

# SUNBORN FINANCE



Finland's Leading  
Hotel



Finland's Leading  
Hotel Suite



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

EUR thousand	1 Jan- 31 Mar 2021	1 Jan- 31 Mar 2020	1 Jan - 31 Dec 2020
Revenue	915	911	3 060
EBITDA	763	766	2 190
Investment property (Spa Hotels)	61 820	65 914	61 820
Total equity	2 567	6 820	2 587
Bond	49 686	49 194	49 616

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

EUR thousand	1 Jan- 31 Mar 2021	1 Jan- 31 Mar 2020	1 Jan - 31 Dec 2020
Revenue	3 201	4 799	21 004
EBITDA before rent and group admin	135	-88	2 839

### Executive Director, Hans Niemi

“Sunborn Finance Oyj Rental income was as expected at 0.9 M euros (0.9 M euros) and costs were in line with budget.

Operations in Sunborn Saga Oy throughout Q1 were impacted by wide and severe restrictions for restaurants, public and private gatherings, spas and swimming halls and fitness centres among others resulting in reduction in revenue and EBITDA from budget. Even though hotel operations were not *per se* restricted, the circumstances clearly effected the number of bookings and customers willing to travel during this time. Whilst the pandemic is likely to continue to impact business during the remainder of 2021, pre-bookings indicate good demand and strong performance for the upcoming key summer period. The company continues to manage and adjust costs to mirror the underlying market conditions.

The amended bond terms and conditions introduced a quarterly Operator covenant of 70% EBITDA vs 2019 Q1, which was exceeded at >79% or €135K (€170K in Q1 2019).”

### General

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

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

Sunborn Finance was established 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 January – 31 March 2021**

Sunborn Finance revenue 0,92 M€ consists of fixed lease income from the operator and other services income. Lease income 1-3/2021 was 0.85 M€ (1-3/2020 0.85 M€). Other services income refers to personnel costs for facility services and is a cost/income neutral line item. Costs were in line with previous year.

According to December 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).

### **Sunborn Saga Oy Financial summary 1 January – 31 March 2021**

Total revenue Q1 2021 was 3.2 M€ (Q1 2020 4.8 M€). EBITDA in Q1 was 0,1 M€ (Q1/2020 -0,1 M€).

#### *Operations under Covid 19 challenges continued in Q1*

Covid 19 -cases started to increase again in the last quarter of 2020 and tightened the restrictions for public gatherings. All bookings for meetings and conferences were either cancelled or postponed for several months. Leisure guest bookings also decreased as customers were hesitant to travel due to the restrictions.

The year 2021 continued with wide and severe restrictions for restaurants, public and private gatherings, spas and swimming halls and fitness centres among others resulting in loss of business for both hotels. Even though hotel operations were not *per se* restricted, the circumstances clearly effected the amount of bookings and customers willing to travel.

Restaurants and bar outlets were closed for all of Q1 and only takeaway was allowed providing our resort hotel clients with little incentive to come during such restrictions. In early March this was worsened by limiting the client amounts in our spa department and gym to 10 persons. Some days thereafter, with hours notice given by authorities, both hotels were forced to close spa and fitness services for 2 weeks by public Covid notice. In these circumstances and with little visibility going forward, it was quite impossible to run even remotely normal operations. Management focused on minimizing costs.

Corporate and international guests still missing, both hotels relied on domestic leisure business and short breaks especially during the weekends. Luckily the amount of medical rehabilitation guests was steady in both hotels within the first two months. Naantali weekends and winter breaks provided a lifeline and weekdays benefitted from rehabilitation business. Ruissalo Spa was impacted more as City of Turku healthcare clients were frozen temporarily.

The amended bond terms and conditions introduced an Operator covenant 70% EBITDA vs 2019 Q1, which was passed at €135K or >79% (€170K in Q1 2019).

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

By March the Covid-19 situation in Finland was more severe than last spring. The government held back issuing a total lockdown, instead imposing restrictions to restaurant and other services, travelling and

gatherings. This caused a decline in bookings and number of overnight and daily visitors for the Q1, especially for March.

Sunborn Saga Oy kept developing and adapting its services to the new business environment.

