

# SUNBORN FINANCE



Finland's Leading  
Hotel



Finland's Leading  
Hotel Suite



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

EUR thousand	1 Jul- 30 Sep 2021	1 Jul- 30 Sep 2020	1 Jan- 30 Sep 2021	1 Jan- 30 Sep 2020	1 Jan - 31 Dec 2020
Revenue	915	921	2 871	2 715	3 060
EBITDA	751	783	2 415	2 067	2 190
Investment property (Spa Hotels)			61 820	65 920	61 820
Total equity			2 734	6 541	2 587
Bond			49 831	49 546	49 616

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

EUR thousand	1 Jul- 30 Sep 2021	1 Jul- 30 Sep 2020	1 Jan- 30 Sep 2021	1 Jan- 30 Sep 2020	1 Jan - 31 Dec 2020
Revenue	8 259	7 241	16 628	13 724	18 454
EBITDA before rent and group admin	2 376	2 266	3 429	2 104	2 839

### Executive Director, Hans Niemi

“Sunborn Finance Oyj revenue for Q3 was as expected at 0.9 M euros (0.9 M euros) and costs were also in line with budget.

Excellent performance in all KPI’s for Operator Sunborn Saga saw Q3 revenue increasing +14% to 8.259 M€ (7.241 M€). EBITDA increased to 2.376 M€ or +5% YoY and increase of +23% compared to Q3 2019. Hotel and food beverage outlets performed well, with exception of larger concerts and events in our premises still absent due to covid restrictions. High demand from domestic leisure market contributed to high occupancy, ADR and RevPar all more than YoY numbers and generally at levels of 2019 or higher. The corporate market also provided business to both hotels in August, a promising sign for future expectations.

The amended bond terms and conditions effected in June 2020 had introduced a new Operator covenant, minimum 80 % EBITDA vs 2019 Q3, which test was passed and exceed at 2.376 M€ (1.938 M€ in Q3 2019) or >123 %).

### 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 centre, rehabilitation facilities, restaurants, bars, cafes and lounges.

Sunborn Finance was established November 1, 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 2021**

Sunborn Finance revenue 0,92 M€ consists of fixed lease income from the operator and other services income. Lease income 7-9/2021 was 0,85 M€ (7-9/2020 0,85 M€). Other services income refers to personnel costs for facility services and cost support income related to Covid-19. Costs overall were in line with previous year.

According to December 2020 valuation reports the value of the Spa hotels is at Naantali Spa 52.2 M€ and at Ruissalo Spa 26.9 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets).

### **Operator Sunborn Saga Oy Financial summary 1 July– 30 September 2021**

Total revenue Q3 2021 was 8.3 M€ (Q3 2020 7.2 M€). EBITDA in Q3 2021 was 2,4 M€ (Q3 2020 2,3 M€).

As the Covid restrictions were eased towards the end of Q2, domestic travel market skyrocketed, and June results already exceeded the company's expectations and forecast. Q3 began with exceptionally warm weather and high occupancy rates in both hotels. As the Covid restrictions concerning travelling from and to Finland continued, clients chose domestic holidays over foreign travel. Both hotels were filled with families and couples who were eager to travel again and spend money on leisure services. This had a positive impact on both ADR, occupancy rate and RevPar in both hotels. July revenue at Naantali Spa was record-high, occupancy rate was 96,45 % (+ 12 % increase compared to 2020) and RevPar increased by 11 % compared to 2020. Growth in sales continued in August and September as well. Occupancy rate in Naantali was 2,7 % higher in August and even +12 % higher in September compared to last year. ADR increased by 1,5 % and 10 %, and RevPar by 10,5 % and 22 % in the same period. Restaurant sales in the company's summer restaurants were also a booming.

Ruissalo Spa showed improvement in all KPIs as well. Occupancy improved by 20 % in July and 17 % in August. ADR increased throughout Q3 and RevPar improved more than 30 % in July and even 20 % in August.

Corporate business started to recover in both hotels in August. Meetings and events were suddenly booked within short notice even for bigger groups and events that had been postponed several times due to Covid were finally organized.

The number of individual visitors in both hotels increased whereas group travellers were still absent. Rehabilitation guests returned in August after a summer break with high volumes. No improvement in foreign incoming travel is yet seen. International travel is not anticipated to recover before Q3/2022.

The whole industry - including our various operations - suffered from severe staff shortages due to Covid 19 impacting opening hours, availability, and standard of services. Management is reviewing company HR strategy to ensure availability and training of qualified staff in the future. Finnish government must quickly develop labour migration in different ways to better meet demand for labour in travel and other industries.

