair value of properties.

Main inputs in the fair valuation model are presented in the table below.

Input	Value 31 Dec 2021		Value 31 Dec 2020	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.2	8.9	52.2	9.0
Yield / NOI II	7.35 % / 5.67 %	7.85 % / 6.18 %	7.35 % / 5.67 %	7.85 % / 6.19 %
Net yearly income	EUR 2.9 million	EUR 1.6 million (includes also the old part)	EUR 2.9 million	EUR 1.6 million (includes also the old part)

Based on the sensitivity analysis provided by the third-party valuator, if the yield and the yearly income for Naantali Spa and Ruissalo Spa are changed the value of Naantali Spa and the new part of Ruissalo Spa would vary.

The fair value contains significant estimation and assumptions on the continued economic and business environment. The sensitivity analysis may not appropriately reflect the impact of extraordinary events, such as the covid-19 pandemic. The yearly revenues applied yield assumptions and level of operating costs may materialise higher than expected variance to the historical or market performance data used as a basis for

the sensitive analysis by the third-party valuation agency. Therefore, the sensitivity analysis may contain assumptions not fully accounting the impact of the ongoing pandemic and the sensitivity analysis will not be estimated here numerically as far as we have the covid-19 ongoing.

According to the management judgement the fair value of the right of use assets of land and water areas is EUR 0.65 million.

4. Financial risk management

The Group's financial risks related to business are interest rate risk, credit risk, liquidity risk and refinancing risk. Financial risk management carried out by the management of the Group aims to protect the Group against unfavourable developments in the financial markets and ensure the performance. The management reviews financial risks on regular basis to manage the financial risk position and decide on necessary actions.

Interest rate risk

The interest rate of the Company's borrowings during the periods presented is bound to Euribor but have a floor of 0 percentage point plus marginal. In practice, due to the low interest rate levels, the Company has paid the floor interest and in substance the interest rate has been fixed. Had the Euribor been 50 basis points higher or lower during the periods presented, that would not have had material impact on the interest expense.

Credit risk

Credit risk is the risk that the other party to the Group's financial assets will cause a financial loss for the Company by failing to discharge an obligation. The Group's financial assets consist mainly of lease receivables from Sunborn Saga. Sunborn Saga is a long term lessor of the Spa hotels and the Group has historically not generated any credit losses from the lease receivables. The Group has assessed that the impairment loss calculated under the expected loss model is not material.

Cash and cash equivalents are held in reputable Nordic banks, whose credit ratings are strong. While cash and cash equivalents are also subject to the same impairment requirements as other receivables, the management has assessed that the impairment loss for them is immaterial.

Liquidity risk and refinancing risk

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the Group's business needs or high extra costs are incurred for arranging them. Refinancing risk is the risk that refinancing of the existing borrowings and/or rising new funding will not be available or is available at high price.

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of adequate funding. In the long run the principal source of liquidity is expected to be the cash flow generated by the lease agreement. The Company's liquidity position is monitored by the management of the Company.

The business related to the Spa hotels is estimated to be profitable and the non-cancellable lease term in accordance with the lease agreement between Sunborn Saga and Sunborn Finance is for 10 years at inception of the contract at November 1, 2017. Since the companies are under the same ownership, it is unlikely that the contract would not be extended after the expiration date.

As at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million to certain qualified institutional investors to finance all existing debt. The bonds mature on 9 February 2023 and at the balance sheet date carry interest 4.85 %. See more in note 12 Borrowings. The committed lease contract period continues after the maturity of the bonds issued after the balance sheet date for approximately 5 more years.

A summary table with maturity of the financial liabilities is presented below. The amounts disclosed in the tables below are the contractual undiscounted cash flows including the interest payments. The interest payments are calculated based on the interest rate level at the balance sheet dates.

