

SUNBORN FINANCE



**FINANCIAL STATEMENTS 2020
SUNBORN FINANCE OYJ**

sunborn

CONTENTS

CONTENTS.....	2
REPORT OF BOARD OF DIRECTORS 2020.....	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)	8
CONSOLIDATED BALANCE SHEET (IFRS)	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)	10
CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)	11
NOTES TO THE FINANCIAL STATEMENTS (IFRS).....	12
1. General information	12
2. Summary of significant accounting policies.....	12
3. Critical accounting estimates and management judgement	17
4. Financial risk management	18
5. Revenue	20
6. Personnel and operating expenses	20
7. Finance expenses	21
8. Income tax expense.....	21
9. Investment property	21
10. Deferred tax liabilities	22
11. Equity	23
12. Borrowings and trade and other payables	23
13. Related parties	25
14. Events after the balance sheet date.....	26
INCOME STATEMENT (FAS)	27
BALANCE SHEET (FAS)	28
NOTES TO THE FINANCIAL STATEMENTS (FAS).....	29
SIGNATURES FOR THE FINANCIAL STATEMENTS	32

REPORT OF BOARD OF DIRECTORS 2020

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Rental income	3 060	3 625
Operating profit	-2 421	3 413
Investment property (Spa hotels)	61 820	65 914
Total Equity	2 587	6 909
Borrowings	49 616	49 130

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Revenue	18 454	27 944
EBITDA before rent and group admin	2 839	4 290

General

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

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

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

Significant renovation of the hotel rooms was made in both spa hotels during recent years and renovations continued in year 2020.

Financial summary 1 January - 31 December 2020

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 2020 was 2.835 M€ (2019: 3.379 M€). The other services income relates to facility services.

Operating costs are in line with previous year. During the reporting period the company had extraordinary legal and financial services costs related to bond amendments.

According to valuation reports, the value of the Spa hotels on 31 December 2020 is at Naantali Spa 52.2 M€ (-3.5 MEUR) and at Ruissalo Spa 26.9 M€ (-1.8 MEUR) (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets). The effect of changes in fair value of investment is included in operating profit.

Notable events during the reporting period

Both of the hotels had an excellent start for year 2020 prior to the onset of Covid 19 in March 2020. Full room capacity, increased customer demand and major renovations completed in 2019 all had a positive impact on the sales of both hotels. The renovations have continued during 2020.

The situation however changed dramatically in March 2020 as the Covid-19 epidemic started to spread into Europe. The wide and severe restrictions on public gathering, travel and the subsequent state of emergency given by the Finnish Government during March resulted in cancellations or postponements of all conferences and events, cancellations of international group bookings and many individual domestic bookings.

As a result of Covid-19 impacts on the operator's activities Sunborn Finance written procedure to amend bond terms and conditions was accepted 25th June 2020 and secured certain waivers and amendments to the terms and conditions of the bonds. The waivers provided temporary relief due to Covid-19 on interest coverage ratio, minimum cash covenant and lease payment covenant. The new compliance covenants set for Operator in Q4 were tested and passed. The issuer Sunborn Finance Oyj provided the operator a four month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due. Payment holidays of land and water leases were agreed with city of Naantali, with semi-annual payments moved to the following year.

Sunborn Saga Oy secured an up to EUR 3.0 million government and parent company backed working capital loan ensuring adequate working capital during the crisis and subsequent recovery. Sunborn Saga Oy also benefitted from government fiscal compensation programs and qualified for government compensation schemes for the partial reimbursement of fixed costs incurred during lockdown.

Low Covid-19 cases during the summer took a turn to worse in the autumn. By November the situation in Finland was as severe as in the spring. The government held back issuing a total lockdown, instead imposing restrictions to restaurant services, travelling and gatherings. This caused a decline in bookings and number of overnight and daily visitors for the November and December.

Sunborn Saga Oy kept developing and adapting its services to the new business environment. Two new restaurants were opened in the Naantali premises, an Italian style Bistro Rucola and the highly rewarded Thai Garden was relocated with refreshed interior design and higher efficiency in both restaurants.

Naantali Spa won the prestigious title of Finland's Leading Hotel second time in a row at the 2020 World Travel Awards in the beginning of November. In addition, the new, duplex theme suites won the title of Finland's Leading Hotel Suite. Naantali Spa was also nominated for Finland's Leading Business Hotel and Europe's Leading leisure Resort, representing the Nordics alone among five other resorts from Southern and Eastern Europe.

