

SUNBORN FINANCE



Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	Q2/2022 1 Apr – 30 Jun 2022	Q2/2021 1 Apr – 30 Jun 2021	H1/2022 1 Jan – 30 Jun 2022	H1/2021 1 Jan – 30 Jun 2021	1 Jan – 31 Dec 2021
Revenue	949	1 041	1 899	1 956	3 856
EBITDA	763	901	1 534	1 664	3 239
Investment property (Spa Hotels)			61 760	61 820	61 759
Total equity			2 324	2 707	2 638
Bond			50 055	49 758	49 906

Key Figures (FAS)- Operator Sunborn Saga Oy

EUR thousand	Q2/2022 1 Apr – 30 Jun 2022	Q2/2021 1 Apr – 30 Jun 2021	H1/2022 1 Jan – 30 Jun 2022	H1/2021 1 Jan – 30 Jun 2021	1 Jan – 31 Dec 2021
Revenue	7 147	5 168	11 078	8 369	22 469
EBITDA before rent and group admin	1 005	917	1 168	1 053	4 715

Executive Director, Hans Niemi

“During reporting period Q2 operator Sunborn Saga Oy operating revenue increased YoY by +38 % to €7,1M (€5,2M) and EBITDAR increased to €1.0M (€0.9M) +10 %. Costs were under pressure, primarily with upwards pressure on labour costs, labour availability, energy costs and COGS, due to sudden changes in macroeconomic environment, impacting operating margin in the period. Management has been adjusting procedures to mitigate and this work continues to reach normal stabilized levels in due course. Issuer Sunborn Finance Oyj’s revenue 0.95 M€ consists of fixed lease income from the operator and other services income. Lease income Q2 2022 was according to budget at 0.88 M€ (Q2 2021 0.85 M€) and costs were in line with previous year.”

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 218 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 continue in 2022.

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.

Sunborn Finance Oyj Financial summary 1 April – 30 June 2022

Sunborn Finance revenue 0.95 M€ consists of fixed lease income from the operator and other services income. Lease income Q2 2022 was 0.88 M€ (Q2 2021 0.85 M€). Other services income refers to personnel costs for facility services and is a cost/income neutral line item. Q2 2021 contained 0.13 M€ cost support related to Covid-19. YTD 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). During 2022 the company has renovated hotel reception, cafeteria and lobby bar. Renovations reflect in changes in fair value of investment property in the income statement.

Sunborn Saga Oy Financial summary 1 April – 30 June 2022

Total revenue Q2 2022 was 7.1 M€ (Q2 2021 5.1 M€). EBITDA before rent and group administration in Q2 was 1.0 M€ (Q2 2021 0.9 M€). YTD 2021 included 0.2 M€ more cost support related to Covid-19 than YTD 2022.

	Overall Q2 22	April	May	June
Total Revenue M€	7,15	1,97	2,31	2,87
+/- YoY %	38 %	187 %	28 %	7 %
<i>Revenue split</i>				
Rooms Revenue	44 %	44 %	41 %	46 %
Food and Beverage	41 %	41 %	42 %	41 %
Rehab and wellness	14 %	15 %	16 %	12 %
Other	1 %	0 %	1 %	1 %

The whole travel industry - including our various operations – continues to suffer from staff shortages particularly in F&B. To tackle this our HR implemented reskilling and upskilling initiatives to current staff, planning recruitment processes carefully, and hiring a higher number of short-term workers for the season. This has secured that our hotels are able to keep up service and opening hours accordingly but impacting costs in Q2 in preparation to have sufficient resources for the peak season in Q3. Review of HR strategy is being implemented to ensure future availability and training of qualified staff yet managing carefully cost levels going forward.

Positively impact from Covid-19 epidemic clearly dissipated in April but at the same time Russia's invasion of Ukraine caused concern over impact on travel industry and on consumer demand. April and even May were still relatively quiet in comparison to pre-Covid years, however corporate groups returned to Naantali as companies were finally allowed to organize the events postponed severally from previous two years due to Covid. Corporate business in June was vibrant with several corporate events and meetings. Black Friday gift certificates (expiring in June) impacted ADR development. Events like Naantali Boat Exhibition and Naantali Music Festival were luckily organized again in May and June and brought individual and group guests to Naantali.

Ruissalo occupancy increased well in Q2 as both health and wellness clients' volumes were high and leisure customers filling weekends. June 2021 was busy in Ruissalo due to break in Covid-restrictions, whereas this year occupancy rate on weekdays did not develop as expected. Room revenues increased positively with improvement in ADR.

