FINANCIAL STATEMENTS Q2 2019
30/08/2019

Key Figures (IFRS) - Issuer Sunborn Finance Oyj

EUR thousand	Q2 / 2019 1 Apr- 30 Jun 2019 (3 months)	Q2 / 2018 1 Apr- 30 Jun 2018 (3 months)	H1 / 2019 1 Jan- 30 Jun 2019 (6 months)	H1 / 2018 1 Nov 2017 - 30 Jun 2018 (8 months)	Y 2018 1 Nov 2017 – 31 Dec 2018 (14 months)
Revenue	907	895	1 813	2 345	4 136
EBITDA	710	742	1 360	1 939	3 295
Investment property (Spa Hotels)			64 146	63 500	63 500
Total equity			5 732	7 694	6 374
Bond			49 003	48 640	48 883

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	Q2 / 2019 1 Apr - 30 Jun 2019	Q2 / 2018 1 Apr - 30 Jun 2018	H1 / 2019 1 Jan - 30 Jun 2019	H1 / 2018 1 Jan - 30 Jun 2018	Y 2018 1 Jan - 31 Dec 2018
Revenue	7 337	7 000	12 447	11 927	25 672
EBITDA before rent and group admin	1 098	1 400	1 267	1 425	4 115

Executive Director, Hans Niemi

The period of Q2 2019 for Sunborn Finance Oyj and underlying operations in Naantali and Ruissalo Spa hotels was in line with management expectations. Revenue was along budgeted lines, at +5 % above previous year but costs in hotel operations were somewhat over last year due to fixed cost allocations, Easter timing and additional personnel training costs, resulting EBITDA in Q2 was 1.1 M euros (1.4 M euros). The properties have undergone significant renovations with positive effects and management is pursuing increased RevPar, profitability and finetuning operational departments. Management introduced and started implementation of new strategy during Q2 aiming to reduce fixed costs of operations and improve profit margins and staff efficiency.

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 Oy Financial summary 1 January – 30 June 2019

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 1-6/2019 was 1.69 M€. Other services income refers to personnel costs for facility services and is a cost/income neutral line item.

Operating costs increased due to the one-time costs related to the listing.

The value of the Spa hotels is at Naantali Spa 54.0 M€ and at Ruissalo Spa 28.5 M€ (1/3 in Sunborn Finance assets) according the valuation reports.

Sunborn Saga Oy Financial summary 1 January – 30 June 2019

Total Revenue 4-6/2019 7.3 M€ vs 4-6/2018 was 7.0 M€, +5 % increase.

Room renovations in the main building in Naantali Spa were completed in the beginning of April. Investments in the room renovations showed a clearly positive impact on the hotel's room revenue and customer demand. Although ahead of last year, the total turnover was for the period reduced by the closure of Naantali City Apartments - a leased annex to the main hotel where renovation works by the property owner started in May and continued until mid-July. Naantali City Apartments comprises of 24 hotel apartments with two or three bedrooms.

Total room capacity in Naantali Spa was 23.092 in Q2 vs 20.837 in Q2/2018. Number of sold rooms grew from 15.350 to 15.922, +4 % increase. ADR increased from 99.85 to 105.09; +5 % increase.

In Ruissalo Spa Number of sold rooms increased from 9.662 to 10.354, +7 % increase due to a significant growth in leisure segment. The rehabilitation segment decreased at the same time due to lower demand resulting from one rehabilitation agreement with the Turku city ending in March. ADR for Q2 in Ruissalo Spa decreased from 84.26 to 79.34; -6 % due to fluctuations in the customer segments.

Corporate segment demand and F&B sales continued to grow slightly in both properties, whereas treatments and rehabilitation sales decreased due to lower demand.

OCC-% in Ruissalo increased by 7 %. OCC % in Naantali is not comparable due to room renovations.

Refurbishment and renovation

Most of the room renovations in Naantali were completed in the first weeks of April before Eastern holiday period. The renovation of the Naantali City Apartments -hotel started in May and continued until mid-July. Naantali City Apartments nearby Naantali Spa comprises of 24 apartments with either two or three bedrooms and is a rented property operated by Sunborn Saga. Management expects significant revenue and profitability increase from the renovated property.

A refurbishment of number of suites will be undertaken during Q3 2019. Renovations will also continue in 2019 in the public areas e.g. in the lobby, but these projects are not expected to negatively impact room sales and revenue. Feedback concerning the new renovated rooms has been excellent and customer satisfaction figures and NPS score have increased. Management expects increases in ADR and revenue of operator Sunborn Saga to continue to grow for rest of 2019 as a result of the completed works.