31 Dec 2021

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	47	94	94	1 023	1 258
Senior secured bond	-	50 000	-	-	50 000
Senior secured bond, interest payments	2 459	620	-	-	3 078
Trade and other payable	272	-	-	-	272
Total	2 778	50 714	94	1 023	54 608

31 Dec 2020

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	47	94	94	1 070	1 305
Senior secured bond	-	50 000	-	-	50 000
Senior secured bond, interest payments	2 459	3 078	-	-	5 537
Trade and other payable	132	-	-	-	132
Total	2 637	53 172	94	1 070	56 974

Refinancing risk is managed by securing the refinancing early enough. Management believes that the committed, long term lease contract of the Spa hotels with Sunborn Saga safeguards the Group's ability to obtain long term financing.

Capital management

Capital of the Group as monitored by the management consists of borrowings and equity as shown in the balance sheet.

Capital management is based on the evaluation of essential risks concerning the Company. In accordance with the terms of the bond, the Company is not allowed to raise external debt without permission.

The bond terms include an asset cover ratio covenant, which requires the Company to maintain the asset cover ratio of minimum 130.0 %. The covenant is calculated based on the market value of the Spa hotel calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company. The Company has not breached the covenant. Other covenants are disclosed in note 12.

5. Revenue

The Group's revenue consists mainly of rental income from its related party Sunborn Saga. The Group is highly dependent on Sunborn Saga's ability to pay the rents as Sunborn Saga is the sole lessee and the main source of the Group's cash inflows. In addition, the Group derives service revenue from property management and IT support services.

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Rental income from operating leases with related party	3 479	2 835
Service income from related parties	251	225
Other income – cost support	126	-
Total	3 856	3 060

6. Personnel and operating expenses

Personnel expenses relate to the personnel costs for the four employees providing property management and IT support services.

Personnel expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Salaries	208	192
Social security costs	5	4
Pension costs	35	32
Total	249	228

Operating expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Property tax	198	202
External services	2	17
Insurance	69	67
Professional services	8	235
Administrative expenses	91	121
Total	368	642

Auditors' fees:

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Statutory fees	6	21
Other services	-	5
Total	6	26

7. Finance expenses

Finance expenses consist of interest expenses as presented in the table below:

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Finance expenses:		
Interest expenses on borrowings	-2 756	-2 940
Interest expenses on lease liability	-41	-41
Total	-2 797	-2 981

8. Income tax expense

The effective tax rate in 2021 and 2020 was 20 %.

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Result before tax	65	-5 402
Tax calculated using Finnish tax rate (20 %)	-13	1 081
Tax recognized in profit loss	-13	1 081

9. Investment property

The Group presents the Spa hotels as investment property and measures them using the fair value model. The valuation has been prepared by an independent and recognized professional valuator. Fair value of the Spa hotels is approximately EUR 61.8 million including the right-of-use asset and lease liability which are separately presented under IFRS 16. The fair value measurement is based on non-observable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The most significant assumptions used in the calculations have not been changed after the end of the financial period ended December 31, 2021. Refer to significant estimation and judgement as disclosed in note 3 above.

The carrying value of the Investment property has changed as follows:

EUR thousand	Spa hotels
Fair value at January 1, 2020	65 914
Additions	514
Changes in Fair Value	-4 612
Fair Value at December 31, 2020	61 820

Fair value at January 1, 2020	65 914
Fair value at December 31, 2020	61 820

EUR thousand	Spa Hotels
Fair value at January 1, 2021	61 820
Additions	311
Changes in Fair Value	-370
Fair value at December 31, 2021	61 759

Fair value at January 1, 2021	61 820
Fair value at December 31, 2021	61 759

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations continued in year 2021.

Rental income and direct operating expenses related to the Spa hotels recognised in the comprehensive income statement are as follows:

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Rental income	3 479	2 835
Direct operating expenses from property that generated rental income	270	330

Naantali Spa is located on a land owned by the city of Naantali and leased to the Company under a long-term lease contract. Ruissalo Spa is located on a land that is leased by the Niemi Family from city of Turku.