Management utilized the quiet period to engage key departments in development of products and services.

The change of the hotel property management system took place in Q1 and went well.

Business environment

The hotels are leased out to Sunborn Saga Oy through a lease agreement. Sunborn Saga Oy pays Sunborn Finance Oyj a fixed sum per month in lease.

The continuing Covid-19 restrictions continue to negatively impact international travel and corporate business. International travel is not anticipated to recover before the year end 2021 or even 2022. Major corporate groups and international conferences will remain absent at least until Q3/2021. In the meantime, business will be focused on domestic leisure and rehabilitation segments, both of which could be affected by further restrictions.

Finland has succeeded better than other European countries in managing the pandemic. Finland has great potential in the future as a safe and attractive destination for international and domestic travelers, but before a Covid-19 vaccine is widely available travelling from and to Finland will not take place.

Sunborn Saga management will keep emphasis on safety of clients and staff with a renewed focus on company responsibility program to strengthen our position as a reliable and responsible operator in the travelling business. 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 negatively affected by the crisis. On the contrary net promotion score is raising in both hotels.

Estimated future development

Despite the obvious challenges of the pandemic, the management is confident the properties will continue successful operations once the normal trading conditions are restored and will benefit from the ongoing and continued development. Management is also confident, that the Company and the Operator have the financial resources to weather through this difficult time and our long-term lenders will support the company in its management of the crisis.

Finland has successfully managed the Covid-19 response and is in gradual opening of the society and removal of restrictions on hospitality businesses. Hotels as per recent government announcements are expected to be able to continue normal operations in mid to end May.

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

The 1Q of 2021 of the company is expected to continue similarly to Q4 2020. The Operator Sunborn Saga Oy has been again impacted by new restrictions imposed by the government due to Covid 19 including closing of restaurants since 8th of March and closing of spa and fitness facilities in end of March. Restrictions were released mid-April. Foreign visitors will remain absent possibly throughout the year 2021 and corporate business is not expected to return before summer or autumn. Both hotels rely on domestic leisure business and short breaks, staycations and domestic vacations are expected to have strong continued demand during the coming months. This segment is also very susceptible to possible continuing restrictions.

Short-term risks and uncertainties

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

The Covid-19 pandemic has had an impact on the tourism industry globally due to the resulting travel restrictions as well as slump in demand among travellers. What started as a record-breaking year has had prospects downgraded several times since the outbreak in view of the high level of uncertainty. As the Company is reliant on the ability of the property operator to pay rent, possible closure of the underlying business and the subsequent forecasted recovery period is likely to affect the performance of the operator in the short and medium term.

Prolonged Covid-19 restrictions could further impact the Company's business through continued negative impact on the operator. The impact of the unprecedented crisis is difficult to predict and it is unknown when the recovery and normal opening of the affected businesses will take place. The latest valuation of the properties shows a reduction in the fair value of the hotels the Company holds as investment property and the pandemic may further impact the fair value.

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

Financial risk management carried out by the management of the Company aims to protect the Company against unfavorable 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.

Company's shares

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

Corporate Governance

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

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

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

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

Members of the Board of Directors in 2020 were Ritva Niemi, Pekka Niemi and Hans Niemi. The Board of Directors did not receive remuneration in 2020. Sunborn Finance Oyj has no committees.

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

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

Proposal for profit distribution

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Revenue	5, 13	3 060	3 625
Changes in fair value of investment property	9	-4 612	608
Personnel expenses	6	-228	-255
Operating expenses	6	-642	-564
		-2 421	
Operating profit			3 413
Interest expenses	7	-2 981	-2 746
Result before taxes		-5 402	668
Change in deferred tax	8	1 081	-134
Result for the period		-4 322	534
Total comprehensive income for the period		-4 322	534

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Investment property	9	61 820	65 914
Total non-current assets		61 820	65 914
Current assets			
Receivables from related party	13	74	-
Other receivables		4	4
Cash and cash equivalents		430	1 108
Total current assets		508	1 112
Total assets		62 328	67 027
Equity and liabilities			
Equity and liabilities			
Share capital	11	80	80
Reserve for invested unrestricted equity		6 638	6 638
Retained earnings		-4 132	190
Total equity		2 587	6 909
Liabilities			
Non-current liabilities			
Borrowings	12	49 616	49 130
Lease liabilities	2	635	635
Deferred tax liabilities	10	8 632	9 712
Total non-current liabilities		58 882	59 477
Current liabilities			
Lease liabilities	2	30	7
Trade and other payables		120	172
Payables to related parties	13	12	30
Accrued expenses		698	433
Total current liabilities		859	641
Total liabilities		59 742	60 118
Total equity and liabilities		62 328	67 027