The new company strategy of the company for 2019-2021 was implemented by management and in Q2. The new strategy including improving customer experience in form of new products and better service has commenced simultaneously to a program of seeking efficiency in fixed operating costs and improvement in profitability.

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 8 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 Oy a fixed sum of 281 600 € per month in lease.

Guest satisfaction continues to be good in Naantali reflected by Booking.com rating of 8.1/10, 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 7.6/10, 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 and refinancing risk. 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	Q2 / 2019 1 Apr - 30 Jun 2019	Q2 / 2018 1 Apr - 30 Jun 2018	H1 / 2019 1 Jan - 30 Jun 2019	H1 / 2018 1 Nov 2017 - 30 Jun 2018	Y 2018 1 Nov 2017 - 31 Dec 2018
Revenue	4	907	895	1 813	2 345	4 136
Changes in fair value of investment property	5	-359	-1 386	-804	-1386	-2 909
Personnel expenses		-57	-59	-117	-135	-319
Operating expenses		-139	-94	-335	-271	-523
Operating profit		**351**	**-644**	**556**	**553**	**386**
Interest expenses on borrowings		-697	-656	-1 359	-3 065	-4 548
Profit before taxes		**-347**	**-1 300**	**-803**	**-2 512**	**-4 162**
Change in deferred tax		69	260	161	502	832
Result for the period		**-277**	**-1 040**	**-642**	**-2 009**	**-3 330**
Total comprehensive income for the period		**-277**	**-1 040**	**-642**	**-2 009**	**-3 330**

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

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 Jun 2019	31 Dec 2018	30 Jun 2018
Assets				
Non-current assets				
Investment property	5	64 146	63 500	63 500
Total non-current assets		**64 146**	**63 500**	**63 500**
Current assets				
Receivables from related parties	7	34	25	743
Other receivables		62	497	115
Cash and cash equivalents		1 268	2 110	2 806
Total current assets		**1 364**	**2 631**	**3 664**
Total assets		**65 510**	**66 131**	**67 164**

EUR thousand	Note	30 Jun 2019	31 Dec 2018	30 Jun 2018
Equity and liabilities				
Share capital		80	3	3
Reserve for invested unrestricted equity		6 638	6 716	6 716
Retained earnings		-986	-344	976
Total equity		5 732	6 374	7 694
Liabilities				
Non-current liabilities				
Borrowings	6	49 003	48 883	48 640
Lease liabilities	2, 5	639	-	-
Deferred income tax liabilities		9 418	9 579	9 909
Total non-current liabilities		**59 060**	**58 462**	**58 549**
Current liabilities				
Lease liabilities	2, 5	6	-	-
Trade and other payables		170	118	30
Payables to related parties	7	28	730	441
Accrued expenses		513	447	451
Total current liabilities		**717**	**1 295**	**921**
Total liabilities		**59 778**	**59 757**	**59 470**
Total equity and liabilities		**65 510**	**66 131**	**67 164**

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	-2 009	**-2 009**
Equity at 30 Jun, 2018	**3**	**6 716**	**976**	**7 694**
Equity at 1 Jul, 2018	3	6 716	976	**7 694**
Result for the period	0	0	-1 321	**-1 321**
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	-642	**-642**
Equity at 30 Jun, 2019	**80**	**6 638**	**-986**	**5 732**

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 - 30 Jun 2019	1 Nov 2017 - 30 Jun 2018	1 Nov 2017 - 31 Dec 2018
Cash flows from operating activities				
Profit before tax		-803	-2 512	-4 162
Adjustments for				
Change in fair value of investment property	5	804	1 386	2 909
Interest expenses on borrowings		1 359	3 065	4 548
Change of working capital				
Change in trade and other receivables		426	-257	79
Change in trade and other payables		-584	-364	11
Net cash flows from operating activities		**1 202**	**1 318**	**3 384**
Cash used in investing activities				
Capital Expenditure	5	-801	-1 386	-2 909
Net cash flows used in investing activities		**-801**	**-1 386**	**-2 909**
Cash flows from financing activities				
Land lease agreement		-23	-	-
Proceeds from borrowings		-	50 000	50 000
Repayment of borrowings from parent company		-	-44 028	-44 028
Transaction costs paid		-	-2 648	-2 648
Interest paid		-1 219	-1 778	-3 018
Net cash flows from financing activities		**-1 242**	**1 546**	**306**
Cash and cash equivalents at the beginning of period		2 110	1 328	1 328
Change in cash and cash equivalents		**-841**	**1 478**	**782**
Cash and cash equivalents at the end of period		**1 268**	**2 806**	**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 Pekka Niemi, Ritva Niemi, Hans Niemi and Jari Niemi (together 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 six months ended June 30, 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 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 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:

