

# SUNBORN FINANCE



**Key Figures (IFRS) - Sunborn Finance Oyj**

EUR thousand	1 Jan- 31 Mar 2022	1 Jan- 31 Mar 2021	1 Jan - 31 Dec 2021
Revenue	949	915	3 856
EBITDA	771	763	3 239
Investment property (Spa Hotels)	61 759	61 820	61 759
Total equity	2 377	2 567	2 638
Bond	49 980	49 686	49 906

**Key Figures (FAS)- Operator Sunborn Saga Oy**

EUR thousand	1 Jan- 31 Mar 2022	1 Jan- 31 Mar 2021	1 Jan - 31 Dec 2021
Revenue	3 932	3 201	22 469
EBITDA before rent and group admin	162	135	4 715

**Executive Director, Hans Niemi**

“Sunborn Finance Oyj Rental income was as expected at 0.9 M euros (0.9 M euros) and costs were in line with budget.

Omicron related restrictions in place during Q1 impacted availability of various resort services and reduced bookings and appetite for travel during this time. Operational revenue increased 23 % to 3.9 Meur (3.2 Meur) and EBITDA 20 %. As the restrictions were lifted in February, bookings increased rapidly with good March results. Prebooking levels for Q2 and onwards indicate a very strong summer and autumn period and management forecasts YoY growth in revenue and profitability. Operational procedures and pricing strategy are adapted to mitigate the impacts of rising inflation.”

**General**

Sunborn Finance Oyj (“the company”) 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 hotel operations of the spa hotels are run by operator Sunborn Saga Oy under a lease contract. 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.

Sunborn Finance was established November 1, 2017. The Company’s operations consist of acting as a lessor of the spa hotels and providing property, facility and IT related services. Significant renovation was made in both spa hotels during recent years and renovations continue in 2022.

**Sunborn Finance Oyj Financial summary 1 January – 31 March 2022**

Sunborn Finance revenue 0.95 M€ consists of fixed lease income from the operator and other services income. Lease income 1-3/2022 was 0.88 M€ (1-3/2021 0.85 M€). Other services income refers to personnel costs for facility services and is a cost/income neutral line item. Costs were in line with previous year.

According to December 2021 valuation reports the value of the Spa hotels is at Naantali Spa 52.2 M€ and at Ruissalo Spa 26.7 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets).

**Sunborn Saga Oy Financial summary 1 January – 31 March 2022**

Total revenue Q1 2022 was 3.9 M€ (Q1 2021 3.2 M€). EBITDA in Q1 was 0.2 M€ (Q1 2021 0.1 M€).

	Overall Q1 22	January	February	March
Total Revenue M€	3,93	0,64	1,44	1,86
+/- YoY %	23 %	-43 %	16 %	116 %
<i>Revenue split</i>				
Rooms Revenue	42 %	35 %	46 %	42 %
Food and Beverage	31 %	27 %	32 %	32 %
Rehab and wellness	25 %	38 %	23 %	22 %
Other	2 %	0 %	0 %	4 %

The spreading of the Omicron variant of Covid-19 resulted into further restrictions and lock downs for Q1 2022. Spa departments and fitness centres were closed completely in January, and restaurants were allowed to stay open only until 6 pm. Even though hotel operations were not restricted, the number customers dropped dramatically as a major part of the resort services was closed. Again all bookings for meetings and conferences were either cancelled or postponed for several months and even leisure guests were hesitant to travel due to the restrictions. Public gatherings were restricted for several weeks as well. As the worst effects of the Covid-19 have dissipated after February, travel resumed quickly as people look to reconnect, explore new products or revisit reliable favorites. Number of bookings started to increase rapidly in March. Management expects both revenue and profitability to grow especially in Q2 and Q3.

The company exploited the lower occupancy at Naantali Spa by commencing a major facelift and renewal project in the Naantali Spa lobby. The 300 m2 big lobby with hotel reception, cafeteria and lobby bar went through a remarkable renovation with new furniture, lighting, machinery and interior design. New lobby was taken into use in the end of March and has received a lot of positive feedback from the customers. We expect the lobby bar and cafeteria to increase their revenue noticeably and improve the overall customer experience. Some rooms at the hotel were out of use during the renovation process because of noise.

Restrictions were eased in February and winter break on week 8 was already successful in both hotels, but especially in Naantali. Russia's invasion of Ukraine has caused additional concerns over impact on industry, however these for the moment appear to be limited to cost increases in energy and materials. The company has partially mitigated energy price spikes with forward contracts for energy.