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, 2019	3	6 716	-344	6 374
Result for the period	78	-78	534	534
Equity at 31 Dec, 2019	80	6 638	190	6 909
Equity at 1 Jan, 2020	80	6 638	190	6 909
Result for the period	0	0	-4 322	-4 322
Equity at 31 Dec, 2020	80	6 638	-4 132	2 587

Share capital was increased from reserves of the invested unrestricted equity by EUR 77 500 in January 2019. After this transaction, the Company's share capital amounts to EUR 80 thousand.

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Cash flows from operating activities			
Profit before tax		-5 402	668
Adjustments for			
Change in fair value of investment property	9	4 612	-608
Interest expenses	7	2 981	2 746
Change of working capital			
Change in trade and other receivables		-74	518
Change in trade and other payables		195	-661
Net cash flows from operating activities		2 311	2 663
Cash used in investing activities			
Additions to investment properties	9	-514	-1 159
Net cash flows used in investing activities		-514	-1 159
Cash flows from financing activities			
Land lease agreement		-23	-47
Interest paid		-2 452	-2 459
Net cash flows from financing activities		-2 475	-2 505
Cash and cash equivalents at the beginning of period		1 108	2 110
Change in cash and cash equivalents		-678	-1 002
Cash and cash equivalents at the end of period		430	1 108

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

NOTES TO THE FINANCIAL STATEMENTS (IFRS)

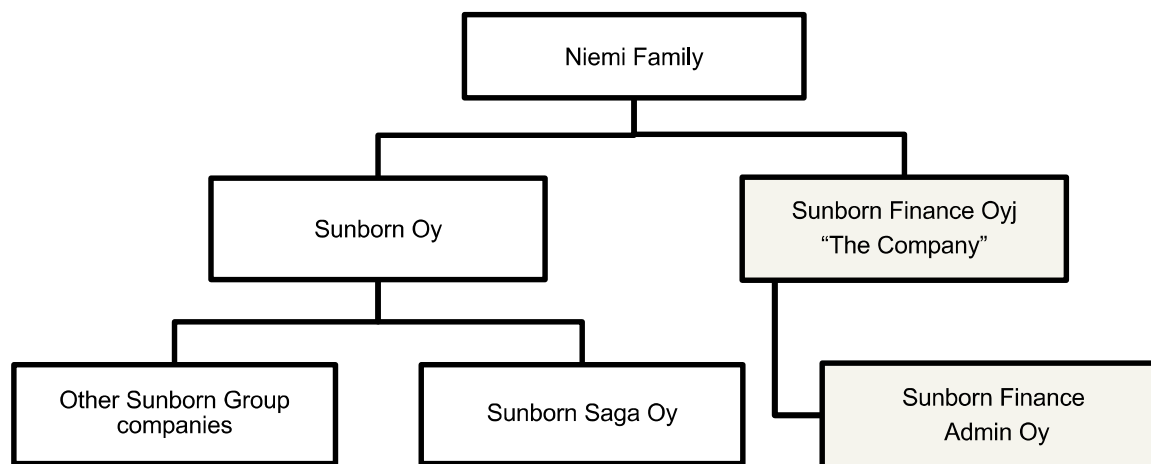
1. General information

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

Sunborn Finance is owned by the Niemi Family who 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.

As at 27 December 2018 Sunborn Finance Oyj acquired dormant subsidiary for administrative purposes thus became the parent company of the group (“the group”, “Sunborn Finance”).

Sunborn Finance ownership structure in 2020:



2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per December 31, 2020.

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

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

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

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

Going concern

As a result of Covid-19 impacts on the operator's activities Sunborn Finance written procedure to amend bond terms and conditions was accepted 25 June 2020 and secured certain waivers and amendments to the terms and conditions of the bonds.

The accepted waivers provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant allowing the lease payment obligations to be relaxed during 2020 financial year. The issuer Sunborn Finance Oyj provided the operator a four-month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due.

