SUNBORN FINANCE

FINANCIAL STATEMENTS Q4 2019
28/02/2020

sunborn

Key Figures (IFRS) - Issuer Sunborn Finance Oyj

EUR thousand	Q4 / 2019 1 Oct - 31 Dec 2019 (3 months)	Q4 / 2018 1 Oct - 31 Dec 2018 (3 months)	Y 2019 1 Jan- 31 Dec 2019 (12 months)	Y 2018 1 Nov 2017 – 31 Dec 2018 (14 months)
Revenue	906	895	3 625	4 136
EBITDA	723	710	2 806	3 295
Investment property (Spa Hotels)			65 914	63 500
Total equity			6 909	6 374
Bond			49 130	48 883

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	Q4 / 2019 1 Oct - 31 Dec 2019	Q4 / 2018 1 Oct - 31 Dec 2018	Y 2019 1 Jan- 31 Dec 2019	Y 2018 1 Jan - 31 Dec 2018
Revenue	6 940	5 741	27 944	25 672
EBITDA before rent and group admin	1 105	701	4 310	4 115

Executive Director, Hans Niemi

"A good end of the year for both Sunborn Finance Oyj and underlying operations in Naantali and Ruissalo Spa, both properties now taking benefit of the major renovation investments and cost adjustments realized. Sunborn Finance Oyj Rental income was as expected at 0.9 M euros (0.9 M euros) and costs were in line with previous year.

Operator Q4 revenues increased +20.8 % and EBITDA by +57.6 %. Full FY 2019 Operator revenues for full FY 2019 increased +8.9 % and EBITDA by +4.7 %. Q4 benefitted from higher sales and tighter cost management and management is expecting the positive trend to continue during year 2020 with promising expectations for Revenue growth."

General

Sunborn Finance Oyj owns 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 management company Sunborn Saga Oy under a lease contract. 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. Its operations consist of acting as a lessor of the spa hotels and also providing property and IT related facility services. Sunborn Finance has four employees.

Sunborn Finance Oyj Financial summary 1 January – 31 December 2019

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 1-12/2019 was 3.6 M€. Other services income refers to personnel costs for facility services and is a cost/income neutral line item.

The value of the Spa hotels is at Naantali Spa 55.7 M€ and at Ruissalo Spa 28.7 M€ (1/3 in Sunborn Finance assets) according the valuation reports.

Sunborn Saga Oy Financial summary 1 January – 31 December 2019

Total Revenue 1-12/2019 27.9 M€ vs 1-12/2018 was 25.7 M€, +8,9 % increase.

Both of our hotels operated with full capacity in Q4. Full room capacity had positive impact on the hotel's ADR, OCC% and RevPar. The high demand towards our hotel both in Leisure and Corporate Segments continued. Refurbishment of all hotel rooms in Naantali was finally completed and guest feedback regarding the renewed rooms has been very positive.

Our Q4 sales was positively influenced by the delay in the construction of the cruise ship in the local shipyard in Turku. Construction workers and the ship's personnel stayed in both of our hotels for several weeks from middle October to early December while finalizing the cruise ship in the shipyard nearby. The ship was finally handed over in the beginning of December. Even after that our room revenue kept on increasing mainly because of high demand from the Leisure segment. Especially weekends, Christmas and the Holiday season after Christmas were busy.

2019 was the first year of Sunborn's new strategy and focused direction as a company providing best customer experience and higher quality services in the market area. In terms of the long-term development of our services and activities, we have made good progress in several different areas. Operating revenue has increased significantly, ADR has risen, customer satisfaction has improved, and personnel is more confident of the future expectations and direction.

As part of the upcoming changes the management has made the decision to change the hotel property management system and other sales and reporting systems related to it. The change will take place in the Q1 of 2020. The planning process of this change has required both time and dedicated personnel during Q4, which has had an impact on the personnel costs.
Other investments in product development to improve customer experience continued in Q4 and will continue in 2020, too. Among others our laundry supplier was changed, and new restaurant facilities and services were developed in Q4. These and other changes have created additional costs in the short term, whereas expected benefits and improvements in operating revenue and costs are expected to materialize in the next months.

There have been no significant changes in Sunborn Saga's operating environment during 2019. Global megatrends support our growth strategy. Global phenomena, such as climate change and demographic change will have an impact on customers' everyday life and their purchasing decisions. Therefore, our strategy is to increase emphasis on our responsibility program in 2020, which will have some impact on the cost side and future investments, but at the same time 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. This gives great potential to Sunborn.