Input	**Value 30 Jun 2019**	
	Naantali	**Ruissalo**
Fair value (mEUR)	54.0	9.5
Yield	7.4 %	8.1 %
Net yearly income	EUR 3.9 million	EUR 2.3 million

Based on the valuation report provided by the third party valuator, if the net yearly income for Ruissalo Spa is changed between 2.1 – 2.4 million EUR and the yield -/+ 0,5 percentage points, the value of the new part of Ruissalo Spa would vary between EUR 8.1 million – 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 3.5 - 4.3 million EUR and the yield -/+ 0,25 percentage points, the value of the properties would vary between EUR 45.3 million – 59.9 million.

Correction of the income statement and balance sheet for the interim period ended 31 March 2019

In the interim report for the period ended 31 March 2019 the group presented the investment property at fair value of 63.5 million. The impact of adoption of IFRS 16 of EUR 656 thousand as at 31 March 2019 was presented as lease liability and included in the fair value loss on the investment property recognised for the three month period ended 31 March 2019. The fair value change should not have included the ending balance of the lease liability as at 31 March 2019, but only the change in the lease liability during the three month period ended 31 March 2019. The previously presented and restated numbers are presented in the table below:

EUR thousand	As previously presented	Restated
Investment property including the right of use asset as at 31 March 2019	63 500	64 156
Fair value change 1 Jan – 31 March 2019	-1 100	-575
Change in deferred tax	222	131

4. 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 Apr – 30 Jun 2019	1 Apr – 30 Jun 2018	1 Jan – 30 Jun 2019	1 Nov 2017 – 30 Jun 2018	1 Nov 2017 – 31 Dec 2018
Rental income from operating leases with related party	845	834	1 690	2 225	3 894
Service income from related parties	61	60	123	120	242
	907	**895**	**1 813**	**2 345**	**4 136**

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. Based on the valuation report, fair value of the spa hotels is approximately EUR 63.5 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. 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	1 386
Changes in Fair Value	-1 386
Fair value at June 30, 2018	**63 500**
Fair value at November 1, 2017	63 500
Fair value at June 30, 2018	63 500

EUR thousand	Spa hotels
Fair value at July 1, 2018	63 500
Additions	1 523
Changes in Fair Value	-1 523
Fair value at December 31, 2018	**63 500**
Fair value at July 1, 2018	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	649
Fair value at January 1, 2019	64 149
Additions	801
Changes in Fair Value	-804
Fair value at June 30, 2019	**64 146**
Fair value at January 1, 2019	64 149
Fair value at June 30, 2019	64 146

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations will continue in year 2019.

6. Borrowings

EUR thousand	30 Jun 2019	31 Dec 2018	30 Jun 2018
Senior secured bond	49 003	48 883	48 640
Total	**49 003**	**48 883**	**48 640**

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 %.

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. The covenants are tested on a quarterly basis.

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:

	1 Jan – 30 Jun 2019		30 Jun 2019	30 Jun 2019
EUR thousand	Rental income from the operating lease	Service income	Receivable	Payable
Sunborn Saga Oy	1 690	40	-	22
Other related parties	-	83	34	6
Total	**1 690**	**123**	**34**	**28**

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

	1 Nov 2017 – 30 Jun 2018		30 Jun 2018	30 Jun 2018
EUR thousand	Rental income from the operating lease	Service income	Receivable	Payable
Sunborn Saga Oy	2 225	39	707	0
Other related parties	-	81	36	441
Total	**2 225**	**120**	**743**	**441**

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 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 6 Borrowings.