10. Deferred tax liabilities

EUR thousand	Difference between fair value and tax value of investment property	Borrowings	Other	Total
Deferred tax assets:				
At January 1, 2020	-771	-170	-611	-1 553
Recognized in income statement	-1 122	-97	-152	-1 371
Book value at December 31, 2020	-1 893	-267	-763	-2 924
Deferred tax liabilities:				
At January 1, 2020	10 919	344	2	11 265
Recognized in income statement	291	-	-	291
Book value at December 31, 2020	11 210	344	2	11 556
Deferred tax assets and liabilities, net December 31, 2020	9 317	77	-761	8 632
Deferred tax assets:				
At January 1, 2021	-1 893	-267	-763	-2 924
Recognized in income statement	-227	-58	-2	-287
Book value at December 31, 2021	-2 120	-325	-765	-3 211
Deferred tax liabilities:				
At January 1, 2021	11 210	344	2	11 556
Recognized in income statement	294	-	6	300
Book value at December 31, 2021	11 504	344	8	11 856
Deferred tax assets and liabilities, net December 31, 2021	9 383	19	-757	8 645

Deferred tax assets and liabilities have been offset in the balance sheet.

11. Equity

Number of the shares has been 400 shares since the establishment of the Company and the Company has two classes of shares. A-shares have 20 votes per share and B-shares have one vote per share, otherwise the terms are the same. Shares have no nominal value. The Company has not distributed any dividend and the bond agreement sets restrictions for distribution of dividend.

12. Borrowings and trade and other payables

EUR thousand	31 Dec 2021	31 Dec 2020
Senior secured bond	49 906	49 616
Lease liability	640	665
Total	50 546	50 281

As at February 9, 2018 the Company issued senior secured bonds (“the bonds”) with nominal amount of EUR 50 million (less transaction costs of EUR 1.3 million) to certain qualified institutional investors mainly to refinance the existing debt. The remaining proceeds are used for the capital expenditure purposes. The Company completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Helsinki on 8th February, 2019.

The bonds are denominated in euros and mature on 9 February 2023. The bonds shall be fully redeemed on maturity date at nominal amount. The Company has the right to early repayment also. The contractual interest is 4.85 % plus 3-month Euribor. The effective interest rate is 5.41 %.

As a result of written procedure amendment and waivers, related amendment fee of 50 bp resulted in a modification loss in interest expenses for year 2020. The amount of borrowings has been adjusted accordingly.

The management estimated that the fair value of the borrowings approximates the carrying amounts of the bonds.

Collaterals and guarantees given on the bonds

The bonds are secured by a 1st lien mortgage in the Spa hotels. Moreover, the Company has pledged all cash flows generated by the lease agreement on the Spa hotels, as well as the lease receivables. Insurance proceeds are also assigned to bond holders. The normal bank accounts of the Company have been pledged to secure the bond repayments, however they can be used by the Company in the ordinary course of business if no event of default occurs. The bond agreement sets some restrictions on the activities of the Company.

The Company's obligations of the bonds are secured with an on demand guarantees from Sunborn Saga and Sunborn Oy. Sunborn Oy's guarantee is limited to an amount corresponding the dividend or other contribution paid by Sunborn Saga to Sunborn Oy. Furthermore, Sunborn Saga's and Sunborn Oy's guarantee is limited in the mandatory provisions of the Finnish Companies Act.

The bonds are also secured by a 1st lien floating charge (in Finnish: yrittyskiinnitys) registered on the Company's and Sunborn Saga's movable assets in accordance with the Floating Charge Act. Sunborn Saga's cash flows, as well as its bank accounts have been pledged and insurance proceeds are assigned to bond holders as security of the bonds.

Moreover, the shareholders have pledged its shares in the Company and Sunborn Oy has pledged its shares in Sunborn Saga to secure the repayment of the bonds. Pekka and Ritva Niemi have pledged all the existing and future lease receivables which they have from Sunborn Saga. The financial covenant is further described below.

The bond terms include an asset cover ratio covenant, which requires the Company to maintain the asset cover ratio of minimum 130.0 %. The covenant is calculated based on the market value of the Spa hotels

calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company.

The bond terms include also a cash requirement covenant, which requires the Company to maintain the cash minimum of upcoming 3 months interest payment. The bond terms include an interest cover ratio covenant, which requires the Company to generate EBITDA minimum of 1.1 times the interest and a lease payment coverage covenant, which requires Sunborn Saga to generate EBITDA (before lease and internal management fees) minimum of 1.0 times the lease payment. Covenants are tested on a quarterly basis.