Sunborn Saga Oy secured a permitted EUR 3.0 million government and parent company backed working capital fund to ensure the operator has adequate increased working capital during the crisis and subsequent recovery and has received state aid for business.

While the Covid-19 situation is an unprecedented scenario, the management is confident the properties are well placed to continue operations regardless of the temporary closures and changes in the operating environment. During the difficult year, the hotels have succeeded in managing their variable costs and performed well above the Finnish national hotel occupancies.

Prolonged Covid-19 restrictions could further impact the Company's business through continued negative impact on the operator. The impact of the unprecedented crisis is difficult to predict and it is unknown when the recovery of the affected businesses will take place. The latest valuation of the properties shows a reduction in the fair value of the hotels the Company holds as investment property and the pandemic may further impact the fair value.

Adoption of IFRS 16 Leases

On January 1, 2019, the group adopted IFRS 16, "Leases". The group applied the modified retrospective approach and did not restate comparative figures for prior periods. IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases.

The standard introduces a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases, unless the lessee chooses to apply exemptions for leases where lease term is 12 months or less, or the underlying asset has a low value.

Lessor accounting remains largely unchanged from IAS 17.

Sunborn Finance as Lessor

Currently, the group leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga, which is a related party of the group. The management has assessed that the adoption of IFRS 16 did not have material impact on lessor accounting, and that the contracts will continue to be accounted for as operating lease.

Sunborn Finance as Lessee

The group only has lease contracts related to land and water areas from the city of Naantali which are impacted by the adoption of IFRS 16. The leases of land and water area will end in 2055 and 2035 respectively. On adoption of IFRS 16, the group recognised a lease liability in relation to these leases.

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

A reconciliation between operating lease commitments as at 31 Dec 2018 and opening balance of lease liabilities is provided as below:

	2019
	EUR thousand
Operating lease commitments disclosed as at 31 December 2018 (undiscounted)	1 580
Discounted using the incremental borrowing rate corresponding the lease liability at 1 Jan 2019	649
Of which non-current lease liabilities	643
Of which current lease liabilities	6

Refer to Note 9 Investment property for more information.

Leases as accounted in comparative period

Company as lessee

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

Company as lessor

The Company leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga. The 10-year lease contract was signed between the Company and Sunborn Saga in connection with the demerger on November 1, 2017. The lease contracts were treated as operating leases, and the lease income from these contracts was recognised as income on a straight line basis over the lease term. The respective leased assets were shown as Investment Property on the balance sheet and measured at fair value.

Investment property

Owned property that is held to earn rental are classified as investment property.

The group presents as investment property its investment in spa hotels (Naantali and Ruissalo Spas).

The spa hotels are leased out to Sunborn Saga (related party) that operates the spa hotels.

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

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

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

Revenue recognition

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

Employee benefit expenses

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Financial assets at amortised cost

The group classifies all its financial assets as at amortised cost. The group's financial assets comprise lease receivables and are held within a business model whose objective is to collect the contractual cash flows,

and the financial assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

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

Impairment of financial assets at amortised cost

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

Financial liabilities

Financial liabilities of the group consist of borrowings and accounts payable. Financial liabilities are recognised initially at fair value, net of transaction costs incurred. A financial liability is derecognized when it is extinguished – that is when the obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings

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

Accounts payable

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

Current and deferred tax

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

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

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

Segment reporting

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

3. Critical accounting estimates and management judgement

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

Fair value measurement of the Spa hotels

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

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

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

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

Input	Value 31 Dec 2020		Value 31 Dec 2019	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.2	8.97	55.7	9.6

Yield	7.35 %	7.85 %	7.3 %	8.0 %
Net yearly income	EUR 2.9 million	EUR 1.6 million (includes also the old part)	EUR 4.0 million	EUR 2.3 million (includes also the old part)

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

The fair value contains significant estimation and assumptions on the continued economic and business environment. The sensitivity analysis may not appropriately reflect the impact of extraordinary events, such as the covid-19 pandemic. The yearly revenues applied yield assumptions and level of operating costs may materialise higher than expected variance to the historical or market performance data used as a basis for the sensitive analysis by the third-party valuation agency. Therefore, the sensitivity analysis may contain assumptions not fully accounting the impact of the ongoing pandemic and the sensitivity analysis will not be estimated here numerically as far as we have the covid-19 ongoing.