The company exploited the lower occupancy at Naantali Spa by commencing a planned facelift and renewal project in the Naantali Spa lobby starting in January and was completed in Q2. Renovations have been well received and are planned to positively impact revenue and EBITDA and improve the overall customer experience going forward.

Operator KPI's YoY change for Q2 2022 vs Q2 2021

Naantali Spa	Overall Q2	April	May	June
YoY change ADR	12 %	37 %	5 %	2,5 %
YoY change Occupancy %	16 %	36 %	12 %	0 %
YoY change RevPar	73 %	193 %	24 %	2,5 %
Ruissalo Spa	Overall Q2	April	May	June
YoY change ADR	8 %	10 %	7 %	7 %
YoY change Occupancy %	13 %	28 %	18 %	-6 %
YoY change RevPar	60 %	133 %	48 %	-1,7 %

Commentary:

Q2 Naantali Spa leisure and corporate bookings were particularly still impacted in April and May due to Covid 19. Occupancy rate remained low. The market disruption dissipated in late May and June ended above expectations.

Occupancy rate in Ruissalo Spa was higher in April and May but did not develop expectedly in June in comparison to 2021.

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

As the worst effects of the Covid-19 dissipated after March, travel resumed quickly and bookings volumes spiking in April. Management expects to see continued revenue growth in Q3 and Q4 however with pressures on operating costs that need to be carefully managed in this volatile macroeconomic environment.

Russia's invasion of Ukraine in the end of February has had an instant impact on energy prices and COGS, delivery times and availability of different products and items. It has affected travelling as Russia closed its airspace to 36 countries including all European Union nations. Despite the war and ongoing Covid-cases Q2 showed improvement in revenue and number of guests. Summer season has been and continues to be very busy in both hotels.

The events industry has bounced back once Covid-19 has been somewhat defeated. Summer 2022 has been exceptionally busy with numerous events and festivals both in Naantali and Turku. Events such as Kesärauha (a Sunborn affiliated event) and Ruisrock in Turku brought visitors to Ruissalo Spa. Similarly the Housing Fair Finland, the Boat Exhibition and the Music Festival in Naantali have increased the occupancy in Naantali Spa.

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. At the same time, we continue with renewal and facelift projects in both hotels to increase revenue, profitability and customer experience.

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 Dec 2021. In addition, Naantali Spa joined the Sustainable Travel Finland -program, to 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 autumn 2022 and join the STF-program accordingly.

Business environment

Despite the continuously high number of Covid cases, Covid no longer is the main driver impacting travelling industry. People look to reconnect, explore new products, and revisit reliable favorites. Willingness to travel abroad after two years break is increasing noticeably. At the same time many people are still expected to favor domestic travel due to the risk of falling ill abroad. 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 and long-term concern in forms of increasing costs such as energy expenditure, food and laundry costs. As our clients are predominantly domestic, Russian tourist volumes have never been material in our hotels located in South-West Finland. With the inflation pressures, consumer buying behavior is shifting and the industry must adapt. People will continue to travel, but will likely reduce ancillary consumption impacting F&B and spa sales among others. The crisis will likely influence foreign bookings, expected to remain lower than historical levels due to rerouted and rescheduled flights and uncertainty in Russia and Ukraine. International travel from central Europe and Scandinavia to our hotels is recovering from the pandemic earlier than originally anticipated.

Our business strategy continues to focus on domestic leisure, medical rehabilitation and corporate and other groups in the 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 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 ongoing and continuing pandemic is an ongoing uncertainty that may cause disruptions to hospitality businesses, including Sunborn Finance.

The war in Ukraine is not estimated to have a direct impact on the company's operations. Continued inflationary pressure may continue to effect energy expenditure and to increase cost of materials and labour.

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 well in advance of maturity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q2/2022 1 Apr – 30 Jun 2022	Q2/2021 1 Apr - 30 Jun 2021	H1/2022 1 Jan – 30 Jun 2022	H1/2021 1 Jan – 30 Jun 2021	1 Jan – 31 Dec 2021
Revenue	4	949	1 041	1 899	1 956	3 856
Changes in fair value of investment property	5	-131	-44	-545	-138	-377
Personnel expenses		-74	-63	-151	-120	-249
Operating expenses		-112	-77	-214	-171	-368
Operating result		632	857	989	1 526	2 862
Interest expenses		-699	-682	-1 382	-1375	-2 797
Result before taxes		-67	175	-393	151	65
Change in deferred tax		13	-35	79	-30	-13
Result for the period		-53	140	-314	120	52
Total comprehensive income for the period		-53	140	-314	120	52