In accordance with the bond terms bond holders may declare outstanding bonds due and payable among others if the Company fails to pay an amount at the due date under the bond terms and conditions related other agreements, the Company or Sunborn Saga fails to comply with the covenants, any financial indebtedness of the Company or Sunborn Saga is not paid when due provided that amount due is less than EUR 2.000.000 and provided that it does not apply to any loans from the shareholders and Sunborn Saga fails to make a lease payment to the Company under the Lease Agreement.

Sunborn Finance written procedure to amend bond terms and conditions was accepted 25th June 2020 and secured certain waivers and amendments to the terms and conditions of the bonds. The waivers provide temporary relief due to Covid-19 on interest coverage ratio, minimum cash covenant and lease payment covenant. Accordingly, Sunborn Finance Oyj has been in compliance with all its covenants on reporting date.

Changes in liabilities from financing activities:

EUR thousand	Borrowings due within 1 year	Borrowings due after 1 year	Total
Liabilities as at January 1, 2020		49 130	49 130
Amortisation using effective interest method	-	486	486
Liabilities as at December 31, 2020	-	49 616	49 616
Liabilities as at January 1, 2021	-	49 616	49 616
Amortisation using effective interest method	-	290	290
Liabilities as at December 31, 2021	-	49 906	49 906

Trade payables and other payables

The line item Trade and other payables include mainly trade payables as at December 31, 2021 and December 31, 2020. For the payables to related parties, see Note 13 Related parties.

13. Related parties

Transactions with related parties

The Group is owned by Niemi Family. Group's related parties are entities under the control of Niemi family, the Board of Directors and key management of the Company together with their close family members, and companies controlled by these individuals. Sunborn Group is controlled by Niemi family.

The following table summarises the Group's transactions and outstanding balances with related parties at the end of the years presented:

EUR thousand	1 Jan – 31 Dec 2021			31 Dec 2021	31 Dec 2021
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	3 479	79	-	1	-
Other related parties	-	172	-74	69	10
Total	3 479	251	-74	70	10

EUR thousand	1 Jan – 31 Dec 2020			31 Dec 2020	31 Dec 2020
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 835	66	-	0	4
Other related parties	-	158	-74	74	8
Total	2 835	225	-74	74	12

The rental income of the Group arises from a lease contract related to the Spa hotels. Sunborn Finance has leased the Spa hotels to Sunborn Saga with a long term operative non-cancellable lease contract with a maturity date on November 1, 2027. The rent in the contracts is set at market level. The issuer Sunborn Finance Oy provided the operator a two-month lease waiver for the financial year and was permitted to use cash reserves for liabilities falling due.

The following represents the maturity analysis of the lease payments by Sunborn Saga under the lease contract:

EUR thousand	31 Dec 2021	31 Dec 2020
No later than 1 year	3 534	3 409
Later than 1 year and no later than 2 years	3 534	3 409
Later than 2 year and no later than 3 years	3 534	3 409
Later than 3 year and no later than 4 years	3 534	3 409
Later than 4 year and no later than 5 years	3 534	3 409
Later than 5 years	2 945	6 249
Total	20 617	23 292

Sunborn Saga has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is given in Note 12 Borrowings.

The Group has paid management fee to Sunborn Oy and Sunborn International Oy.

14. Events after the balance sheet date

The war in Ukraine is not estimated to have a direct impact on the company's operations.

INCOME STATEMENT (FAS)

	1 Jan - 31 Dec 2021		1 Jan - 31 Dec 2020	
TURNOVER		3 478 504,00		2 834 677,40
Other income from business operations		377 263,19		225 090,65
Personnel expenses				
Salaries	-208 239,92		-192 006,89	
Pension costs	-35 169,31		-31 560,84	
Social security costs	-5 093,85	-248 503,08	-3 969,42	-227 537,15
Depreciation and impairment				
Planned depreciation		-1 471 126,06		-1 452 689,14
Other operating charges		-438 958,38		-665 441,93
EBITA		<u>1 697 179,67</u>		<u>714 099,83</u>
Financial income and expenses				
Interest income and financial income	32,81		116,64	
Interest expenses and financial expenses	-2 466 392,46	-2 466 359,65	-2 454 328,29	-2 454 211,65
PROFIT BEFORE ADJUSTMENT ITEMS AND TAXES		<u>-769 179,98</u>		<u>-1 740 111,82</u>
Adjustment items				
Increase(-) / decrease(+) in depreciation difference		760 000,00		998 298,25
Result for the period		<u>-9 179,98</u>		<u>-741 813,57</u>