### Operator KPI's YoY change for Q1 2022 vs Q1 2021

Naantali Spa		Overall Q1	January	February	March
ADR		10 %	-15 %	8 %	34 %
Occupancy %		10 %	-8 %	7 %	28 %
RevPar		40 %	-32 %	21 %	170 %
Ruissalo Spa		Overall Q1	January	February	March
ADR		10 %	1 %	7 %	12 %
Occupancy %		18 %	3 %	17 %	29 %
RevPar		88 %	27 %	68 %	160 %

#### **Commentary:**

Q1 Naantali Spa corporate bookings were particularly impacted in Jan and Feb due to Omicron related cancelations. The market disruption dissipated in February and March ended above expectations.

Ruissalo Spa was less impacted as majority of business in Q1 was health and wellness clients excluded from restrictions.

### **Notable events after the end of the reporting period and estimated future development**

The spreading of the Omicron variant of Covid-19 resulted into further restrictions and lock downs for year end 2021 and Q1 2022. This had an instant impact on the amount of hotel bookings as well. Across the business, furlough schemes to adapt staff resources were implemented in January in both hotels. In addition, cost reduction programs - proven effective in the last two years – all continued to continue to adapt general costs. Restrictions continued throughout January and parts of February. Positively, management has been well trained and prepared for such changing business environment and cost adaptation is effective. As Q1 is historically the weakest period, the impact in overall annual results is manageable.

Pandemic restrictions were eased by mid-February and the management was optimistic that better times would lie ahead. Russia's invasion of Ukraine in the end of February changed the situation rapidly. The war had an instant impact on energy prices and other costs, and delivery times and availability of different products and items. It also effected travelling as Russia closed its airspace to 36 countries including all European Union nations. Despite the war and ongoing Covid-cases the company foresees that Q2 will show improvement in revenue and number of guests and the summer season is expected to be very busy in both hotels as domestic travelling is booming.

Sunborn Saga Oy continuously strives to improve our environmental performance. The company is in process of implementing a 3-year ESG strategy to among other objectives to achieve major reductions in energy consumption and carbon footprint. As business is recovering, we are again focusing on these investments to ensure our continued excellent market position and standards.

In Dec 2021, Naantali Spa was awarded the Green Key award, the leading standard of excellence in the field of environmental responsibility and sustainable operation within the tourism industry. In addition, Naantali Spa joined the Sustainable Travel Finland -program, align our sustainability strategy with international sustainable tourism standards and sustainable development goals. Ruissalo Spa Hotel is expected to receive the Green Key award within 2022 and join the STF-program accordingly.

The whole industry - including our various operations – continues to suffer from staff shortages particularly in F&B. Review of HR strategy is being implemented to ensure future availability and training of qualified staff.

## Business environment

The high number of Covid cases continue still to impact hospitality industry, particularly international travel, but it is unlikely that the Finnish government will issue further restrictions. Covid symptoms are no longer regarded severe, yet the high number of cases causes challenges to manpower planning and unpredicted cancellations in bookings.

The war in Ukraine causes a bigger concern in forms of increasing costs such as energy expenditure, food and laundry costs which management is carefully monitoring and controlling. Energy cost increase has been partially mitigated through forward contracts. The crisis will also have an effect on our bookings. Foreign tourist volumes for the industry will remain lower than historical levels due to rerouted and rescheduled flights and uncertainty in Russia and Ukraine. However, the hotel clients are predominantly local and Russian tourist volumes have never been material in our hotels as our properties are in South-West Finland. International travel to our hotels is expected to recover from the pandemic earlier than originally anticipated. We are already receiving bookings from Scandinavia and German speaking European countries.

However, the bulk of our business will be focused on domestic leisure, medical rehabilitation and corporate and other groups even this summer and coming months.

Operator management will keep emphasis on safety of clients and staff with a renewed focus on company responsibility program to strengthen our position as leader in reliable and responsible hospitality. Consumers will continue making responsible choices and invest in health and domestic travelling will increase. Customer satisfaction of the hotels continues to be good and has not been too negatively affected by the pandemic or the war against Ukraine. On the contrary net promotion score is on a high level in both hotels.

## 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. Floating interest rate risk has not been hedged.

The war in Ukraine will most likely not affect tourism – except for Russian and Asian tourists – but it will certainly effect energy expenditure, purchases and other costs. Prolonged crisis in Ukraine can 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.

