SUNBORN FINANCE

FINANCIAL STATEMENTS Q3 2022
7/11/2022

sunborn

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	Q3/2022 1 Jul – 30 Sep 2022	Q3/2021 1 Jul - 30 Sep 2021	1 Jan – 30 Sep 2022	1 Jan – 30 Sep 2021	1 Jan – 31 Dec 2021
Revenue	951	915	2 850	2 871	3 856
EBITDA	788	751	2 322	2 415	3 239
Investment property (Spa Hotels)			61 760	61 820	61 759
Total equity			2 355	2 734	2 638
Bond			50 133	49 831	49 906

Key Figures (FAS)- Operator Sunborn Saga Oy

EUR thousand	Q3/2022 1 Jul – 30 Sep 2022	Q3/2021 1 Jul – 30 Sep 2021	1 Jan – 30 Sep 2022	1 Jan – 30 Sep 2021	1 Jan – 31 Dec 2021
Revenue	8 638	8 259	19 716	16 628	22 469
EBITDA before rent and group admin	2 619	2 376	3 787	3 429	4 715

Executive Director, Hans Niemi

“Issuer Sunborn Finance Oyj’s revenue 0.95 M€ consists of fixed lease income from the operator and other services income. Lease income Q3 2022 was according to budget at 0.88 M€ (Q3 2021 0.85 M€) and costs were in line with previous year.

During reporting period Q3 operator Sunborn Saga Oy operating revenue increased YoY by +4.6 % to €8.6M (€8.3M) and EBITDAR increased to €2.6M (€2.4M) +10.2 %. Costs continued under pressure, with upwards labour costs and availability, energy costs and COGS, due to sudden changes in macroeconomic environment. Electricity costs have been largely hedged for 2022 and 2023 reducing inflationary pressures on this front.”

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 July – 30 September 2022

Sunborn Finance revenue 0.95 M€ consists of fixed lease income from the operator and other services income. Lease income Q3 2022 was 0.88 M€ (Q3 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). During 2022 the company renovated hotel reception, cafe and lobby bar. Renovations are reflected in changes in fair value of investment property in the income statement.

Sunborn Saga Oy Financial summary 1 July – 30 September 2022

Total revenue Q3 2022 was 8.6 M€ (Q3 2021 8.3 M€). EBITDA before rent and group administration in Q3 was 2.6 M€ (Q3 2021 2.4 M€). YTD 2021 included 0.2 M€ more cost support related to Covid-19 than YTD 2022. Positively, electricity costs for Sunborn Saga Oy have been largely hedged for 2022 and 2023 ensuring operations can rely on stable pricing and management does not expect material increase during this period.

	Overall Q3 22	July	August	September
Total Revenue M£	8.64	3.77	2.96	1.91
+/- YoY %	5 %	2 %	14 %	-3 %
Revenue split				
Rooms Revenue	51 %	57 %	47 %	42 %
Food and Beverage	38 %	38 %	38 %	37 %
Rehab and wellness	11 %	4 %	13 %	20 %
Other	1 %	1 %	1 %	1 %

Expectations for the summer season were high. Naantali city hosted the annual Housing Fair from mid-July to mid-August and expected nearly 150.000 visitors to Naantali. The amusement park, Moomin World in Naantali also expected visitor amounts to return to same level as before the pandemic. Domestic travel boomed in 2021 and was expected to continue on a high level even in 2022. At the same time international and business travel started to show signs of awakening.

Sunborn Saga was also prepared for a busy summer season. Our HR recruited a higher number of short-term workers for the season and implemented reskilling and upskilling initiatives to current staff. Training of the summer workers started earlier than ever to be ready when the peak season begins. Due to ongoing lack of professional workers especially in the F&B department, short-term workers were even hired from abroad. Room rates were increased to maximize revenue from the peak season. All outlets were kept open with expanded opening hours.

Beginning of the summer season was busy with corporate groups and bookings that had been postponed several times because of the pandemic, but the customer demand for individual tourists – both domestic and international – did not meet the expected level and visitor numbers for both the Housing Fair and Moomin World fell far short of their targets. The first summer after pandemic enabling travel abroad, many customers favored vacation in Southern Europe instead of domestic travelling. Sunborn Saga succeeded revenue wise because of higher room rates, even though occupancy rate was lower in both hotels than in 2021.

However, the war in Ukraine caused uncertainty for many customers and impacted average spending on services such as treatments, food and beverage and other activities. Peak season also seemed to start two weeks later than normally.