BALANCE SHEET (FAS)

ASSETS	31 Dec 2021		31 Dec 2020	
FIXED ASSETS				
Intangible assets				
Other capitalized long-term expenses	50 788,22	50 788,22	57 714,98	57 714,98
Tangible assets				
Land and water	320 511,17		320 511,17	
Buildings	59 839 361,09		60 853 819,61	
Machinery and equipment	2 752 657,87		2 883 687,32	
Construction in process	887 678,13	63 800 208,26	895 807,09	64 953 825,19
Investments				
Shares		3 500,00		3 500,00
CURRENT ASSETS				
Current receivables				
Accounts receivable	70 039,37		73 568,14	
Other receivables	17 029,96	87 069,33	4 006,40	77 574,54
Cash and bank receivables		672 367,94		426 987,20
TOTAL ASSETS		<u>64 613 933,75</u>		<u>65 519 601,91</u>

LIABILITIES	31 Dec 2021		31 Dec 2020	
SHAREHOLDERS' EQUITY				
Share capital	80 000,00		80 000,00	
Reserve for invested non-restricted equity	6 638 188,33		6 638 188,33	
Retained earnings	-3 714 184,02		-2 972 370,45	
Profit for the period	-9 179,98	2 994 824,33	-741 813,57	3 004 004,31
APPROPRIATIONS				
Accumulated depreciation difference		1 241 836,65		2 001 836,65
LIABILITIES				
Non-current liabilities				
Bonds	50 000 000,00		50 000 000,00	
Deferred tax liabilities	9 684 554,12	59 684 554,12	9 684 554,12	59 684 554,12
Current liabilities				
Accounts payable	139 419,96		62 856,95	
Other liabilities	132 555,87		68 711,13	
Accrued liabilities and deferred income	420 742,82	692 718,65	697 638,75	829 206,83
TOTAL LIABILITIES		<u>64 613 933,75</u>		<u>65 519 601,91</u>

NOTES TO THE FINANCIAL STATEMENTS (FAS)

ACCOUNTING PRINCIPLES

The accounting period of the company is a calendar year.

Valuation principles for fixed assets

Investment property was initially recognised at fair value as at 1 November, 2017 in accordance with Finnish Accounting Standards Chapter 5, Article 2. Subsequently, investment property is depreciated according to the predefined depreciation plan and valued at amortised cost. Planned depreciation is calculated according to the predefined depreciation plan as straight-line depreciation on the original acquisition cost of fixed assets.

Depreciation periods based on estimated economic working lives are as follows:

Other capitalized long-term expenses	10 years
Investment property	40 years
Machinery and equipment	8 - 10 years

Minor acquisitions (below EUR 850) are booked as costs for accounting period.

Deferred tax liability

Deferred tax liability, recognised in non-current liabilities in the financial statements, relate to revaluation (fair value) of the investment property.

The war in Ukraine is not estimated to have a direct impact on the company's operations.

OTHER OPERATING INCOME	2021	2020
Business cost support, State Treasury	126 376,12	0,00

PERSONNEL	2021	2020
The average number of personnel during the financial period	4	4

DEPRECIATION AND DEPRECIATION DIFFERENCE

	Planned depreciation	Depreciation difference +/-	Total depreciation
Intangible assets	6 926,76	0,00	6 926,76
Tangible assets	1 464 199,30	-760 000,00	704 199,30
Total	1 471 126,06	-760 000,00	711 126,06

OTHER OPERATING EXPENSES	2021	2020
Administrative expenses	98 858,67	103 602,10
Maintenance expenses	316 439,95	330 397,99
Other expenses	23 659,76	231 441,84
Total	438 958,38	665 441,93