A new financial covenant was included in the written procedure approved in June 2020 to measure quarterly Operator EBITDA for each ending quarter: 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021 compared to Operator EBITDA for the corresponding quarter in 2019. Operator Q3 2021 EBITDA exceeded the requirement 80 % at 2.376 M€ or > 123 % (1.938 M€ in Q3 2019).

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

All other Covid-19 restrictions were ceased in Q3 except for restaurant restrictions. Clients have largely adapted to the situation and restaurants have had higher visitor amounts and increasing revenue. As an alternative for restrictions Finnish Government introduced a national Covid pass in October. The purpose of the pass is to allow restaurants to circumvent regional Covid restrictions by ensuring that customers have been fully vaccinated, have recently tested negative or have recovered from the virus. The use of the pass is slightly contradictory as we are able to require the pass only from restaurant customers, but not e.g., from people staying at the hotel or using any other services in the hotel as they are not imposed to restrictions.

Vaccination cover in Finland is now at 80 %, but the pace of the rollout is slowing. This may result into continuing restrictions in the coming months.

Q3 of 2021 performance has been at good levels with a strong domestic market focus. No improvement is seen yet in foreign incoming travel. Q4 performance has continued at good levels with successful fall break period and an increase in overall demand and based on results so far and pre-bookings, management expects positive results also for Q4 in both hotels. The number of corporate bookings is increasing and e.g., corporate Christmas parties are again organized after a two-year break. Restrictions concerning travelling from Finland abroad have been eased, whereas travelling to Finland is still restricted. If this continues for a longer period, it can impact our overall booking situation.

Sunborn Saga Oy continuously strives to improve our environmental. The company is in process of implementing a 3-year ESG strategy to among other objectives to achieve major reductions in energy consumption and carbon footprint. Plans include renewing key HVAC systems, operational procedures and policies, such as lighting system conversions, water consumption controls and purchase controls avoiding disposable products and using environmental cleaning procedures and products. As part of our sustainability program, we have applied for the Green Key certificate in November 2021. The Green Key award is the leading standard of excellence in the field of environmental responsibility and sustainable operation within the tourism industry. In addition, we are participating in Sustainable Travel Finland program 2021.

Covid pandemic has forced postponement of many properties and operating development projects. As business is recovering, we are focusing on these improvement projects again. The entry hall and reception area at Naantali Spa will be refurbished in Q1/2022 and the certain exterior areas including outdoor pool area will be refitted in Q2/2022 for improved operations in season 2022 and onwards. In Ruissalo the rehabilitation rooms on the 1st floor will be converted into hotel rooms in 2022. Management expects this conversion to result in higher ADR and lower operating costs in the future.

The company strategy for 2022-2025 is under process and will be implemented by management in Q1/2022. The new strategy including improving customer experience in form of better service and new products has commenced simultaneously to a program of seeking efficiency in fixed operating costs and improvement in profitability.

### **Business environment**

The again increasing number of Covid cases and restrictions continue to negatively impact especially international travel, but possibly also corporate business. International travel is not anticipated to recover before Q3/2022. In the meantime, our business will be focused on domestic leisure, medical rehabilitation and corporate segments.

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

### **Short-term risks and uncertainties**

Sunborn Finance's financial risks related to business are market risk (including interest rate risk), credit risk, liquidity risk, refinancing risk and business interruption due to incidents relating to environmental and or public health risks. Floating interest rate risk has not been hedged.

The Covid -19 outbreak has severely and negatively affecting the tourism market globally. 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 spa hotels the Company holds as investment property.

Financial risk management carried out by the management of the Company aims to protect the Company against unfavourable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jul - 30 Sep 2021	1 Jul - 30 Sep 2020	1 Jan - 30 Sep 2021	1 Jan - 30 Sep 2020	1 Jan - 31 Dec 2020
Revenue	4	915	921	2 871	2 715	3 060
Changes in fair value of investment property	5	-21	-113	-159	-436	-4 612
Personnel expenses		-53	-51	-173	-158	-228
Operating expenses		-111	-88	-282	-489	-642
<b>Operating result</b>		<b>730</b>	<b>670</b>	<b>2 256</b>	<b>1 631</b>	<b>-2 421</b>
Interest expenses		-697	-910	-2 072	-2 285	-2 981
<b>Result before taxes</b>		<b>33</b>	<b>-240</b>	<b>184</b>	<b>-654</b>	<b>-5 402</b>
Change in deferred tax		-7	48	-37	131	1 081
<b>Result for the period</b>		<b>27</b>	<b>-193</b>	<b>147</b>	<b>-523</b>	<b>-4 322</b>
<b>Total comprehensive income for the period</b>		<b>27</b>	<b>-193</b>	<b>147</b>	<b>-523</b>	<b>-4 322</b>

