

SUNBORN FINANCE



Key Figures (IFRS) - Issuer Sunborn Finance Oyj

	Q3 / 2020 1 Jul – 30 Sep 2020	Q3 / 2019 1 Jul – 30 Sep 2019	YTD 2020 1 Jan – 30 Sep 2020	YTD 2019 1 Jan – 30 Sep 2019	Y 2019 1 Jan – 31 Dec 2019
EUR thousand					
Revenue	921	906	2 715	2 719	3 625
EBITDA	783	722	2 262	2 082	2 806
Investment property (Spa Hotels)			65 920	64 155	65 914
Total equity			6 541	5 607	6 909
Bond			49 546	49 066	49 130

Key Figures (FAS) - Operator Sunborn Saga Oy

	Q3 / 2020 1 Jul – 30 Sep 2020	Q3 / 2019 1 Jul – 30 Sep 2019	YTD 2020 1 Jan – 30 Sep 2020	YTD 2019 1 Jan – 30 Sep 2019	Y 2019 1 Jan – 31 Dec 2019
EUR thousand					
Revenue	7 241	8 557	13 724	21 004	27 944
EBITDA before rent and group admin	2 266	1 938	2 104	3 205	4 290

Executive Director, Hans Niemi

“Good operating results in Q3 in Sunborn Saga Oy while navigating the special circumstances of Covid-19. Domestic leisure demand was high after a two-month lock-down and management strategy for pricing and cost control was successful with peak month July ADR in Naantali increasing +6 % YoY, Q3 ADR +3 % YoY. Ruissalo ADR levels also strong at par with YoY 2019 levels. As expected, operator overall revenue for the period was lower at 7.2 M€ (8.5 M€) however EBITDA increased to 2.3 M€ (1.9 M€). The success in Q3 cost control, government grants and support loans, stable operational cashflow and good EBITDA performance have all contributed to securing a steady foundation in the midst of the pandemic for the business going forward. The hotels have performed over and above hotel market peers and Naantali was awarded the WTA best hotel in Finland award for the second consecutive year. Costs of operations and operations will continue to be adapted to the new operating environment.”

General

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

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

Sunborn Finance was established 1 November, 2017. Sunborn Finance Oyj is a SPV owning Naantali and Ruissalo spa hotel properties, acting as a lessor of the spa hotels and providing property and IT related facility services. Significant renovation of the hotel rooms was made in both spa hotels during 2018 and 2019.

Sunborn Finance Oyj Financial summary 1 July – 30 September 2020

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 7-9/2020 was 0.85 M€ (7-9/2019 0.84 M€). Other services income refers to personnel costs for facility services and is a cost/income neutral line item.

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.

According to the latest valuation reports the value of the Spa hotels is at Naantali Spa 55.7 M€ and at Ruissalo Spa 28.7 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets).

The Covid-19 outbreak continues to severely and negatively impact the tourism market in Finland since the outbreak in March 2020. As Sunborn Finance Oyj is reliant on the ability of the Operator to pay rent, the past 2 month closure of the hotels in April and May 2020 and the unprecedented operating circumstances in the travel and hospitality market since will continue to impact the performance of the operator in the short and medium term, as described below.

Sunborn Saga Oy Financial summary 1 July – 30 September 2020

Total revenue 7-9/2020 was 7,24 M€ (7-9/2019 8,56 M€). EBITDA in Q3 was 2,27 M€ (Q3/2019 1,94 M€).

After the two-month Covid-19 lockdown* domestic leisure demand was high in peak summer months of July and August. Management strategy for pricing and cost control was successful with peak month of July ADR in Naantali increasing +6 % YoY, Q3 ADR +3 % YoY. Ruissalo ADR levels also strong at par with YoY 2019 levels. As expected operator overall revenue for the period was lower at 7.2 M€ (8.5 M€) however EBITDA increased to 2.3 M€ (1.9 M€).

In August and September domestic leisure segment kept growing in both hotels, especially during the weekends. In addition the number of rehabilitation guests and courses increased rapidly during the weekdays as the courses had been cancelled during the lock-down. Due to lack of business travelers and MICE segment, related KPI's in Q3 were negative in both hotels in comparison to 2019.

Sunborn Saga Oy was able to show profit both in July and August due to lower personnel costs, cost of sales and fixed costs. In comparison to previous years almost all permanent employees worked throughout the high season and no temporary summer employees were needed. Covid-19 cases started increasing again in September resulting in renewed restrictions. Our hotels premises performed well compared to the overall hotel market and particularly hotels in major cities e.g. the hotels in the capital Helsinki area. Cost control and adjustment of labor resources continued throughout the period.