FINANCIAL INCOME AND EXPENSES

	2021	2020
Financial income		
Interest income	32,81	116,64
Financial expenses		
Interest expenses	2 465 904,99	2 452 109,76
Other financial expenses	487,47	2 218,53
Total	<u>2 466 392,46</u>	<u>2 454 328,29</u>

AUDITOR'S FEES

	2021	2020
Pricewaterhousecoopers Oy		
Audit fees	5 526,47	20 740,20

CHANGES IN FIXED ASSETS

	Other capitalised long-term expenses			
Intangible assets:				
Acquisition cost 1 Jan	64 756,18			
Acquisition cost 31 Dec	64 756,18			
Accumulated depreciation 1 Jan	-7 041,20			
Depreciation during the financial year	-6 926,76			
Accumulated depreciation 31 Dec	<u>-13 967,96</u>			
Book value 31 Dec	50 788,22			
Tangible assets:	Land and water	Buildings	Machinery and equipment	Construction in process
Acquisition cost 1 Jan	320 511,17	24 723 774,59	3 565 887,77	895 807,09
Revaluation, fair value	0,00	39 340 622,60	0,00	0,00
Additions	0,00	0,00	318 711,33	264 496,28
Disposals	0,00	0,00	0,00	-272 625,24
Acquisition cost 31 Dec	320 511,17	64 064 397,19	3 884 599,10	887 678,13
Accumulated depreciation 1 Jan	0,00	-3 210 577,58	-682 200,45	0,00
Depreciation during the financial year	0,00	-1 014 458,52	-449 740,78	0,00
Accumulated depreciation 31 Dec	0,00	<u>-4 225 036,10</u>	<u>-1 131 941,23</u>	0,00
Book value 31 Dec	320 511,17	59 839 361,09	2 752 657,87	887 678,13

INVESTMENTS

Shares in subsidiaries	
Acquisition cost 1 Jan	3 500,00
Book value 31 Dec	3 500,00

<u>Name</u>	<u>Number of shares</u>	<u>Holding %</u>	<u>Domicile</u>
Sunborn Finance Admin Oy	1 000	100 %	Helsinki

Consolidated statements have been prepared according to IFRS.

SHAREHOLDERS' EQUITY

	2021	2020
Restricted equity		
Share capital	80 000,00	80 000,00
Share capital, 31 Dec	80 000,00	80 000,00
Non-restricted equity		
Reserve for invested non-restricted equity	6 638 188,33	6 638 188,33
Reserve for invested non-restricted equity, 31 Dec	6 638 188,33	6 638 188,33
Retained earnings	-3 714 184,02	-2 972 370,45
Result for the period	-9 179,98	-741 813,57
Non-restricted equity total	2 914 824,33	2 924 004,31
Shareholders' equity total	2 994 824,33	3 004 004,31
Distributable assets, 31 Dec		
Reserve for invested non-restricted equity	6 638 188,33	6 638 188,33
Retained earnings	-3 714 184,02	-2 972 370,45
Profit for the period	-9 179,98	-741 813,57
Total	2 914 824,33	2 924 004,31
Business cost support, State Treasury	-126 376,12	0,00
Total	2 788 448,21	2 924 004,31

The number of company shares is 400. There are two classes of shares divided by voting rights, otherwise the terms are the same.

	Number of shares
A shares (20 votes per share)	24
B shares (1 vote per share)	376
Total	400

ACCRUED EXPENSES

	2021	2020
Interest accrual	343 541,67	336 805,56
Social security costs accrued	77 201,15	77 365,45
Other accrued expenses	0,00	283 467,74
Total	420 742,82	697 638,75

COLLATERALS AND CONTINGENT LIABILITIES

	2021	2020
Bonds	50 000 000,00	50 000 000,00
Mortgages	126 651 783,67	126 651 783,67
Floating charge	65 000 000,00	65 000 000,00

Company's bank accounts have been pledged to secure the bond repayments, however the Company can use them by the terms of the bonds.