Naantali Spa Q4

In Q4 Naantali Spa´s all KPI´s kept on growing comparing Oct-Dec 2018. Biggest influence for the growth was high demand in corporate segment. Cruise ship in Turku shipyard was finalized and handed over to the customer. Also full room capacity had big influence in growth.

In Oct OCC % increased +12,7 %, ADR +5,7 % and RevPar increased +19,2 %. Total increase of corporate and leisure segment was +52,1% in Oct.

In Nov OCC% increased +15,9 %, ADR +19,3 % and RevPar increased +38,3 %. Total increase of corporate and leisure segment was +54,0% in Nov.

In the beginning of December the ship was handed over but still room revenue kept on increasing +16,5%. Specially weekends, Christmas and Year year´s periods were busy mainly because leisure business. Leisure segment increased +10%.

Ruissalo Spa Q4

As well in Ruissalo Spa all KPI´s increased in Q4. Turku shipyard´s influence was even bigger in Ruissalo Spa compering to Naantali Spa.

In Oct OCC % increased +33,4 %, ADR +10 % and RevPar increased +46,6 %. Total increase of corporate and leisure segment was +54,7% in Oct.

In Nov OCC% increased +46 %, ADR +20,3 % and RevPar increased +75,6%. Total increase of corporate and leisure segment was +128% in Nov.

In Dec OCC% increased +27,3%, ADR +17,2% and RevPar increased +49,2%. Total increase of corporate and leisure segment was +40,5% in Dec.

Notable events during and after the end of the reporting period

The issuer completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Helsinki on 8th of February, 2019.

Business environment

No notable changes in the business environment.

Issuer is a SPV with no other purpose than owning the Naantali and Ruissalo spa hotel properties. The hotels are leased out to Sunborn Saga Oy through a lease agreement. Sunborn Saga Oy pays Sunborn Finance Oyj a fixed sum of 281 600 € per month in lease.

Guest satisfaction continues to be good in Naantali reflected by Booking.com rating of 8.2/10, Hotels.com rating of 8.2/10, Expedia.com 4.1/5 and in Ruissalo by Booking.com rating of 7.9/10, Hotels.com rating of 7.8/10, Expedia.com 3.7/5.

Estimated future development

The company estimates that its financial performance and debt service capacity will remain stable.

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. The current COVID-19 outbreak globally could potentially negatively affect the Finnish tourism market. 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

EUR thousand	Note	Q4 / 2019 1 Oct - 31 Dec 2019	Q4 / 2018 1 Oct - 31 Dec 2018	Y 2019 1 Jan- 31 Dec 2019	Y 2018 1 Nov 2017 - 31 Dec 2018
Revenue	5	906	895	3 625	4 136
Changes in fair value of investment property	6	1 598	-757	608	-2 909
Personnel expenses		-66	-66	-255	-319
Operating expenses		-116	-119	-564	-523
Operating profit		**2 321**	**-47**	**3 413**	**386**
Interest expenses on borrowings		-694	497	-2 746	-4 548
Profit before taxes		**1 627**	**450**	**668**	**-4 162**
Change in deferred tax		-325	-90	-134	832
Result for the period		**1 302**	**359**	**534**	**-3 330**
Total comprehensive income for the period		**1 302**	**359**	**534**	**-3 330**

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

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	**31 Dec 2019**	**31 Dec 2018**
Assets			
Non-current assets			
Investment property	6	65 914	63 500
Total non-current assets		**65 914**	**63 500**
Current assets			
Receivables from related parties	8	-	25
Other receivables		4	497
Cash and cash equivalents		1 108	2 110
Total current assets		**1 112**	**2 631**
Total assets		**67 027**	**66 131**

EUR thousand	Note	**31 Dec 2019**	**31 Dec 2018**
Equity and liabilities			
Share capital		80	3
Reserve for invested unrestricted equity		6 638	6 716
Retained earnings		190	-344
Total equity		**6 909**	**6 374**
Liabilities			
Non-current liabilities			
Borrowings	7	49 130	48 883
Lease liabilities	2, 6	635	-
Deferred income tax liabilities		9 712	9 579
Total non-current liabilities		**59 477**	**58 462**
Current liabilities			
Lease liabilities	2, 6	7	-
Trade and other payables		172	118
Payables to related parties	8	30	730
Accrued expenses		433	447
Total current liabilities		**641**	**1 295**
Total liabilities		**60 118**	**59 757**
Total equity and liabilities		**67 027**	**66 131**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1 Nov, 2017	3	6 716	2 986	**9 704**
Result for the period	0	0	-3 330	**-3 330**
Equity at 31 Dec, 2018	**3**	**6 716**	**-344**	**6 374**
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**