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

4. Financial risk management

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

Interest rate risk

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

Credit risk

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

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

Liquidity risk and refinancing risk

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

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

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

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

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

31 Dec 2020

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

31 Dec 2019

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	47	94	94	1 137	1 372
Senior secured bond	-	-	50 000	-	50 000
Senior secured bond, interest payments	2 465	4 917	620	-	8 002
Trade and other payable	202	-	-	-	202
Total	2 714	5 011	50 714	1 137	59 576

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

Capital management

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

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

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

5. Revenue

The Group's revenue consists mainly of rental income from its related party Sunborn Saga. The Group is highly dependent on Sunborn Saga's ability to pay the rents as Sunborn Saga is the sole lessee and the main source of the group's cash inflows. The issuer Sunborn Finance Oyj provided the operator a four-month lease waiver to be applied later during the financial year. Two-month lease waiver has been used. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Rental income from operating leases with related party	2 835	3 379
Service income from related parties	225	245
Total	3 060	3 625

6. Personnel and operating expenses

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

Personnel expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Salaries	192	211
Social security costs	4	4
Pension costs	32	40
Total	228	255

Operating expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Property tax	202	203
External services	17	16
Insurance	67	65
Professional services	235	154
Administrative expenses	121	124
Total	642	564

Auditors' fees:

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Statutory fees	21	48
Other services	5	52
Total	26	101

7. Finance expenses

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

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Finance expenses:		
Interest expenses on borrowings	-2 940	-2 706
Interest expenses on lease liability	-41	-40
Total	-2 981	-2 746

8. Income tax expense

The effective tax rate in 2020 and 2019 was 20 %.

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Result before tax	-5 402	668
Tax calculated using Finnish tax rate (20%)	1 081	-134
Tax recognized in profit loss	1 081	-134

9. Investment property

The group presents the Spa hotels as investment property and measures them using the fair value model. The valuation has been prepared by an independent and recognized professional valuator. Fair value of the Spa hotels is approximately EUR 61.8 million including the right-of-use asset and lease liability which are separately presented under IFRS 16. The fair value measurement is based on non-observable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The most significant assumptions used in

the calculations have not been changed after the end of the financial period ended December 31, 2019. 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, 2019	64 149
Additions	1 159
Changes in Fair Value	608
Fair Value at December 31, 2019	65 914
Fair value at January 1, 2019	64 149
Fair value at December 31, 2019	65 914
EUR thousand	Spa Hotels
Fair value at January 1, 2020	65 914
Additions	514
Changes in Fair Value	-4 612
Fair value at December 31, 2020	61 820
Fair value at January 1, 2020	65 914
Fair value at December 31, 2020	61 820

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations continued in year 2020.

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

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Rental income	2 835	3 379
Direct operating expenses from property that generated rental income	330	335

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

10. Deferred tax liabilities

EUR thousand	Difference between fair value and tax value of investment property	Borrowings	Other	Total
Deferred tax assets:				
At January 1, 2019	-581	-121	-611	-1 313
Recognized in income statement	-190	-49	-	-239
Book value at December 31, 2019	-771	-170	-611	-1 553

Deferred tax liabilities:				
At January 1, 2019	10 548	344	-	10 892
Recognized in income statement	371	-	2	373
Book value at December 31, 2019	10 919	344	2	11 265
Deferred tax assets and liabilities, net December 31, 2019	10 148	174	-609	9 712
Deferred tax assets:				
At January 1, 2020	-771	-170	-611	-1 553
Recognized in income statement	-1 122	-97	-152	-1 371
Book value at December 31, 2020	-1 893	-267	-763	-2 924
Deferred tax liabilities:				
At January 1, 2020	10 919	344	2	11 265
Recognized in income statement	291	-	-	291
Book value at December 31, 2020	11 210	344	2	11 556
Deferred tax assets and liabilities, net December 31, 2020	9 317	77	-763	8 632

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

11. Equity

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

Sunborn Finance Oy decided to change the legal form of the Company from private limited company to public limited liability company in December 2018. At the same time, the Company decided to increase the share capital of the Company to meet the requirements of a public limited liability company under Finnish Companies Act (624/2006). Share capital was increased from reserves of the invested unrestricted equity by EUR 77 500 in January 2019. After this transaction, the Company's share capital amounts to EUR 80 thousand.