Appendix 1 SUNBORN SAGA OY (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 30 June 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.-30.6.2019 6 months		1.1.-30.6.2018 6 months		1.1.-31.12.2018 12 months	
TURNOVER		12 446 542		11 926 958		25 672 227
Other income from business operations		111 223		73 546		316 723
Materials and services						
Purchases during the financial period	1 883 460		1 773 683		3 661 644	
Change in inventories	-26 038		34 761		99 776	
External services	836 388	2 693 810	1 174 368	2 982 812	2 957 188	6 718 608
Personnel expenses						
Wages and salaries	3 692 404		3 076 176		6 536 359	
Mandatory pension costs	606 630		619 539		1 081 097	
Other social security costs	119 470	4 418 504	196 537	3 892 252	237 307	7 854 764
Other operating charges		4 178 314		3 700 890		7 300 971
Rents paid to Sunborn Finance Oy		1 689 600		1 668 912		3 337 824
Administrative expenses paid to Sunborn Oy		335 272		329 668		659 336
		==========		==========		==========
EBITDA		-757 735		-574 030		117 447
Depreciation						
Depreciation according to the plan		321 134		355 710		706 100
Financial income and expenses						
Interest income and financial income	53		112		351	
Interest expenses and financial expenses	-1 222	-1 169	-281	-169	-1 521	-1 170
		==========		==========		==========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-1 080 038		-929 909		-589 823
Adjustment items						
Group contribution received(+) / paid(-)		0		0		655 000
Income taxes		-4 448		-5 138		-1 066
		==========		==========		==========
RESULT FOR THE PERIOD		-1 084 486		-935 047		64 111

SUNBORN SAGA OY
BALANCE SHEET, EUR

ASSETS	30.06.2019		30.06.2018		31.12.2018	
FIXED ASSETS						
Intangible assets						
Intangible rights	6 571		12 261		8 010	
Other capitalised long term expenditure	1 680 464	1 687 034	2 187 542	2 199 803	1 932 156	1 940 167
Tangible assets						
Machinery and equipment	413 224		292 352		377 568	
Advance payments	0	413 224	54 102	346 454	0	377 568
Investments						
Other shares and similar rights of ownership		290		290		290
CURRENT ASSETS						
Inventories						
Raw materials and supplies	215 803		191 352		151 525	
Goods	204 795	420 598	268 223	459 574	243 035	394 560
Receivables						
Non-current receivables						
Receivables from group companies		4 264 377		4 026 128		4 804 685
Current receivables						
Receivables from group companies	47 855		150 651		91 276	
Accounts receivable	1 741 235		2 959 799		1 498 213	
Other receivables	79 150		114 051		89 079	
Prepaid expenses and accrued income	143 568	2 011 807	61 002	3 285 503	397 819	2 076 388
Cash and bank receivables		309 440		503 032		553 875
TOTAL ASSETS		**9 106 770**		**10 820 783**		**10 147 532**

LIABILITIES	30.06.2019		30.06.2018		31.12.2018	
SHAREHOLDERS' EQUITY						
Share capital	2 523		2 523		2 523	
Reserve for invested non-restricted equity	100 000		100 000		100 000	
Retained earnings	92 790		28 679		28 679	
Profit for the period	-1 084 486	-889 173	-935 047	-803 845	64 111	195 313
LIABILITIES						
Non-current liabilities						
Debt to group companies	222 000		122 000		0	
Other liabilities	4 876 372	5 098 372	5 001 527	5 123 527	4 566 569	4 566 569
Current liabilities						
Debt to group companies	142 204		0		421 360	
Short-term advance payments	1 081 073		2 670 070		1 912 140	
Short-term accounts payable	2 224 429		1 942 576		1 085 129	
Other liabilities	288 390		678 349		631 409	
Accrued liabilities and deferred income	1 161 476	4 897 571	1 210 106	6 501 101	1 335 612	5 385 650
TOTAL LIABILITIES		**9 106 770**		**10 820 783**		**10 147 532**

SUNBORN SAGA OY
CASH FLOW STATEMENT, EUR

	1.1.-30.6.2019 6 months	1.1.-30.6.2018 6 months	1.1.-31.12.2018 12 months
Cash flow from operations			
Profit before adjustment items and taxes	-1 080 038	-929 909	65 177
Depreciation and amortization	321 134	355 710	706 100
Income taxes	-4 448	-5 138	-1 066
Change in current receivables	64 581	-1 315 116	-106 001
Change in inventories	-26 038	34 761	99 776
Change in current non-interest-bearing liabilities	-488 078	902 833	-212 618
Cash flow from operations (A)	-1 212 888	-956 858	551 367
Investing activities			
Change in tangible and intangible assets *	-103 659	715 348	593 481
Cash flow from investing activities (B)	-103 659	715 348	593 481
Financing activities			
Change in non-current receivables	540 309	-104 094	-882 651
Change in long-term borrowings	531 802	418 932	-138 026
Cash flow from financing activities (C)	1 072 111	314 838	-1 020 678
Change in cash and cash equivalents (A+B+C)	-244 435	73 328	124 171
Cash and cash equivalents at beginning of period	553 875	429 704	429 704
Cash and cash equivalents at end of period	309 440	503 032	553 875

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