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 risks but financing to be available subject to terms and conditions. Company has engaged advisors and is in progress of pursuing refinancing.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan - 31 Mar 2022	1 Jan - 31 Mar 2021	1 Jan - 31 Dec 2021
Revenue	4	949	915	3 856
Changes in fair value of investment property	5	-415	-94	-377
Personnel expenses		-77	-58	-249
Operating expenses		-101	-94	-368
<b>Operating result</b>		<b>357</b>	<b>669</b>	<b>2 862</b>
Interest expenses		-683	-694	-2 797
<b>Result before taxes</b>		<b>-327</b>	<b>-25</b>	<b>65</b>
Change in deferred tax		65	5	-13
<b>Result for the period</b>		<b>-262</b>	<b>-20</b>	<b>52</b>
<b>Total comprehensive income for the period</b>		<b>-262</b>	<b>-20</b>	<b>52</b>

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	5	61 759	61 820	61 759
<b>Total non-current assets</b>		<b>61 759</b>	<b>61 820</b>	<b>61 759</b>
<b>Current assets</b>				
Receivables from related parties	7	70	84	70
Other receivables		66	4	17
Cash and cash equivalents		609	333	676
<b>Total current assets</b>		<b>745</b>	<b>421</b>	<b>763</b>
<b>Total assets</b>		<b>62 504</b>	<b>62 241</b>	<b>62 522</b>
<b>Equity and liabilities</b>				
<b>Equity and liabilities</b>				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-4 341	-4 152	-4 080
<b>Total equity</b>		<b>2 377</b>	<b>2 567</b>	<b>2 638</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	6	-	49 686	49 906
Lease liabilities	2, 5	642	644	632
Deferred income tax liabilities		8 580	8 627	8 645
<b>Total non-current liabilities</b>		<b>9 221</b>	<b>58 957</b>	<b>59 183</b>
<b>Current liabilities</b>				
Borrowings	6	49 980	-	-
Lease liabilities	2, 5	8	30	8
Trade and other payables		454	197	262
Payables to related parties	7	8	32	10
Accrued expenses		455	459	421
<b>Total current liabilities</b>		<b>50 905</b>	<b>717</b>	<b>700</b>
<b>Total liabilities</b>		<b>60 127</b>	<b>59 675</b>	<b>59 883</b>
<b>Total equity and liabilities</b>		<b>62 504</b>	<b>62 241</b>	<b>62 522</b>

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, 2021	80	6 638	-4 132	2 587
Result for the period	0	0	-20	-20
<b>Equity at 31 Mar, 2021</b>	<b>80</b>	<b>6 638</b>	<b>-4 152</b>	<b>2 567</b>
Equity at 1 Apr, 2021	80	6 638	-4 152	2 567
Result for the period	0	0	72	72
<b>Equity at 31 Dec, 2021</b>	<b>80</b>	<b>6 638</b>	<b>-4 080</b>	<b>2 638</b>
Equity at 1 Jan, 2022	80	6 638	-4 080	2 638
Result for the period	0	0	-262	-262
<b>Equity at 31 Mar, 2022</b>	<b>80</b>	<b>6 639</b>	<b>-4 341</b>	<b>2 377</b>



### CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan - 31 Mar 2022	1 Jan - 31 Mar 2021	1 Jan – 31 Dec 2021
<b>Cash flows from operating activities</b>				
Result before tax		-327	-25	65
Adjustments for				
Change in fair value of investment property	5	415	94	370
Interest expenses on borrowings		683	694	2 797
Change of working capital				
Change in trade and other receivables		-48	-11	-9
Change in trade and other payables		245	-136	-136
<b>Net cash flows from operating activities</b>		<b>968</b>	<b>617</b>	<b>3 086</b>
<b>Cash used in investing activities</b>				
Capital Expenditure	5	-415	-94	-311
<b>Net cash flows used in investing activities</b>		<b>-415</b>	<b>-94</b>	<b>-311</b>
<b>Cash used in financing activities</b>				
Land lease agreement		-	-	-71
Interest paid		-620	-620	-2 459
<b>Net cash flows used in financing activities</b>		<b>-620</b>	<b>-620</b>	<b>-2 530</b>
Cash and cash equivalents at the beginning of period		676	430	430
Change in cash and cash equivalents		-67	-97	245
Cash and cash equivalents at the end of period		609	333	676

## 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, cafés 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”), a subsidiary of Sunborn Oy, in accordance with a lease contract between Sunborn Finance and Sunborn Saga. Sunborn Finance also provides property management and IT support services and has four employees.