12. Borrowings and trade and other payables

EUR thousand	31 Dec 2020	31 Dec 2019
Senior secured bond	49 616	49 130
Lease liability	665	642
Total	50 281	49 772

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

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

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

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

Collaterals and guarantees given on the bonds

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

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

The bonds are also secured by a 1st lien floating charge (in Finnish: 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, Niemi Family has pledged its shares in the Company and Sunborn Oy has pledged its shares in Sunborn Saga to secure the repayment of the bonds. Pekka and Ritva Niemi have pledged all the existing and future lease receivables which they have from Sunborn Saga. The financial covenant is further described below.

The bond terms include an asset cover ratio covenant, which requires the Company to maintain the asset cover ratio of minimum 130.0 %. The covenant is calculated based on the market value of the Spa hotels calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company.

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

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

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

Changes in liabilities from financing activities:

EUR thousand	Borrowings due within 1 year	Borrowings due after 1 year	Total
Liabilities as at January 1, 2019		48 883	48 883
Amortisation using effective interest method	-	247	247
Liabilities as at December 31, 2019	-	49 130	49 130
Liabilities as at January 1, 2020	-	49 130	49 130
Amortisation using effective interest method	-	486	486
Liabilities as at December 31, 2020	-	49 616	49 616

Trade payables and other payables

The line item Trade and other payables include mainly trade payables as at December 31, 2020 and December 31, 2019. For the payables to related parties, see Note 13 Related parties.

13. Related parties

Transactions with related parties

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

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

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

EUR thousand	1 Jan – 31 Dec 2019			31 Dec 2019	31 Dec 2019
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	3 379	79	-	-	30
Other related parties	-	166	-73	-	0
Total	3 379	245	-73	-	30

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.

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

EUR thousand	31 Dec 2020	31 Dec 2019
No later than 1 year	3 409	3 379
Later than 1 year and no later than 2 years	3 409	3 379
Later than 2 year and no later than 3 years	3 409	3 379
Later than 3 year and no later than 4 years	3 409	3 379
Later than 4 year and no later than 5 years	3 409	3 379
Later than 5 years	6 249	9 574
Total	23 292	26 470

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

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

14. Events after the balance sheet date

Nothing to report.

INCOME STATEMENT (FAS)

	1 Jan - 31 Dec 2020		1 Jan - 31 Dec 2019	
	12 months		12 months	
TURNOVER		2 835		3 379
Other income from business operations		225		245
Personnel expenses				
Salaries	-192		-211	
Pension costs	-32		-40	
Social security costs	-4	-228	-4	-255
Depreciation and impairment				
Planned depreciation		-1 453		-1 246
Other operating charges		-665		-610
EBITA		714		1 514
Financial income and expenses				
Interest income and financial income				
Interest expenses and financial expenses	-2 454	-2 454	-2 459	-2 459
PROFIT BEFORE ADJUSTMENT ITEMS AND TAXES		-1 740		-945
Adjustment items				
Increase(-) / decrease(+) in depreciation difference		998		950
Result for the period		-742		5

BALANCE SHEET (FAS)

	31 Dec 2020	31 Dec 2019	
ASSETS			
FIXED ASSETS			
Intangible assets			
Other capitalized long-term	58	58	5
Tangible assets			
Land and water	321		321
Buildings	60 854		61 868
Machinery and equipment	2 884		3 252
Construction in process	896	64 954	507
			65 948
Investments			
Shares		4	4
CURRENT ASSETS			
Receivables			
Current receivables			
Accounts receivable	74		0
Other receivables	4		4
Prepaid expenses and accrued income		78	4
Cash and bank receivables		427	1 105
TOTAL ASSETS		65 520	67 065

	31 Dec 2020	31 Dec 2019	
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	80		80
Reserve for invested non-res	6 638		6 638
Retained earnings	-2 972		-2 978
Profit for the period	-742	3 004	5
			3 746
APPROPRIATIONS			
Accumulated depreciation difference		2 002	3 000
LIABILITIES			
Non-current liabilities			
Bonds	50 000		50 000
Deferred tax liabilities	9 685	59 685	9 685
			59 685
Current liabilities			
Accounts payable	63		81
Other liabilities	69		121
Accrued liabilities and deferred	698	829	433
			635
TOTAL LIABILITIES		65 520	67 065

NOTES TO THE FINANCIAL STATEMENTS (FAS)

1. ACCOUNTING PRINCIPLES

The accounting period of the company is a calendar year.