Corporate customers remained absent in Q3 as the government restricted the number of people in public or private gatherings and favored telecommuting and remote working. There were no international guests due to worldwide travel restrictions. In the absence of these travel segments, the hotels successfully focused on domestic leisure guests and rehabilitation segments.

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

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 provide temporary relief due to Covid-19 on interest coverage ratio, minimum cash covenant and lease payment covenant.

New performance covenants were agreed starting to be measured from Q4 2020. 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 annual payments moved to the following year.

Sunborn Saga Oy secured a 3.0 M€ government and parent company Sunborn Oy backed working capital loan ensuring the Operator has adequate working capital during the crisis and subsequent recovery phase. 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.

Despite the two-month closure of the hotels in April and May 2020, the operating performance over Q3 was successful and management remains confident the properties are well placed to continue under the circumstances to operate and perform.

Best Hotel and Best Suite in Finland (2020 World Travel Awards)

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, two-storey 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 lockdown and quiet period to engage key departments in development of products and services. This work continued throughout the period ensuring the properties stay updated with latest in food and beverage and hotel services.

Business environment

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 2022. Major corporate groups and international conferences will remain absent at least until Q2/2021. In the meantime, our business will be focused on domestic leisure and rehabilitation segments, both of which could be affected by further restrictions.

Due to Covid-19 safe and hygienic travelling will be a major issue in the coming years. Finland has so far 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

Short-term risks and uncertainties

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 travelers. 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, recent temporary 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. Prolonged crisis could also in the long term impact the fair value of the hotels the Company holds as investment property.

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.

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.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q3 / 2020	Q3 / 2019	YTD 2020	YTD 2019	
		1 Jul - 30 Sep 2020	1 Jul - 30 Sep 2019	1 Jan - 30 Sep 2020	1 Jan - 30 Sep 2019	1 Jan - 31 Dec 2019
Revenue	4	921	906	2 715	2 719	3 625
Changes in fair value of investment property	5	-113	-186	-436	-990	608
Personnel expenses		-51	-71	-158	-189	-255
Operating expenses		-88	-113	-489	-448	-564
Operating result		670	536	1 631	1 092	3 413
Interest expenses		-910	-693	-2 285	-2 052	-2746
Profit before taxes		-435	-157	-654	-960	668
Change in deferred tax		48	31	131	192	-134
Result for the period		-193	-126	-523	-768	534
Total comprehensive income for the period		-193	-126	-523	-768	534

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Sep 2020	31 Dec 2019	30 Sep 2019
Assets				
Non-current assets				
Investment property	5	65 920	65 914	64 155
Total non-current assets		65 920	65 914	64 155
Current assets				
Receivables from related parties	7	3	-	73
Other receivables		125	4	20
Cash and cash equivalents		1 007	1 108	1 141
Total current assets		1 134	1 112	1 235
Total assets		67 054	67 027	65 390
Equity and liabilities				
Equity and liabilities				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-177	190	-1 112
Total equity		6 541	6 909	5 607
Liabilities				
Non-current liabilities				
Borrowings	6	49 546	49 130	49 066
Lease liabilities	2, 5	648	635	648
Deferred income tax liabilities		9 621	9 712	9 387
Total non-current liabilities		59 814	59 477	59 101
Current liabilities				
Lease liabilities	2, 5	29	7	7
Trade and other payables		261	172	180
Payables to related parties	7	27	30	31
Accrued expenses		382	433	465
Total current liabilities		699	641	682
Total liabilities		60 514	60 118	59 783
Total equity and liabilities		67 054	67 027	65 390

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	-768	-768
Equity at 30 Sep, 2019	80	6 638	-1 112	5 607
Equity at 1 Oct, 2019	80	6 638	-1 112	5 607
Result for the period	0	0	1 302	1 302
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	-368	-368
Equity at 30 Sep, 2020	80	6 638	-177	6 541

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 – 30 Sep 2020	1 Jan - 31 Dec 2019	1 Jan – 30 Sep 2019
Cash flows from operating activities				
Result before tax		-460	668	-960
Adjustments for				
Change in fair value of investment property	5	436	-608	990
Interest expenses on borrowings		2 285	2 746	2 052
Change of working capital				
Change in trade and other receivables		-124	518	428
Change in trade and other payables		35	-661	-620
Net cash flows from operating activities		2 174	2 662	1 891
Cash used in investing activities				
Capital Expenditure	5	-436	-1 159	-997
Net cash flows used in investing activities		-436	-1 159	-997
Cash flows from financing activities				
Land lease agreement		-	-47	-23
Interest paid		-1 839	-2 459	-1 839
Net cash flows from financing activities		-1 839	-2 505	-1 862
Cash and cash equivalents at the beginning of period		1 108	2 110	2 110
Change in cash and cash equivalents		-101	-1 002	-968
Cash and cash equivalents at the end of period		1 007	1 108	1 141