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Jun 2022	31 Dec 2021	30 Jun 2021
Assets				
Non-current assets				
Investment property	5	61 760	61 759	61 820
Total non-current assets		61 760	61 759	61 820
Current assets				
Receivables from related parties	7	75	70	94
Other receivables		66	17	4
Cash and cash equivalents		632	676	522
Total current assets		772	763	620
Total assets		62 532	62 522	62 440
Equity and liabilities				
Equity and liabilities				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-4 395	-4 080	-4 011
Total equity		2 324	2 638	2 707
Liabilities				
Non-current liabilities				
Borrowings	6	-	49 906	49 758
Lease liabilities	2, 5	628	632	631
Deferred income tax liabilities		8 566	8 645	8 662
Total non-current liabilities		9 194	59 183	59 051
Current liabilities				
Borrowings	6	50 055	-	-
Lease liabilities	2, 5	8	8	7
Trade and other payables		246	262	249
Payables to related parties	7	281	10	16
Accrued expenses		423	421	409
Total current liabilities		51 013	700	682
Total liabilities		60 208	59 883	59 733
Total equity and liabilities		62 532	62 522	62 440

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	120	120
Equity at 30 Jun, 2021	80	6 638	-4 011	2 707
Equity at 1 Jul, 2021	80	6 638	-4 011	2 707
Result for the period	0	0	-68	-68
Equity at 31 Dec, 2021	80	6 638	-4 080	2 638
Equity at 1 Jan, 2022	80	6 638	-4 080	2 638
Result for the period	0	0	-315	-315
Equity at 30 Jun, 2022	80	6 638	-4 395	2 324

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 30 Jun 2022	1 Jan – 31 Dec 2021	1 Jan – 30 Jun 2021
Cash flows from operating activities				
Result before tax		-393	65	151
Adjustments for				
Change in fair value of investment property	5	545	370	138
Interest expenses on borrowings		1 382	2 797	1 375
Change of working capital				
Change in trade and other receivables		-54	-9	-20
Change in trade and other payables		264	-136	-143
Net cash flows from operating activities		1 745	3 086	1 502
Cash used in investing activities				
Capital Expenditure	5	-545	-311	-138
Net cash flows used in investing activities		-545	-311	-138
Cash used in financing activities				
Land lease agreement		-24	-71	-47
Interest paid		-1 219	-2 459	-1 226
Net cash flows used in financing activities		-1 244	-2 530	-1 273
Cash and cash equivalents at the beginning of period		676	430	430
Change in cash and cash equivalents		-44	245	91
Cash and cash equivalents at the end of period		632	676	522

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 southwest 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 June 30, 2022 has 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 30 Jun 2022		Value 31 Dec 2021	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.2	8.9	52.2	8.9
Yield / NOI II	7.35 % / 5.67 %	7.85 % / 6.18 %	7.35 % / 5.67 %	7.85 % / 6.18 %
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 Apr – 30 Jun 2022	1 Apr – 30 Jun 2021	1 Jan – 30 Jun 2022	1 Jan – 30 Jun 2021	1 Jan – 31 Dec 2021
Rental income from operating leases with related party	884	852	1767	1 704	3 479
Service income from related parties	66	63	132	126	251
Other income – cost support	-	126	-	126	126
Total	949	1 041	1 899	1 956	3 856

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	138
Changes in Fair Value	-138
Fair Value at June 30, 2021	61 820

EUR thousand	Spa hotels
Fair value at July 1, 2021	61 820
Additions	173
Changes in Fair Value	-233
Fair Value at December 31, 2021	61 759

EUR thousand	Spa hotels
Fair value at January 1, 2022	61 759
Additions	545
Changes in Fair Value	-545
Fair Value at June 30, 2022	61 760

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

6. Borrowings

EUR thousand	30 Jun 2022	31 Dec 2021	30 Jun 2021
Senior secured bond	50 055	49 906	49 758
Total	50 055	49 906	49 758

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: yrityskiinnitys) 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 - 30 Jun 2022			30 Jun 2022	30 Jun 2022
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	1 767	42	-	5	280
Other related parties	-	90	-26	70	1
Total	1 767	132	-26	75	281

EUR thousand	1 Jan - 30 Jun 2021			30 Jun 2021	30 Jun 2021
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	1 704	40	-	0	-
Other related parties	-	86	-37	94	16
Total	1 704	126	-37	94	16

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

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.

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

Continued inflationary pressure may continue to effect energy expenditure and to increase cost of materials and labour.