Valuation principles for fixed assets

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

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

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

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

Deferred tax liability

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

2. PERSONNEL

	2020	2019
The average number of personnel during the financial period	4	4

3. DEPRECIATION AND DEPRECIATION DIFFERENCE

	Planned depreciation	Depreciation difference +/-	Total depreciation
Intangible assets	3	0	3
Tangible assets	1 450	-998	451
Total	1 453	-998	454

4. OTHER OPERATING EXPENSES

	2020	2019
Administrative expenses	104	104
Maintenance expenses	330	334
Other expenses	231	172
Total	665	610

5. FINANCIAL INCOME AND EXPENSES

	2020	2019
Financial expenses		
Interest expenses	2 452	2 459
Other financial expenses	2	0
Total	2 454	2 459

6. AUDITOR'S FEES

	2020	2019
Pricewaterhousecoopers Oy		
Audit fees	21	48

7. CHANGES IN FIXED ASSETS

	Other capitalised long-term expenses			
Intangible assets:				
Acquisition cost 1 Jan	9			
Additions	56			
Acquisition cost 31 Dec	65			
Accumulated depreciation 1 Jan	-4			
Depreciation during the financial yea	-3			
Accumulated depreciation 31 Dec	-7			
Book value 31 Dec	58			
Tangible assets:				
	Land and water	Buildings	Machinery and equipment	Construction in process
Acquisition cost 1 Jan	321	24 724	3 499	507
Revaluation, fair value	0	39 341	0	0
Additions	0	0	67	492
Disposals	0	0	0	-103
Acquisition cost 31 Dec	321	64 064	3 566	896
Accumulated depreciation 1 Jan	0	-2 196	-247	0
Depreciation during the financial yea	0	-1 014	-435	0
Accumulated depreciation 31 Dec	0	-3 211	-682	0
Book value 31 Dec	321	60 854	2 884	896

8. INVESTMENTS

Shares in subsidiaries	
Acquisition cost 1 Jan	4
Book value 31 Dec	4

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

The Company acquired dormant subsidiary in December 2018.
Consolidated statements have been prepared according to IFRS.

9. ACCRUED INCOME

	2020	2019
Taxes	0	0
Social security costs accrued	0	0
Total	0	0

10. SHAREHOLDERS' EQUITY

	2020	2019
Restricted equity		
Share capital	80	3
Additions	0	78
Share capital, 31 Dec	80	80
Non-restricted equity		
Reserve for invested non-restricted equity	6 638	6 716
Reserve for invested non-restricted equity, 31 Dec	6 638	6 638
Retained earnings	-2 972	-2 978
Result for the period	-742	5
Non-restricted equity total	2 924	3 666
Shareholders' equity total	3 004	3 746
Distributable assets, 31 Dec		
Reserve for invested non-restricted equity	6 638	6 638
Retained earnings	-2 972	-2 978
Profit for the period	-742	5
Total	<u>2 924</u>	<u>3 666</u>

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

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

11. ACCRUED EXPENSES

	2020	2019
Interest accrual	337	337
Social security costs accrued	77	72
Other accrued expenses	<u>283</u>	<u>24</u>
Total	698	433

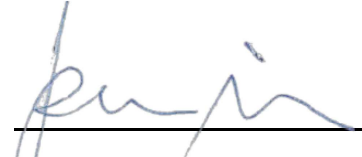
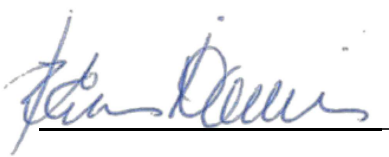
12. COLLATERALS AND CONTINGENT LIABILITIES

	2020	2019
Bonds	50 000	50 000
Mortgages	126 652	126 652
Floating charge	65 000	65 000

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

SIGNATURES FOR THE FINANCIAL STATEMENTS

Turku, April 16, 2021

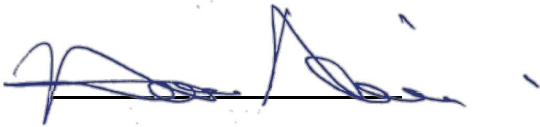


Ritva Niemi

Pekka Niemi

Chairman of the Board

Board member



Hans Niemi

Board member and Chief Executive Officer

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, April 30, 2021

PricewaterhouseCoopersOy

Authorized Public Accountant Firm



Kalle Laaksonen

Authorized Public Accountant



Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Sunborn Finance Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Sunborn Finance Oyj (business identity code 2834108-5) for the year ended 31 December 2020. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

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



Our Audit Approach

Overview

Materiality

- Overall materiality: 311 thousand euros, which represents 0.5% of group total assets.