Due to the above dynamic environment, management reevaluated the number of staff and the opening hours in different outlets and made adjustments accordingly.

Renovation and upgrades in Naantali Spa including the new lobby area with a new café, lobby bar and summer terraces had a favorable impact. Improved service in both hotels was also appreciated. All KPI's related to customer satisfaction improved from 2021.

However, both hotels were able to increase room revenue in July due to higher ADR. August revenue was also impacted positively due to room sales to Knotfest music festival in Turku, organized by Sunborn affiliated company Sunborn Events. This two-day event gathered 45.000 visitors to Turku and filled all the hotels including ours. September rooms demand fell below expectations because of decreasing customer demand particularly in the leisure segment.

Operator KPI's YoY change for
Q3 2022 vs Q3 2021

Naantali Spa	Overall Q3	July	Aug	Sep
YoY change ADR	5.3 %	7.9 %	8.4 %	-3.5 %
YoY change Occupancy %	-2.8 %	-5 %	4.2 %	-7.5 %
YoY change RevPar	2.5 %	2.2 %	14.8 %	-14.8 %

Ruissalo Spa	Overall Q3	July	Aug	Sep
YoY change ADR	9 %	11 %	18 %	1.2 %
YoY change Occupancy %	-5.9 %	-6.9 %	12.2 %	-3.5 %
YoY change RevPar	1 %	2.6 %	-0.2 %	-1.25 %

Commentary:
Due to increased room rates, ADR developed positively in both hotels during the peak season. Occupancy was somewhat lower in July and September but increased in August due to reviving corporate bookings. RevPar improved especially in Naantali during the peak season.

Inflatory changes effected KPI's in September.

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

Corporate business showed also signs of recovery already in June and continued at a good level even in August and September. Companies are finally willing to organize events and conferences again after a two-year break, for example bookings for corporate Christmas parties. Similarly, volumes in the rehabilitation business are running at a high level. Leisure segment is showing signs of uncertainty as customers are cutting back on consuming and travelling.

Sunborn Saga Oy continuously strives to improve our environmental performance. The company has implemented a 3-year ESG strategy to among other objectives to achieve major reductions in energy consumption and carbon footprint. As business is somewhat 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.

Our business strategy continues to focus on corporate and other groups, domestic leisure and medical rehabilitation in the coming months. Q4 will focus on lowering variable costs in connection with variable occupancy and incoming revenue.

Management medium term plans aim revenue to develop in line with CAGR of +5 % and driving EBITDAR levels to gradually increase to stabilized levels of 25 % through changes in operating model in the hotels, new additional rooms revenue sourced from conversion of rehabilitation areas to hotel rooms, new executive suites and new profitability enhancing investments into the spa areas and HVAC. This aims to improve customer satisfaction and reduce energy costs and greenhouse emissions in the near future.

Business environment

In spite of increasing number of Covid cases, this 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 increased noticeably during the summer. Covid symptoms are no longer regarded severe, yet the high number of cases causes challenges to manpower planning and unpredicted cancellations in bookings. At the same time many people are still expected to favor domestic travel due to the risk of falling ill abroad.

Russia's invasion of Ukraine causes a bigger and long-term concern in forms of increasing costs such as energy expenditure, food and laundry costs. 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 food and beverage and treatment sales among others. International travel from central Europe and Scandinavia to our hotels has recovered from the pandemic earlier than originally anticipated, but the crisis will continue influencing foreign bookings e.g. from Asia and other continents.

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.

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. We will also focus on developing our operations to meet the ESG challenges and targets. Consumers will continue making responsible choices and invest in health and domestic travelling will increase.

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 and may negatively and materially impact Sunborn Finance Oyj liquidity.

The continuing pandemic is an ongoing uncertainty. It is possible that new restrictions would occur to cause disruptions to hospitality businesses impacting operator income.

The war in Ukraine is unlikely to have a direct impact on the company's operations. However, inflationary pressure will continue to effect energy expenditure and will increase cost of materials and labour. The situation impacts on customer demand and behavior.