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

EUR thousand	Note	1 Jan - 31 Dec 2019	1 Nov 2017 - 31 Dec 2018
Cash flows from operating activities			
Profit before tax		668	-4 162
Adjustments for			
Change in fair value of investment property	6	-608	2 909
Interest expenses on borrowings		2 746	4 548
Change of working capital			
Change in trade and other receivables		518	79
Change in trade and other payables		-661	11
Net cash flows from operating activities		**2 663**	**3 384**
Cash used in investing activities			
Capital Expenditure	6	-1 159	-2 909
Net cash flows used in investing activities		**-1 159**	**-2 909**
Cash flows from financing activities			
Land lease agreement		-47	-
Proceeds from borrowings		-	50 000
Repayment of borrowings from parent company		-	-44 028
Transaction costs paid		-	-2 648
Interest paid		-2 459	-3 018
Net cash flows from financing activities		**-2 505**	**306**
Cash and cash equivalents at the beginning of period		2 110	1 328
Change in cash and cash equivalents		**-1 002**	**782**
Cash and cash equivalents at the end of period		**1 108**	**2 110**

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

NOTES TO THE FINANCIAL STATEMENTS

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"), 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. Two of these employees were transferred to the Company in connection with the partial demerger and two were transferred from Sunborn Saga at the beginning of the year 2018.

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, Germany, Spain, Malaysia 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 Oy acquired dormant subsidiary for administrative purposes thus became the parent company of the group ("the group", "Sunborn Finance").

These interim financial statements are unaudited.

2. Summary of significant accounting policies

Basis of preparation

This condensed interim financial report for 12 months ended December 31, 2019 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 2018.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2018, except for the adoption of IFRS 16 Leases as set out below.

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.

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 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.

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	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 5 Investment property for more information.

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. 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. There have not been any material changes in the inputs or the relevant market during the periods presented. Accordingly, there have not been any material changes to the fair values of the spa hotels during the periods presented.

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

Input	**Value 31 Dec 2019**		**Value 31 Dec 2018**	
	Naantali	**Ruissalo**	**Naantali**	**Ruissalo**
Fair value (mEUR)	55.7	9.6	54.0	9.5
Yield	7.3 %	8.0 %	7.4 %	8.1 %
Net yearly income	EUR 4.0 million	EUR 2.3 million (includes also the old part)	EUR 3.9 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 as a whole 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 (2018: between EUR 8.1 – 10.7 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 (2018: between EUR 45.3 – 59.9 million).

According the management judgement the fair value of the right of use assets of land and water areas is EUR 0.649 million.

4. Restatement for correction of error in deferred tax liability

As described more closely in consolidated financial statements for the year ended 31 December 2018, equity and deferred tax liabilities for comparable 2018 figures have been restated retrospectively due to the deferred tax impact of the revaluation of Naantali Spa hotel in year 2007 which was not previously recognised.

5. Revenue

The revenue consists mainly of rental income from group's related party Sunborn Saga. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Nov 2017 – 31 Dec 2018
Rental income from operating leases with related party	845	835	3 379	3 894
Service income from related parties	61	60	245	242
	906	**895**	**3 625**	**4 136**

6. 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 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, 2018. Refer to significant estimation and judgement as disclosed in note 3 above.

EUR thousand	Spa hotels
Fair value at November 1, 2017	63 500
Additions	2 909
Changes in Fair Value	-2 909
Fair value at December 31, 2018	**63 500**
Fair value at November 1, 2017	63 500
Fair value at December 31, 2018	63 500

EUR thousand	Spa Hotels
Fair value at December 31, 2018	63 500
Impact of adoption of IFRS 16 (right-of-use asset)	649
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

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations continued during 2019.

7. Borrowings

EUR thousand	31 Dec 2019	31 Dec 2018
Senior secured bond – non-current	49 130	48 883
Senior secured bond – current	-	-
Total	**49 130**	**48 883**

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 of February, 2019.

The bonds are denominated in euros and mature on 9th of 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 %.

Before the issuance of the bonds the Company had short term bridge financing, which had contractual interest consisting of cash interest 7.0 % plus 3-month Euribor (min 1.0 %) and capitalised interest 3.5 %. The facility, together with the capitalised interest, was repaid when bond was issued.

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, 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 Oy.

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 net 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.

8. 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:

	1 Jan – 31 Dec 2019			31 Dec 2019	31 Dec 2019
EUR thousand	**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**	**0**	**30**

	1 Nov 2017 – 31 Dec 2018			31 Dec 2018	31 Dec 2018
EUR thousand	**Rental income from the operating lease**	**Service income**	**Management fee**	**Receivable**	**Payable**
Sunborn Saga Oy	3 894	78	-	8	367
Other related parties	-	163	-83	17	363
Total	**3 894**	**242**	**-4**	**25**	**730**

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 contract is set at market level.