Group scoping

- The group audit scoping encompassed the parent company

Key audit matters

- Revenue recognition
- Investment property valuation

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

Materiality

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

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

Group overall materiality	311 thousand euros
How we determined it	0.5% of group total assets.
Rationale for the materiality benchmark applied	We chose group total assets as the benchmark because in our view, it is the benchmark against which the assets of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 0.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

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



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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors on 1 November 2017. Our appointment represents a total period of uninterrupted engagement of 3 years.

Other Information

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

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

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

In our opinion

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

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

Turku 30.4.2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

A handwritten signature in blue ink, appearing to read 'Kalle Laaksonen', followed by a long horizontal line.

Kalle Laaksonen
Authorised Public Accountant (KHT)

SUNBORN SAGA OY

INCOME STATEMENT, tEUR

	1.1.-31.12.2020		1.1.-31.12.2019	
TURNOVER		18 454		27 944
Other income from business operations		948		291
Materials and services				
Purchases during the financial period	-2 718		-3 952	
Change in inventories	-39		-38	
External services	-834	-3 591	-1 934	-5 924
Personnel expenses				
Wages and salaries	-6 063		-8 064	
Mandatory pension costs	-876		-1 429	
Other social security costs	-197	-7 135	-264	-9 756
Other operating charges		-5 837		-8 265
Rents paid to Sunborn Finance Oy		-2 835		-3 379
Administrative expenses paid to Sunborn Oy		-605		-668
EBITDA		=====	=====	
		-601		243
Depreciation				
Depreciation according to the plan		-589		-643
Financial income and expenses				
Interest income and financial income	0		0	
Interest expenses and financial expenses	-67	-66	-2	-2
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		=====	=====	
		-1 257		-402
Adjustment items				
Group contribution received(+) / paid(-)		1 300		500
Income taxes		-8		0
RESULT FOR THE PERIOD		=====	=====	
		35		97

SUNBORN SAGA OY BALANCE SHEET, tEUR

	31.12.2020		31.12.2019	
ASSETS				
FIXED ASSETS				
Intangible assets				
Intangible rights	182		67	
Other capitalised long term expenditure	1 038	1 220	1 435	1 501
Tangible assets				
Machinery and equipment	477		529	
Advance payments	55	531	26	555
Investments				
Other shares and similar rights of ownership		0		0
CURRENT ASSETS				
Inventories				
Raw materials and supplies	152		176	
Goods	166	317	181	357
Receivables				
Non-current receivables				
Receivables from group companies		6 637		5 061
Current receivables				
Receivables from group companies	114		101	
Accounts receivable	589		1 284	
Other receivables	42		42	
Prepaid expenses and accrued income	455	1 201	119	1 545
Cash and bank receivables		2 823		1 698
TOTAL ASSETS		12 729		10 719
LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	3		3	
Reserve for invested non-restricted equity	100		100	
Retained earnings	190		93	
Profit for the period	35	328	97	293
LIABILITIES				
Non-current liabilities				
Borrowings	2 100		0	
Other liabilities	4 681	6 781	4 634	4 634
Current liabilities				
Debt to group companies	26		96	
Borrowings	600		0	
Short-term advance payments	2 600		2 610	
Short-term accounts payable	954		1 299	
Other liabilities	151		342	
Accrued liabilities and deferred income	1 290	5 621	1 445	5 792
TOTAL LIABILITIES		12 729		10 719

SUNBORN SAGA OY

CASH FLOW STATEMENT, tEUR

	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operations		
Profit before adjustment items and taxes	-1 257	-402
Depreciation and amortization	589	643
Income taxes	-8	0
Change in current receivables	345	531
Change in inventories	39	38
Change in current non-interest-bearing liabilities	-172	407
Cash flow from operations (A)	-463	1 216
Investing activities		
Change in tangible and intangible assets	-284	-382
Cash flow from investing activities (B)	-284	-382
Financing activities		
Change in non-current receivables	-1 576	-256
Change in long-term borrowings	2 147	67
Group contribution	1 300	500
Cash flow from financing activities (C)	1 871	311
Change in cash and cash equivalents (A+B+C)	1 125	1 144
Cash and cash equivalents at beginning of period	1 698	554
Cash and cash equivalents at end of period	2 823	1 698