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 in advance of maturity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q3/2022 1 Jul – 30 Sep 2022	Q3/2021 1 Jul - 30 Sep 2021	1 Jan – 30 Sep 2022	1 Jan – 30 Sep 2021	1 Jan – 31 Dec 2021
Revenue	4	951	915	2 850	2 871	3 856
Changes in fair value of investment property	5	-20	-21	-566	-159	-377
Personnel expenses		-65	-53	-216	-173	-249
Operating expenses		-98	-111	-311	-282	-368
Operating result		**768**	**730**	**1 757**	**2 256**	**2 862**
Interest expenses		-729	-697	-2 111	-2 072	-2 797
Result before taxes		**39**	**33**	**-354**	**184**	**65**
Change in deferred tax		-8	-7	71	-37	-13
Result for the period		**31**	**27**	**-283**	**147**	**52**
Total comprehensive income for the period		**31**	**27**	**-283**	**147**	**52**

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Sep 2022	31 Dec 2021	30 Sep 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	71	70	76
Other receivables		120	17	54
Cash and cash equivalents		667	676	656
Total current assets		**858**	**763**	**786**
Total assets		**62 618**	**62 522**	**62 606**

EUR thousand	Note	30 Sep 2022	31 Dec 2021	30 Sep 2021
Equity and liabilities				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-4 363	-4 080	-3 985
Total equity		2 355	2 638	2 734
Liabilities				
Non-current liabilities				
Borrowings	6	-	49 906	49 831
Lease liabilities	2, 5	638	632	641
Deferred income tax liabilities		8 574	8 645	8 669
Total non-current liabilities		**9 212**	**59 183**	**59 141**
Current liabilities				
Borrowings	6	50 133	-	-
Lease liabilities	2, 5	8	8	8
Trade and other payables		169	262	155
Payables to related parties	7	263	10	1
Accrued expenses		478	421	568
Total current liabilities		**51 051**	**700**	**732**
Total liabilities		**60 263**	**59 883**	**59 873**
Total equity and liabilities		**62 618**	**62 522**	**62 606**

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	147	147
Equity at 30 Sep, 2021	**80**	**6 638**	**-3 985**	**2 734**
Equity at 1 Oct, 2021	80	6 638	-3 985	2 734
Result for the period	0	0	-95	-95
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	-283	-283
Equity at 30 Sep, 2022	80	6 638	-4 363	2 355

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 30 Sep 2022	1 Jan – 31 Dec 2021	1 Jan – 30 Sep 2021
Cash flows from operating activities				
Result before tax		-354	65	184
Adjustments for				
Change in fair value of investment property	5	566	370	159
Interest expenses on borrowings		2 111	2 797	2 072
Change of working capital				
Change in trade and other receivables		-104	-9	-52
Change in trade and other payables		202	-136	-92
Net cash flows from operating activities		**2 420**	3 086	2 271
Cash used in investing activities				
Capital Expenditure	5	-566	-311	-159
Net cash flows used in investing activities		**-566**	-311	-159
Cash used in financing activities				
Land lease agreement		-24	-71	-47
Interest paid		-1 839	-2 459	-1 839
Net cash flows used in financing activities		**-1 863**	-2 530	-1 886
Cash and cash equivalents at the beginning of period		**676**	430	430
Change in cash and cash equivalents		**-9**	245	226
Cash and cash equivalents at the end of period		**667**	676	656

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 September 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 Sep 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 Jul – 30 Sep 2022	1 Jul – 30 Sep 2021	1 Jan – 30 Sep 2022	1 Jan – 30 Sep 2021	1 Jan – 31 Dec 2021
Rental income from operating leases with related party	884	852	2 650	2 556	3 479
Service income from related parties	67	62	199	188	251
Other income – cost support	-	-	-	126	126
Total	**951**	**915**	**2 850**	**2 871**	**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	159
Changes in Fair Value	-159
Fair Value at September 30, 2021	**61 820**

EUR thousand	Spa hotels
Fair value at October 1, 2021	61 820
Additions	152
Changes in Fair Value	-212
Fair Value at December 31, 2021	**61 759**

EUR thousand	Spa hotels
Fair value at January 1, 2022	61 759
Additions	566
Changes in Fair Value	-566
Fair Value at September 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 Sep 2022	31 Dec 2021	30 Sep 2021
Non-current:			
Senior secured bond	-	49 906	49 831
Current:			
Senior secured bond	50 133	-	-
Total	**50 133**	**49 906**	**49 831**

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:

		1 Jan – 30 Sep 2022		30 Sep 2022	30 Sep 2022
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 651	62	-	2	254
Other related parties	-	137	-39	70	10
Total	**2 651**	**199**	**-39**	**71**	**263**