Appendix 1 SUNBORN SAGA (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 April - 30 June 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 – 30 Jun 2022		1 Jan – 30 Jun 2021		1 Jan – 31 Dec 2021	
TURNOVER	11 078		8 369		22 469	
Other income from business operations	617		775		1 509	
Materials and services						
Purchases during the financial period	-2 015		-1 380		-3 463	
Change in inventories	140		69		35	
External services	-597		-245		-906	
	-2 472		-1 557		-4 334	
Personnel expenses						
Wages and salaries	-3 624		-2 987		-6 684	
Mandatory pension costs	-528		-417		-1 074	
Other social security costs	-115		-102		-266	
	-4 266		-3 506		-8 024	
Other operating charges	-3 790		-3 028		-6 906	
Rents paid to Sunborn Finance Oyj	-1 767		-1 704		-3 479	
Administrative expenses paid to Sunborn Oy	-333		-282		-542	
	=====		=====		=====	
EBITDA	-933		-934		695	
Depreciation						
Depreciation according to the plan	-279		-273		-550	
Financial income and expenses						
Interest income and financial income	1		0		1	
Interest expenses and financial expenses	-41		-49		-92	
	-40		-49		-92	
	=====		=====		=====	
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES	-1 253		-1 256		53	
Adjustment items						
Group contribution received(+)/ paid(-)	0		0		-40	
Income taxes	-1		0		-1	
	=====		=====		=====	
RESULT FOR THE PERIOD	-1 254		-1 256		12	

SUNBORN SAGA OY

BALANCE SHEET, tEUR

	30 Jun 2022		30 Jun 2021		31 Dec 2021	
ASSETS						
FIXED ASSETS						
Intangible assets						
Intangible rights	144		161		166	
Other capitalised long term expenditure	579	723	865	1 025	738	904
Tangible assets						
Machinery and equipment	619		482		577	
Advance payments	247	866	55	537	23	600
Investments						
Other shares and similar rights of ownership		0		0		0
CURRENT ASSETS						
Inventories						
Raw materials and supplies	302		210		169	
Goods	191	493	177	386	184	353
Receivables						
Non-current receivables						
Receivables from group companies		6 880		6 629		6 948
Current receivables						
Receivables from group companies	46		44		47	
Accounts receivable	1 082		1 122		998	
Other receivables	196		97		46	
Prepaid expenses and accrued income	102	1 425	197	1 460	255	1 346
Cash and bank receivables		674		1 251		3 085
TOTAL ASSETS		11 061		11 288		13 237

	30 Jun 2022		30 Jun 2021		31 Dec 2021	
LIABILITIES						
SHAREHOLDERS' EQUITY						
Share capital	3		3		3	
Reserve for invested non-restricted equity	100		100		100	
Retained earnings	240		226		228	
Profit for the period	-1 254	-912	-1 256	-928	12	342
LIABILITIES						
Non-current liabilities						
Borrowings	1 800		2 100		1 800	
Other liabilities	5 023	6 823	4 990	7 090	4 713	6 513
Current liabilities						
Debt to group companies	99		31		127	
Borrowings	300		600		600	
Advance payments	1 553		1 672		3 093	
Accounts payable	1 645		1 350		1 269	
Other liabilities	103		301		156	
Accrued liabilities and deferred income	1 451	5 150	1 172	5 126	1 137	6 381
TOTAL LIABILITIES		11 061		11 288		13 237

SUNBORN SAGA OY

CASH FLOW STATEMENT, tEUR

	1 Jan – 30 Jun 2022	1 Jan – 30 Jun 2021	1 Jan – 31 Dec 2021
Cash flow from operations			
Profit before adjustment items and taxes	-1 253	-1 256	53
Depreciation and amortization	279	273	550
Income taxes	-1	0	-1
Change in current receivables	-79	-259	-145
Change in inventories	-140	-69	-35
Change in current non-interest-bearing liabilities	-1 231	-495	761
Other adjustments	0	0	2
Cash flow from operations (A)	-2 425	-1 806	1 185
Investing activities			
Change in tangible and intangible assets	-364	-84	-303
Cash flow from investing activities (B)	-364	-84	-303
Financing activities			
Change in non-current receivables	69	8	-312
Change in long-term borrowings	310	310	-268
Group contribution	0	0	-40
Cash flow from financing activities (C)	378	318	-619
Change in cash and cash equivalents (A+B+C)	-2 411	-1 572	262
Cash and cash equivalents at beginning of period	3 085	2 823	2 823
Cash and cash equivalents at end of period	674	1 251	3 085