The Company has paid management fee to Sunborn Oy and Sunborn International Oy as presented in the table above.

Sunborn Saga has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is given in Note 7 Borrowings.

Appendix 1 SUNBORN SAGA OY (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 31 December 2019
(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, EUR

	1.1.-31.12.2019		1.1.-31.12.2018	
TURNOVER		27 944 167		25 672 227
Other income from business operations		290 793		316 723
Materials and services				
Purchases during the financial period	-3 952 446		-3 661 644	
Change in inventories	-37 679		-99 776	
External services	-1 933 916	-5 924 041	-2 957 188	-6 718 608
Personnel expenses				
Wages and salaries	-8 063 883		-6 536 359	
Mandatory pension costs	-1 428 674		-1 081 097	
Other social security costs	-243 728	-9 736 285	-237 307	-7 854 764
Other operating charges		-8 264 699		-7 300 971
Rents paid to Sunborn Finance Oy		-3 379 200		-3 337 824
Administrative expenses paid to Sunborn Oy		-667 729		-659 336
		==========		==========
EBITDA		263 005		117 447
Depreciation				
Depreciation according to the plan		-643 373		-706 100
Financial income and expenses				
Interest income and financial income	259		351	
Interest expenses and financial expenses	-2 122	-1 863	-1 521	-1 170
		==========		==========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-382 231		-589 823
Adjustment items				
Group contribution received(+) / paid(-)		500 000		655 000
Income taxes		-8 896		-1 066
		==========		==========
RESULT FOR THE PERIOD		108 873		64 111

SUNBORN SAGA OY
BALANCE SHEET, EUR

	31.12.2019		31.12.2018	
ASSETS				
FIXED ASSETS				
Intangible assets				
Intangible rights	66 526		8 010	
Other capitalised long term expenditure	1 434 778	1 501 304	1 932 156	1 940 167
Tangible assets				
Machinery and equipment	529 434		377 568	
Advance payments	25 831	555 265	0	377 568
Investments				
Other shares and similar rights of ownership		290		290
CURRENT ASSETS				
Inventories				
Raw materials and supplies	176 363		151 525	
Goods	180 517	356 880	243 035	394 560
Receivables				
Non-current receivables				
Receivables from group companies		5 061 177		4 804 685
Current receivables				
Receivables from group companies	100 585		91 276	
Accounts receivable	1 283 810		1 498 213	
Other receivables	42 467		89 079	
Prepaid expenses and accrued income	109 883	1 536 745	397 819	2 076 388
Cash and bank receivables		1 698 372		553 875
TOTAL ASSETS		**10 710 033**		**10 147 532**

LIABILITIES	31.12.2019		31.12.2018	
SHAREHOLDERS' EQUITY				
Share capital	2 523		2 523	
Reserve for invested non-restricted equity	100 000		100 000	
Retained earnings	92 790		28 679	
Profit for the period	108 873	304 186	64 111	195 313
LIABILITIES				
Non-current liabilities				
Debt to group companies	0		0	
Other liabilities	4 633 629	4 633 629	4 566 569	4 566 569
Current liabilities				
Debt to group companies	96 396		421 360	
Short-term advance payments	2 610 017		1 912 140	
Short-term accounts payable	1 299 379		1 085 129	
Other liabilities	341 579		631 409	
Accrued liabilities and deferred income	1 424 847	5 772 218	1 335 612	5 385 650
TOTAL LIABILITIES		**10 710 033**		**10 147 532**

SUNBORN SAGA OY
CASH FLOW STATEMENT, EUR

	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operations		
Profit before adjustment items and taxes	117 770	65 177
Depreciation and amortization	643 373	706 100
Income taxes	-8 896	-1 066
Change in current receivables	539 642	-106 001
Change in inventories	37 679	99 776
Change in current non-interest-bearing liabilities	386 569	-212 618
Cash flow from operations (A)	1 716 136	551 367
Investing activities		
Change in tangible and intangible assets *	-382 208	593 481
Cash flow from investing activities (B)	-382 208	593 481
Financing activities		
Change in non-current receivables	-256 491	-882 651
Change in long-term borrowings	67 060	-138 026
Cash flow from financing activities (C)	-189 432	-1 020 678
Change in cash and cash equivalents (A+B+C)	1 144 497	124 171
Cash and cash equivalents at beginning of period	553 875	429 704
Cash and cash equivalents at end of period	1 698 372	553 875

* Until 2018, capital expenditure in Spa hotels is done by Sunborn Saga, but the investments are transfered to Sunborn Finance.