		1 Jan – 30 Sep 2021		30 Sep 2021	30 Sep 2021
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 556	59	-	-	-
Other related parties	-	129	-62	76	1
Total	**2 556**	**188**	**-62**	**76**	**1**

		1 Jan - 31 Dec 2021		31 Dec 2021	31 Dec 2021
EUR thousand	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 Jan - 30 Sep 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 Sep 2022		1 Jan – 30 Sep 2021		1 Jan – 31 Dec 2021
TURNOVER		19 716		16 628		22 469
Other income from business operations		694		818		1 509
Materials and services						
Purchases during the financial period	-3 364		-2 587		-3 463	
Change in inventories	57		40		35	
External services	-1 171	-4 478	-646	-3 193	-906	-4 334
Personnel expenses						
Wages and salaries	-5 511		-4 742		-6 684	
Mandatory pension costs	-887		-725		-1 074	
Other social security costs	-194	-6 592	-176	-5 644	-266	-8 024
Other operating charges		-5 553		-5 181		-6 906
Rents paid to Sunborn Finance Oyj		-2 673		-2 556		-3 479
Administrative expenses paid to Sunborn Oy		-521		-424		-542
		=========		=========		========
EBITDA		593		449		695
Depreciation						
Depreciation according to the plan		-424		-411		-550
Financial income and expenses						
Interest income and financial income	1		0		1	
Interest expenses and financial expenses	-60	-60	-63	-63	-92	-92
		=========		=========		========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		110		-26		53
Adjustment items						
Group contribution received(+) / paid(-)		0		0		-40
Income taxes		-1		0		-1
		=========		=========		========
RESULT FOR THE PERIOD		108		-26		12

SUNBORN SAGA OY

BALANCE SHEET, tEUR

	30 Sep 2022		30 Sep 2021		31 Dec 2021	
ASSETS						
FIXED ASSETS						
Intangible assets						
Intangible rights	133		151		166	
Other capitalised long term expenditure	500	632	778	928	738	904
Tangible assets						
Machinery and equipment	635		521		577	
Advance payments	257	892	66	587	23	600
Investments						
Other shares and similar rights of ownership		0		0		0
CURRENT ASSETS						
Inventories						
Raw materials and supplies	223		179		169	
Goods	186	409	179	358	184	353
Receivables						
Non-current receivables						
Receivables from group companies		6 790		6 705		6 948
Current receivables						
Receivables from group companies	43		44		47	
Accounts receivable	1 109		1 377		998	
Other receivables	650		152		46	
Prepaid expenses and accrued income	144	1 946	182	1 755	255	1 346
Cash and bank receivables		556		901		3 085
TOTAL ASSETS		**11 226**		**11 235**		**13 237**

LIABILITIES	30 Sep 2022		30 Sep 2021		31 Dec 2021	
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	108	451	-26	302	12	342
LIABILITIES						
Non-current liabilities						
Borrowings	1 800		2 100		1 800	
Other liabilities	4 713	6 513	5 145	7 245	4 713	6 513
Current liabilities						
Debt to group companies	184		72		127	
Borrowings	300		600		600	
Advance payments	1 057		1 033		3 093	
Accounts payable	1 627		961		1 269	
Other liabilities	114		167		156	
Accrued liabilities and deferred income	980	4 262	854	3 687	1 137	6 381
TOTAL LIABILITIES		**11 226**		**11 235**		**13 237**

SUNBORN SAGA OY

CASH FLOW STATEMENT, tEUR

	1 Jan – 30 Sep 2022	1 Jan – 30 Sep 2021	1 Jan – 31 Dec 2021
Cash flow from operations			
Profit before adjustment items and taxes	110	-26	53
Depreciation and amortization	424	411	550
Income taxes	-1	0	-1
Change in current receivables	-600	-555	-145
Change in inventories	-57	-40	-35
Change in current non-interest-bearing liabilities	-2 119	-1 933	761
Other adjustments	-	-	2
Cash flow from operations (A)	-2 244	-2 143	1 185
Investing activities			
Change in tangible and intangible assets	-444	-176	-303
Cash flow from investing activities (B)	-444	-176	-303
Financing activities			
Change in non-current receivables	159	-68	-312
Change in long-term borrowings	0	465	-268
Group contribution	0	0	-40
Cash flow from financing activities (C)	159	397	-619
Change in cash and cash equivalents (A+B+C)	-2 529	-1 922	262
Cash and cash equivalents at beginning of period	3 085	2 823	2 823
Cash and cash equivalents at end of period	556	901	3 085