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

**CONSOLIDATED BALANCE SHEET (IFRS)**

EUR thousand	Note	30 Sep 2021	31 Dec 2020	30 Sep 2020
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	5	61 820	61 820	65 920
<b>Total non-current assets</b>		<b>61 820</b>	<b>61 820</b>	<b>65 920</b>
<b>Current assets</b>				
Receivables from related parties	7	76	74	3
Other receivables		54	4	125
Cash and cash equivalents		656	430	1 007
<b>Total current assets</b>		<b>786</b>	<b>508</b>	<b>1 134</b>
<b>Total assets</b>		<b>62 606</b>	<b>62 328</b>	<b>67 054</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-3 985	-4 132	-177
<b>Total equity</b>		<b>2 734</b>	<b>2 587</b>	<b>6 541</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	6	49 831	49 616	49 546
Lease liabilities	2, 5	641	635	648
Deferred income tax liabilities		8 669	8 632	9 621
<b>Total non-current liabilities</b>		<b>59 141</b>	<b>58 882</b>	<b>59 814</b>
<b>Current liabilities</b>				
Lease liabilities	2, 5	8	30	29
Trade and other payables		155	120	261
Payables to related parties	7	1	12	27
Accrued expenses		568	698	382
<b>Total current liabilities</b>		<b>732</b>	<b>859</b>	<b>699</b>
<b>Total liabilities</b>		<b>59 873</b>	<b>59 742</b>	<b>60 514</b>
<b>Total equity and liabilities</b>		<b>62 606</b>	<b>62 328</b>	<b>67 054</b>

The above balance sheet should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1 Jan, 2020</b>	<b>80</b>	<b>6 638</b>	<b>190</b>	<b>6 909</b>
Result for the period	0	0	-368	-368
<b>Equity at 30 Sep, 2020</b>	<b>80</b>	<b>6 638</b>	<b>-177</b>	<b>6 541</b>
<b>Equity at 1 Oct, 2020</b>	80	6 638	-177	6 541
Result for the period	0	0	-3 955	-3 955
<b>Equity at 31 Dec, 2020</b>	<b>80</b>	<b>6 638</b>	<b>-4 132</b>	<b>2 587</b>
<b>Equity at 1 Jan, 2021</b>	80	6 638	-4 132	2 587
Result for the period	0	0	147	147
<b>Equity at 30 Sep, 2021</b>	<b>80</b>	<b>6 638</b>	<b>-3 985</b>	<b>2 734</b>

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 30 Sep 2021	1 Jan – 30 Sep 2020	1 Jan - 31 Dec 2020
<b>Cash flows from operating activities</b>				
Result before tax		184	-460	-5 402
Adjustments for				
Change in fair value of investment property	5	159	436	4 612
Interest expenses on borrowings		2 072	2 285	2 981
Change of working capital				
Change in trade and other receivables		-52	-124	-74
Change in trade and other payables		-92	35	195
<b>Net cash flows from operating activities</b>		<b>2 271</b>	<b>2 174</b>	<b>2 311</b>
<b>Cash used in investing activities</b>				
Capital Expenditure	5	-159	-436	-514
<b>Net cash flows used in investing activities</b>		<b>-159</b>	<b>-436</b>	<b>-514</b>
<b>Cash flows from financing activities</b>				
Land lease agreement		-47	-	-23
Interest paid		-1 839	-1 839	-2 452
<b>Net cash flows from financing activities</b>		<b>-1 886</b>	<b>-1 839</b>	<b>-2 475</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>430</b>	<b>1 108</b>	<b>1 108</b>
<b>Change in cash and cash equivalents</b>		<b>226</b>	<b>-101</b>	<b>-678</b>
<b>Cash and cash equivalents at the end of period</b>		<b>656</b>	<b>1 007</b>	<b>430</b>

## NOTES TO THE FINANCIAL STATEMENTS (IFRS)

### 1. General information

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

Sunborn Finance is wholly owned by the Niemi Family. The Niemi Family also controls the Sunborn Group, Sunborn Oy being the parent company of the Group. Sunborn Group’s focus is on the development of luxury spa and yacht hotels, restaurants and other high-quality property in the hospitality sector. Sunborn Group currently has operations in Finland, Denmark, UK and Gibraltar, and operates under several individual brands. Sunborn Saga’s operations consist of hotel, spa and restaurant operations in the Spa hotels and in other restaurants.