SIGNATURES FOR THE FINANCIAL STATEMENTS

SUNBORN FINANCE OYJ

Turku, April 12, 2022

Ritva Niemi

Chairman of the Board

Pekka Niemi

Board member

Hans Niemi

Board member and Chief Executive Officer

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, April ____, 2022

PricewaterhouseCoopersOy

Authorized Public Accountant Firm

Kalle Laaksonen

Authorized Public Accountant

SUNBORN SAGA OY, INCOME STATEMENT (FAS)

EUR thousand	1 Jan – 31 Dec 2021		1 Jan – 31 Dec 2020	
TURNOVER		22 469		18 454
Other income from business operations		1 509		948
Materials and services				
Purchases during the financial period	-3 463		-2 718	
Change in inventories	35		-39	
External services	-906	-4 334	-834	-3 591
Personnel expenses				
Wages and salaries	-6 684		-6 063	
Mandatory pension costs	-1 074		-876	
Other social security costs	-266	-8 024	-197	-7 135
Other operating charges		-6 906		-5 837
Rents paid to Sunborn Finance Oyj		-3 479		-2 835
Administrative expenses paid to Sunborn Oy		-542		-605
EBITDA		695		-601
Depreciation				
Depreciation according to the plan		-550		-589
Financial income and expenses				
Interest income and financial income	1		0	
Interest expenses and financial expenses	-92	-92	-67	-66
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		53		-1 257
Adjustment items				
Group contribution received(+) / paid(-)		-40		1 300
Income taxes		-1		-8
RESULT FOR THE PERIOD		12		35

SUNBORN SAGA OY, BALANCE SHEET (FAS)

EUR thousand	31 Dec 2021		31 Dec 2020	
ASSETS				
FIXED ASSETS				
Intangible assets				
Intangible rights	166		182	
Other capitalised long-term expenditure	738	904	1 038	1 220
Tangible assets				
Machinery and equipment	577		477	
Advance payments	23	600	55	531
Investments				
Other shares and similar rights of ownership		0		0
CURRENT ASSETS				
Inventories				
Raw materials and supplies	169		152	
Goods	184	353	166	317
Receivables				
Non-current receivables				
Receivables from group companies		6 948		6 637
Current receivables				
Receivables from group companies	47		114	
Accounts receivable	998		589	
Other receivables	46		42	
Prepaid expenses and accrued income	255	1 346	455	1 201
Cash and bank receivables		3 085		2 823
TOTAL ASSETS		13 237		12 729

LIABILITIES	31 Dec 2021		31 Dec 2020	
SHAREHOLDERS' EQUITY				
Share capital	3		3	
Reserve for invested non-restricted equity	100		100	
Retained earnings	228		190	
Profit for the period	12	342	35	328
LIABILITIES				
Non-current liabilities				
Borrowings	1 800		2 100	
Other liabilities	4 713	6 513	4 681	6 781
Current liabilities				
Debt to group companies	127		26	
Borrowings	600		600	
Short-term advance payments	3 093		2 600	
Short-term accounts payable	1 269		954	
Other liabilities	156		151	
Accrued liabilities and deferred income	1 137	6 381	1 290	5 621
TOTAL LIABILITIES		13 237		12 729

SUNBORN SAGA OY, CASH FLOW STATEMENT (FAS)

EUR thousand	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Cash flow from operations		
Profit before adjustment items and taxes	53	-1 257
Depreciation and amortization	550	589
Income taxes	-1	-8
Change in current receivables	-145	345
Change in inventories	-35	39
Change in current non-interest-bearing liabilities	761	-172
Other adjustments	2	0
Cash flow from operations (A)	1 185	-463
Investing activities		
Change in tangible and intangible assets	-303	-284
Cash flow from investing activities (B)	-303	-284
Financing activities		
Change in non-current receivables	-312	-1 576
Change in long-term borrowings	-268	2 147
Group contribution	-40	1 300
Cash flow from financing activities (C)	-619	1 871
Change in cash and cash equivalents (A+B+C)	262	1 125
Cash and cash equivalents at beginning of period	2 823	1 698
Cash and cash equivalents at end of period	3 085	2 823