NOTES TO THE FINANCIAL STATEMENTS (IFRS)**1. General information**

Sunborn Finance Oyj is a public limited liability company (“the Company”) and together with its subsidiary “the Group” incorporated in Finland. The registered address of Sunborn Finance Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn Finance Oyj was established on November 1, 2017 through a partial demerger of Sunborn Oy. Sunborn Finance owns spa hotel “Naantali Spa” and approximately 30% of the “Ruissalo Spa” (together “hotels”) properties located in south west Finland. Naantali Spa has 218 and Ruissalo Spa 171 hotel rooms with several event rooms, restaurants, bars, café’s and lounges, spa facilities, pools and fitness centre. The Company was established for purpose of owning the hotels. The hotel operations of the spa hotels Naantali Spa and Ruissalo Spa, (together “Spa hotels”), are operated by Sunborn Saga Oy (“Sunborn Saga”), 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 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 six months ended June 30, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 *interim Financial Reporting*, as adopted by the European Union.

The condensed interim year financial report does not include all the information and notes that are presented in the annual financial statements and should be read in conjunction with the consolidated financial statements for year ended 31 December 2019.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2019.

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.

Going concern

Since 13th March 2020, the spread of the coronavirus (Covid-19) has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including Finland. Covid-19 impacts Sunborn Finance Oyj’s operations through the operator’s ability to pay the agreed rental payments as the operator Sunborn Saga is the sole lessee and the main source of the Group’s cash inflows. The Company also provides IT related and property management facility services to related parties. Due to the crisis, two of the four employees in the services business have been laid off to reduce costs.

As a result of Covid-19 impacts on the operator's activities Sunborn Finance written procedure to amend bond terms and conditions was accepted 25t 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 and the relevant cost controls in place to continue operations normally regardless of the temporary closure and subsequent changes in the operating environment.

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. Prolonged crisis could also in the long term impact the fair value of the hotels the Company holds as investment property.

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 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 30 Sep 2020		Value 31 Dec 2019	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	55.7	9.6	55.7	9.6
Yield	7.3 %	8.0 %	7.3 %	8.0 %
Net yearly income	EUR 4.0 million	EUR 2.3 million (includes also the old part)	EUR 4.0 million	EUR 2.3 million (includes also the old part)

Based on the valuation report provided by the third party valuator, if the net yearly income for Ruissalo Spa is changed between 2.2 – 2.4 million EUR and the yield +/- 0,5 percentage points, the value of the new part of Ruissalo Spa would vary between EUR 8.4 – 10.5 million (31 Dec 2019: between EUR 8.4 – 10.5 million).

Based on the valuation report provided by the third party valuator, if the net yearly income for Naantali Spa is changed between 3.6 - 4.4 million EUR and the yield +/- 0,25 percentage points, the value of the properties would vary between EUR 47.6 – 62.3 million (31 Dec 2019: between EUR 47.6 – 62.3 million).

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. The issuer Sunborn Finance Oyj provided the operator a four-month lease waiver to be applied later during the financial year, but a waiver has not been used yet. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	1 Jul – 30 Sep 2020	1 Jul – 30 Sep 2019	1 Jan – 30 Sep 2020	1 Jan – 30 Sep 2019	1 Jan – 31 Dec 2019
Rental income from operating leases with related party	850	844	2 551	2 534	3 379
Service income from related parties	71	61	164	184	245
	921	906	2 715	2 719	3 625

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 65.9 million including the right-of-use asset and lease liability. 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.

EUR thousand	Spa hotels
Fair value at January 1, 2019	64 149
Additions	997
Changes in Fair Value	-990
Fair Value at September 30, 2019	64 155

EUR thousand	Spa hotels
Fair value at October 1, 2019	64 155
Additions	162
Changes in Fair Value	1 598
Fair Value at December 31, 2019	65 914

EUR thousand	Spa hotels
Fair value at January 1, 2020	65 914
Additions	436
Changes in Fair Value	-430
Fair Value at September 30, 2020	65 920

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

6. Borrowings

EUR thousand	30 Sep 2020	31 Dec 2019	30 Sep 2019
Senior secured bond	49 546	49 130	49 066
Total	49 546	49 130	49 066

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

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.

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.

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 years presented:

EUR thousand	1 Jan – 30 Sep 2020			30 Sep 2020	30 Sep 2020
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 551	46	-	3	15
Other related parties	-	117	-37	-	12
Total	2 551	164	-37	3	27

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	-	-
Total	3 379	245	-73	-	30

EUR thousand	1 Jan – 30 Sep 2019			30 Sep 2019	30 Sep 2019
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 534	60	-	16	23
Other related parties	-	125	-36	57	8
Total	2 534	184	-36	73	31

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 four-month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due.