Sunborn Finance is wholly 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.

These interim financial statements are unaudited.

### 2. Summary of significant accounting policies

#### Basis of preparation

This condensed interim financial report for three months ended March 31, 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 *interim Financial Reporting*, as adopted by the European Union.

The condensed interim year financial report does not include all the information and notes that are presented in the annual financial statements and should be read in conjunction with the consolidated financial statements for year ended 31 December 2021.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2021.

The 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.

### 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 in the financial statements. 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 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. 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 Mar 2022	1 Jan – 31 Mar 2021	1 Jan – 31 Dec 2021
Rental income from operating leases with related party	884	852	3 479
Service income from related parties	66	63	251
Other income – cost support	-	-	126
<b>Total</b>	<b>949</b>	<b>915</b>	<b>3 856</b>

#### 5. 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, 2021	61 820
Additions	94
Changes in Fair Value	-94
<b>Fair Value at March 31, 2021</b>	<b>61 820</b>

EUR thousand	Spa hotels
Fair value at April 1, 2021	61 820
Additions	217
Changes in Fair Value	-276
<b>Fair Value at December 31, 2021</b>	<b>61 759</b>

EUR thousand	Spa hotels
Fair value at January 1, 2022	61 759
Additions	415
Changes in Fair Value	-415
<b>Fair Value at March 31, 2022</b>	<b>61 759</b>

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations continued during Q1 2022 in hotel reception, cafeteria and lobby bar.

## 6. Borrowings

EUR thousand	31 Mar 2022	31 Mar 2021	31 Dec 2021
Senior secured bond	49 980	49 686	49 906
<b>Total</b>	<b>49 980</b>	<b>49 686</b>	<b>49 906</b>

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 %.

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

### *Collaterals and guarantees given*

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 shares in the Company and Sunborn Oy has pledged Sunborn Saga Oy shares to secure the repayment of the bonds. Owners have pledged 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. Accordingly, Sunborn Finance Oyj has been in compliance with all its covenants on reporting date.

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.

## 7. Transactions with related parties

The Company is owned by Niemi Family. Company's related parties are entities under the common 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 Company's transactions and outstanding balances with related parties during or at the end of the periods presented:

EUR thousand	1 Jan - 31 Mar 2022			31 Mar 2022	31 Mar 2022
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	884	21	-	0	-
Other related parties	-	45	-13	69	8
<b>Total</b>	<b>884</b>	<b>66</b>	<b>-13</b>	<b>70</b>	<b>8</b>

EUR thousand	1 Jan - 31 Mar 2021			31 Mar 2021	31 Mar 2021
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	852	20	-	3	18
Other related parties	-	43	-13	81	14
<b>Total</b>	<b>852</b>	<b>63</b>	<b>-13</b>	<b>84</b>	<b>32</b>

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
<b>Total</b>	<b>3 479</b>	<b>251</b>	<b>-74</b>	<b>70</b>	<b>10</b>

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 Oyj provided the operator a two-month lease waiver for the financial year and was permitted to use cash reserves for liabilities falling due.

Sunborn Saga has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is given in Note 6 Borrowings.

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

**8. Events after the balance sheet date**

The war in Ukraine will most likely not affect tourism – except for Russian and Asian tourists – but it will certainly effect energy expenditure, purchases and other costs.

## Appendix 1 SUNBORN SAGA (FAS)

Sunborn Saga Oy  
INTERIM REPORT 1 January - 31 March 2022  
(FAS)

Sunborn Saga's interim financial report has been prepared in accordance with the Finnish Accounting Standards (Finnish Accounting Act and Ordinance and related instructions and statements issued by the Accounting Board operating under the auspices of the Ministry of Economic Affairs and Employment). For the purposes of this interim financial information profit and loss statement, balance sheet and cash flow statement of Sunborn Saga have been presented as required by the terms of the bond issued by Sunborn Finance. Sunborn Saga is the guarantor of the bond.