These interim financial statements are unaudited.

### 2. Summary of significant accounting policies

#### Basis of preparation

This condensed interim financial report for nine months ended September 30, 2021 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 2020.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2020.

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.

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 provided temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant allowing the lease payment obligations to be relaxed during financial years 2020-2021 in anticipation of Covid 19 impact. The issuer Sunborn Finance Oyj provided the operator lease waivers during the financial year 2020 and was permitted to use cash reserves for liabilities falling due.

In 2020 Sunborn Saga Oy secured a permitted EUR 3.0 million government and parent company backed working capital fund to ensure the operator had adequate increased working capital during the crisis and subsequent recovery and has received government support for business.

Despite of the Covid-19 situation the management is confident the properties are well placed to continue operations regardless of the changes in the operating environment. During these difficult times, the hotels have succeeded in managing their variable costs and performed well above the Finnish national hotel occupancies.

The valuation of the properties is adjusted downwards due to Covid 19 in the fair value of investment property and the pandemic could further impact the fair value going forward.

### **3. Critical accounting estimates and management judgement**

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

#### ***Fair value measurement of the Spa hotels***

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

In making the valuations, the investment property is in normal circumstances considered in its highest and best use. However due to the pandemic the latest valuation of the properties shows a reduction in the fair value of the hotels the Company holds as investment property.

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 2021		Value 31 Dec 2020	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.2	9.0	52.2	9.0
Yield	7.35 %	7.85 %	7.35 %	7.85 %
Net yearly income	EUR 2.9 million	EUR 1.6 million (includes also the old part)	EUR 2.9 million	EUR 1.6 million (includes also the old part)

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

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

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

#### **4. Revenue**

The Group's revenue consists mainly of rental income from its related party Sunborn Saga. The Group is highly dependent on Sunborn Saga's ability to pay the rents as Sunborn Saga is the sole lessee and the main source of the group's cash inflows. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	1 Jan – 30 Sep 2021	1 Jan – 30 Sep 2020	1 Jan – 31 Dec 2020
Rental income from operating leases with related party	2 556	2 551	2 835
Service income from related parties	188	164	225
Other income – cost support	126	-	-
	<b>2 871</b>	<b>2 715</b>	<b>3 060</b>

## 5. Investment property

The group presents the Spa hotels as investment property and measures them using the fair value model. The valuation has been prepared by an independent and recognized professional valuator. Fair value of the Spa hotels is approximately EUR 61.8 million including the right-of-use asset and lease liability which are separately presented under IFRS 16. The fair value measurement is based on non-observable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The most significant assumptions used in the calculations have not been changed after the end of the financial period ended December 31, 2020. Refer to significant estimation and judgement as disclosed in note 3 above.

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

EUR thousand	Spa hotels
Fair value at October 1, 2020	65 920
Additions	514
Changes in Fair Value	-4 612
<b>Fair Value at December 31, 2020</b>	<b>61 820</b>

EUR thousand	Spa hotels
Fair value at January 1, 2021	61 820
Additions	159
Changes in Fair Value	-159
<b>Fair Value at September 30, 2021</b>	<b>61 820</b>

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 2021	31 Dec 2020	30 Sep 2020
Senior secured bond	49 831	49 616	49 546
<b>Total</b>	<b>49 831</b>	<b>49 616</b>	<b>49 546</b>

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

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

As a result of written procedure amendment and waivers, related amendment fee of 50 bp resulted in a modification loss in interest expenses for year 2020. The amount of borrowings was 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 2021			30 Sep 2021	30 Sep 2021
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 556	59	-	-	-
Other related parties	-	129	-62	76	1
<b>Total</b>	<b>2 556</b>	<b>188</b>	<b>-62</b>	<b>76</b>	<b>1</b>

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
<b>Total</b>	<b>2 551</b>	<b>164</b>	<b>-37</b>	<b>3</b>	<b>27</b>

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	-	-	4
Other related parties	-	158	-74	74	8
<b>Total</b>	<b>2 835</b>	<b>225</b>	<b>-74</b>	<b>74</b>	<b>12</b>

The rental income of the Group arises from a lease contract related to the Spa hotels. Sunborn Finance has leased the Spa hotels to Sunborn Saga with a long term operative non-cancellable lease contract with a maturity date on November 1, 2027. The rent in the contracts is set at market level. The issuer Sunborn Finance Oyj provided the operator a two-month lease waiver for the financial year 2020 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

Nothing to report.