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

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

8. Events after the balance sheet date

Despite the temporary Covid-19 closure the management is confident the properties are well placed and will continue under the circumstances to perform well.

Appendix 1 SUNBORN SAGA (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 30 September 2020
(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

	1.1.-30.9.2020	1.1.-30.9.2019	1.1.-31.12.2019
TURNOVER	13 724	21 004	27 944
Other income from business operations	619	177	291
Materials and services			
Purchases during the financial period	-1 998	-3 073	-3 952
Change in inventories	-29	-23	-38
External services	-730	-1 567	-1 934
	-2 757	-4 663	-5 924
Personnel expenses			
Wages and salaries	-4 120	-5 832	-8 064
Mandatory pension costs	-579	-1 000	-1 429
Other social security costs	-126	-173	-264
	-4 825	-7 005	-9 756
Other operating charges	-4 658	-6 309	-8 265
Rents paid to Sunborn Finance Oy	-2 551	-2 534	-3 379
Administrative expenses paid to Sunborn Oy	-454	-502	-668
	=====	=====	=====
EBITDA	-901	169	243
Depreciation			
Depreciation according to the plan	-395	-484	-643
Financial income and expenses			
Interest income and financial income	0	0	0
Interest expenses and financial expenses	-42	-2	-2
	-42	-2	-2
	=====	=====	=====
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES	-1 338	-317	-402
Adjustment items			
Group contribution received(+) / paid(-)	0	0	500
Income taxes	-1	-7	0
	=====	=====	=====
RESULT FOR THE PERIOD	-1 339	-324	97

SUNBORN SAGA OY
BALANCE SHEET, tEUR

	30.09.2020		30.09.2019		31.12.2019	
ASSETS						
FIXED ASSETS						
Intangible assets						
Intangible rights	56		6		67	
Other capitalised long term expenditure	1 155	1 212	1 554	1 560	1 435	1 501
Tangible assets						
Machinery and equipment	492		427		529	
Advance payments	173	666	1	428	26	555
Investments						
Other shares and similar rights of ownership		0		0		0
CURRENT ASSETS						
Inventories						
Raw materials and supplies	160		178		176	
Goods	167	328	194	371	181	357
Receivables						
Non-current receivables						
Receivables from group companies		5 313		4 505		5 061
Current receivables						
Receivables from group companies	45		44		101	
Accounts receivable	688		1 641		1 284	
Other receivables	117		84		42	
Prepaid expenses and accrued income	144	994	75	1 844	119	1 545
Cash and bank receivables		2 347		160		1 698
TOTAL ASSETS		10 860		8 869		10 719
LIABILITIES						
30.09.2020						
30.09.2019						
31.12.2019						
SHAREHOLDERS' EQUITY						
Share capital	3		3		100	
Reserve for invested non-restricted equity	100		100		93	
Retained earnings	190		93		97	293
Profit for the period	-1 339	-1 047	-324	-128		
LIABILITIES						
Non-current liabilities						
Debt to group companies	0		0		0	
Other liabilities	8 098	8 098	4 881	4 881	4 634	4 634
Current liabilities						
Debt to group companies	82		330		96	
Short-term advance payments	1 090		817		2 610	
Short-term accounts payable	1 071		1 713		1 299	
Other liabilities	290		275		342	
Accrued liabilities and deferred income	1 275	3 808	980	4 116	1 445	5 792
TOTAL LIABILITIES		10 860		8 869		10 719

SUNBORN SAGA OY
CASH FLOW STATEMENT, tEUR

	1.1.-30.9.2020	1.1.-30.9.2019	1.1.-31.12.2019
Cash flow from operations			
Profit before adjustment items and taxes	-1 338	-317	98
Depreciation and amortization	395	484	643
Income taxes	-1	-7	0
Change in current receivables	551	232	531
Change in inventories	29	23	38
Change in current non-interest-bearing liabilities	-1 984	-1 270	407
Cash flow from operations (A)	-2 348	-853	1 716
Investing activities			
Change in tangible and intangible assets *	-216	-154	-382
Cash flow from investing activities (B)	-218	-154	-382
Financing activities			
Change in non-current receivables	-252	300	-256
Change in long-term borrowings	3 465	315	67
Cash flow from financing activities (C)	3 213	615	-189
Change in cash and cash equivalents (A+B+C)	647	-393	1 144
Cash and cash equivalents at beginning of period	1 698	554	554
Cash and cash equivalents at end of period	2 345	160	1 698