### SUNBORN SAGA OY

#### INCOME STATEMENT, tEUR

	1 Jan – 31 Mar 2022		1 Jan – 31 Mar 2021		1 Jan – 31 Dec 2021	
TURNOVER	3 932		3 201		22 469	
Other income from business operations	451		621		1 509	
Materials and services						
Purchases during the financial period	-528		-423		-3 463	
Change in inventories	14		-27		35	
External services	-121		-101		-906	
	-634		-550		-4 334	
Personnel expenses						
Wages and salaries	-1 635		-1 433		-6 684	
Mandatory pension costs	-175		-175		-1 074	
Other social security costs	-42		-51		-266	
	-1 852		-1 659		-8 024	
Other operating charges	-1 733		-1 476		-6 906	
Rents paid to Sunborn Finance Oyj	-884		-852		-3 479	
Administrative expenses paid to Sunborn Oy	-167		-141		-542	
	=====		=====		=====	
EBITDA	-888		-858		695	
Depreciation						
Depreciation according to the plan	-138		-136		-550	
Financial income and expenses						
Interest income and financial income	0		0		1	
Interest expenses and financial expenses	-18		-18		-92	
	-18		-18		-92	
	=====		=====		=====	
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES	-1 044		-1 012		53	
Adjustment items						
Group contribution received(+)/ paid(-)	0		0		-40	
Income taxes	-1		0		-1	
	=====		=====		=====	
RESULT FOR THE PERIOD	-1 046		-1 012		12	

SUNBORN SAGA OY

BALANCE SHEET, tEUR

	31 Mar 2022		31 Mar 2021		31 Dec 2021	
<b>ASSETS</b>						
<b>FIXED ASSETS</b>						
Intangible assets						
Intangible rights	155		171		166	
Other capitalised long term expenditure	659	814	951	1 123	738	904
Tangible assets						
Machinery and equipment	603		480		577	
Advance payments	202	805	55	535	23	600
Investments						
Other shares and similar rights of ownership		0		0		0
<b>CURRENT ASSETS</b>						
Inventories						
Raw materials and supplies	187		125		169	
Goods	180	367	166	291	184	353
Receivables						
Non-current receivables						
Receivables from group companies		6 954		6 622		6 948
Current receivables						
Receivables from group companies	47		44		47	
Accounts receivable	673		910		998	
Other receivables	288		59		46	
Prepaid expenses and accrued income	477	1 485	729	1 742	255	1 346
Cash and bank receivables		593		899		3 085
<b>TOTAL ASSETS</b>	<b>11 017</b>		<b>11 212</b>		<b>13 237</b>	

	31 Mar 2022		31 Mar 2021		31 Dec 2021	
<b>LIABILITIES</b>						
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	3		3		3	
Reserve for invested non-restricted equity	100		100		100	
Retained earnings	240		226		228	
Profit for the period	-1 046	-703	-1 012	-684	12	342
<b>LIABILITIES</b>						
Non-current liabilities						
Borrowings	1 800		2 100		1 800	
Other liabilities	4 868	6 668	4 836	6 936	4 713	6 513
Current liabilities						
Debt to group companies	27		-41		127	
Borrowings	600		600		600	
Advance payments	2 388		2 386		3 093	
Accounts payable	662		678		1 269	
Other liabilities	127		172		156	
Accrued liabilities and deferred income	1 248	5 052	1 166	4 960	1 137	6 381
<b>TOTAL LIABILITIES</b>	<b>11 017</b>		<b>11 212</b>		<b>13 237</b>	

### SUNBORN SAGA OY

#### CASH FLOW STATEMENT, tEUR

	1 Jan – 31 Mar 2022	1 Jan – 31 Mar 2021	1 Jan – 31 Dec 2021
Cash flow from operations			
Profit before adjustment items and taxes	-1 044	-1 012	53
Depreciation and amortization	138	136	550
Income taxes	-1	0	-1
Change in current receivables	-139	-541	-145
Change in inventories	-14	27	-35
Change in current non-interest-bearing liabilities	-1 329	-661	761
Other adjustments	0	0	2
<b>Cash flow from operations (A)</b>	<b>-2 389</b>	<b>-2 052</b>	<b>1 185</b>
Investing activities			
Change in tangible and intangible assets	-253	-42	-303
<b>Cash flow from investing activities (B)</b>	<b>-253</b>	<b>-42</b>	<b>-303</b>
Financing activities			
Change in non-current receivables	-6	15	-312
Change in long-term borrowings	155	155	-268
Group contribution	0	0	-40
<b>Cash flow from financing activities (C)</b>	<b>149</b>	<b>170</b>	<b>-619</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>-2 492</b>	<b>-1 924</b>	<b>262</b>
Cash and cash equivalents at beginning of period	3 085	2 823	2 823
Cash and cash equivalents at end of period	593	899	3 085