**Appendix 1 SUNBORN SAGA (FAS)**

Sunborn Saga Oy  
INTERIM REPORT 1 January – 30 September 2021  
(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.-30.9.2021		1.1.-30.9.2020		1.1.-31.12.2020	
TURNOVER		16 628		13 724		18 454
Other income from business operations		818		619		948
Materials and services						
Purchases during the financial period		-2 587		-1 998		-2 718
Change in inventories		40		-29		-39
External services		-646	-3 193	-730	-2 757	-834
						-3 591
Personnel expenses						
Wages and salaries		-4 742		-4 120		-6 063
Mandatory pension costs		-725		-579		-876
Other social security costs		-176	-5 644	-126	-4 825	-197
						-7 135
Other operating charges		-5 181		-4 658		-5 837
Rents paid to Sunborn Finance Oy		-2 556		-2 551		-2 835
Administrative expenses paid to Sunborn Oy		-424		-454		-605
		=====		=====		=====
EBITDA		449		-901		-601
Depreciation						
Depreciation according to the plan		-411		-395		-589
Financial income and expenses						
Interest income and financial income		0		0		0
Interest expenses and financial expenses		-63	-63	-42	-42	-67
		=====		=====		=====
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-26		-1 338		-1 257
Adjustment items						
Group contribution received(+) / paid(-)		0		0		1 300
Income taxes		0		-1		-8
		=====		=====		=====
RESULT FOR THE PERIOD		-26		-1 339		35

SUNBORN SAGA OY  
BALANCE SHEET, tEUR

	30.09.2021	30.09.2020	31.12.2020
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible assets			
Intangible rights	151	56	182
Other capitalised long term expenditure	778	928	1 038
Tangible assets			
Machinery and equipment	521	492	477
Advance payments	66	587	55
Investments			
Other shares and similar rights of ownership	0	0	0
<b>CURRENT ASSETS</b>			
Inventories			
Raw materials and supplies	179	160	152
Goods	179	358	166
Receivables			
Non-current receivables			
Receivables from group companies	6 705	5 313	6 637
Current receivables			
Receivables from group companies	44	45	114
Accounts receivable	1 377	688	589
Other receivables	152	117	42
Prepaid expenses and accrued income	182	1 755	455
Cash and bank receivables	901	2 347	2 823
<b>TOTAL ASSETS</b>	<b>11 235</b>	<b>10 860</b>	<b>12 729</b>
<b>LIABILITIES</b>			
<b>30.09.2021</b>			
<b>30.09.2020</b>			
<b>31.12.2020</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	3	3	3
Reserve for invested non-restricted equity	100	100	100
Retained earnings	226	190	190
Profit for the period	-26	302	-1 047
			328
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings	2 100	3 000	2 100
Other liabilities	5 145	7 245	5 098
Current liabilities			
Debt to group companies	72	82	26
Borrowings	600		600
Short-term advance payments	1 033	1 090	2 600
Short-term accounts payable	961	1 071	954
Other liabilities	167	290	151
Accrued liabilities and deferred income	854	3 687	1 275
			3 808
			1 290
			5 621
<b>TOTAL LIABILITIES</b>	<b>11 235</b>	<b>10 860</b>	<b>12 729</b>

SUNBORN SAGA OY  
CASH FLOW STATEMENT, tEUR

1.1.-30.9.2021 1.1.-30.9.2020 1.1.-31.12.2020

Cash flow from operations			
Profit before adjustment items and taxes	-26	-1 338	-1 257
Depreciation and amortization	411	395	589
Income taxes	0	-1	-8
Change in current receivables	-555	551	345
Change in inventories	-40	29	39
Change in current non-interest-bearing liabilities	-1 933	-1 984	-172
<b>Cash flow from operations (A)</b>	<b>-2 143</b>	<b>-2 348</b>	<b>-463</b>
Investing activities			
Change in tangible and intangible assets	-176	-216	-284
<b>Cash flow from investing activities (B)</b>	<b>-176</b>	<b>-218</b>	<b>-284</b>
Financing activities			
Change in non-current receivables	-68	-252	-1 576
Change in long-term borrowings	465	3 465	2 147
Group contribution	0	0	1 300
<b>Cash flow from financing activities (C)</b>	<b>397</b>	<b>3 213</b>	<b>1 871</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>-1 922</b>	<b>647</b>	<b>1 125</b>
Cash and cash equivalents at beginning of period	2 823	1 698	1 698
Cash and cash equivalents at end of period	901	2 345	2 823