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HANS MIKKO MIKAEL NIEMI

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BankID / MobileID - 6b826e26-8cf3-4094-b0e1-97fc01a5ccd6 - FI

Pekka Juhani Niemi

788611d7-8456-4e15-b6d4-bd6b9a28372e - 2022-04-29 10:25:32 UTC +03:00
BankID / MobileID - 8c168a12-9a3b-49d7-a5fc-b8b1415cc132 - FI

Ritva Liisa Marjatta Niemi

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Kalle Juhani Laaksonen

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authority to sign

representative

custodial

asemavaltuus

nimenkirjoitusoikeus

huoltaja/edunvalvoja

ställningsfullmakt

firmateckningsrätt

förvaltare

autoritet til å signere

representant

foresatte/verge

myndighed til at underskrive

repræsentant

frihedsberøvende



Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Sunborn Finance Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the company's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Sunborn Finance Oyj (business identity code 2834108-5) for the year ended 31 December 2021. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.
- the parent company's balance sheet, income statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.



Our Audit Approach

Overview

Materiality

- Overall materiality: 0,3 million euros, which represents 0.5% of group total assets.

Group scoping

- The group audit scoping encompassed the parent company

Key audit matters

- Revenue recognition
- Investment property valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Group overall materiality	0,3 million euros
How we determined it	0.5% of group total assets.
Rationale for the materiality benchmark applied	We chose group total assets as the benchmark because in our view, it is the benchmark against which the assets of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 0.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. The group operates mainly in the parent company. The group audit scope encompassed the parent company. We determined that no risk for material misstatements relates to the subsidiary and therefore our procedures regarding this entity comprised only of analytical procedures performed at group level. By performing the procedures above, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole in order to provide an opinion on the consolidated financial statements.



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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
<p><i>Occurrence of revenue recognition</i></p> <p>Refer to Accounting policies and note 5</p> <p>Revenue consists of rental income from lease contract. Rental income is booked as a revenue as straight-line basis based on the lease contract.</p> <p>Based on our estimation there is a risk that the rental income doesn't reflect the lease contract.</p> <p>We focused on transactions that occurred during the financial period, especially whether the recorded revenue reflect the lease contract.</p>	<p>Our audit procedures consisted of obtaining and understanding of the internal control as well as substantive procedures performed on recorded transactions.</p> <p>As part of substantive audit procedures relating to revenue, we:</p> <ul style="list-style-type: none"> - Evaluated the appropriateness of the accounting policies for revenue recognition. - We read the lease contract. - Tested a sample of transactions recorded during the financial year to verify that they reflect the terms in the lease contract. - Tested the accurate timing of revenue recognition of transactions recorded near the end of the financial period.
<p><i>Valuation of investment</i></p> <p>Refer to Accounting policies and notes 3 and 9.</p> <p>Company's investment property consists of spa hotels.</p> <p>Investment property is carried at fair value. Changes in fair values are recognized in the income statement.</p> <p>The assumptions used in valuations include estimates and judgement.</p> <p>Forecasting of cash flows, estimation of useful lifetime of investment property and the estimation of discount rate are the most significant assumptions in the valuation of the investment property. We focused on cash flow estimations, because the cash flows include significant judgement.</p>	<p>We obtained an understanding of the processes relating to the calculation and valuation of investment properties.</p> <p>Our audit procedures were especially directed to the following:</p> <ul style="list-style-type: none"> - We obtained the valuation report provided by independent valuator, which management has used to support the valuation. We evaluated the appropriateness of key assumptions used in fair value valuations. - We compared the fair value in the valuation report to the disclosures in the financial statements related to the valuation.

We have no key audit matters to report with respect to our audit of the parent company financial statements.



Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors on 1 November 2017. Our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Turku 29.4.2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kalle Laaksonen
Authorised Public Accountant (KHT)

The following documents were signed Friday, April 29, 2022



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Signatures

4/29/2022 3:07:54 PM (CET)



Kalle Juhani Laaksonen, PricewaterhouseCoopers Oy

kalle.laaksonen@pwc.com

Signed with electronic ID (Mobiilivarmenne)



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