Management utilized the quiet period to engage key departments in development of products and services. This work continued even throughout the Q1 ensuring the properties stay updated with latest in food and beverage and hotel services.

The 2Q of 2021 is expected to continue similarly to 1Q 2021. Staycations and domestic vacations are expected to have a stronger demand during the coming months. This segment is however very susceptible to possible continuing restrictions. Foreign visitors will remain absent possibly throughout the year 2021 and corporate business is not expected to return before summer or autumn.

Renewed Sunborn customer loyalty program was launched in January 2021 with the primary objective to retain and reward existing customers and to build new relationships with prospective customers. The aim is also to grow long-term loyalty for both spa brands and to build a comprehensive customer database which can be utilized in future marketing efforts. In addition to Sunborn loyalty program both hotels also commenced cooperation with Finland's largest and most diverse customer loyalty program K-Plussa, which offers benefits to its customers at various outlets and partners. These Plussa cards are held by more than 3.8 million people in almost 2.2 million households in Finland and in our hotels loyalty program offers benefits for accommodation, restaurant services and treatments.

### **Business environment**

The continuing Covid-19 restrictions continue to negatively impact international travel and corporate business. International travel is not anticipated to recover before the year end 2021 or 2022. Major corporate groups and international conferences will remain absent at least until Q4/2021. In the meantime, our business will be focused on domestic leisure and rehabilitation segments, both of which are still affected by current and possible future restrictions.

Finland has yet succeeded better than other European countries in managing the pandemic. Finland has great potential in the future as a safe and attractive destination for international and domestic travelers, but before a Covid-19 vaccine is widely available travelling from and to Finland will not take place. At the moment ca. 40 percent of the Finnish population have received their first vaccine.

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

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

Before Covid-19, travel and tourism had become one of the most important sectors in the world economy, accounting for 10 percent of global GDP and more than 320 million jobs worldwide. The global pandemic, the first of its scale in a new era of interconnectedness, has put 100 million jobs at risk. Tourism-dependent countries will likely feel the negative impacts of the crisis for much longer than other economies. Contact-intensive services key to the tourism and travel sectors are disproportionately affected by the pandemic and will continue to struggle until people feel safe to travel again. As the Company is reliant on the ability of the

property operator to pay rent, possible closure of the underlying business and the subsequent forecasted recovery period is likely to affect the performance of the operator in the short and medium term.

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

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

Financial risk management carried out by the management of the Company aims to protect the Company against 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 Jan - 31 Mar 2021	1 Jan - 31 Mar 2020	1 Jan - 31 Dec 2020
Revenue	4	915	911	3 060
Changes in fair value of investment property	5	-94	-197	-4 612
Personnel expenses		-58	-62	-228
Operating expenses		-94	-83	-642
<b>Operating result</b>		<b>669</b>	<b>569</b>	<b>-2 421</b>
Interest expenses		-694	-680	-2 981
<b>Result before taxes</b>		<b>-25</b>	<b>-111</b>	<b>-5 402</b>
Change in deferred tax		5	22	1 081
<b>Result for the period</b>		<b>-20</b>	<b>-89</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	31 Mar 2021	31 Mar 2020	31 Dec 2020
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	5	61 820	65 914	61 820
<b>Total non-current assets</b>		<b>61 820</b>	<b>65 914</b>	<b>61 820</b>
<b>Current assets</b>				
Receivables from related parties	7	84	4	74
Other receivables		4	4	4
Cash and cash equivalents		333	1 118	430
<b>Total current assets</b>		<b>421</b>	<b>1 125</b>	<b>508</b>
<b>Total assets</b>		<b>62 241</b>	<b>67 040</b>	<b>62 328</b>
<b>Equity and liabilities</b>				
<b>Equity and liabilities</b>				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-4 152	102	-4 132
<b>Total equity</b>		<b>2 567</b>	<b>6 820</b>	<b>2 587</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	6	49 686	49 194	49 616
Lease liabilities	2, 5	644	650	635
Deferred income tax liabilities		8 627	9 690	8 632
<b>Total non-current liabilities</b>		<b>58 957</b>	<b>59 534</b>	<b>58 882</b>
<b>Current liabilities</b>				
Lease liabilities	2, 5	30	2	30
Trade and other payables		197	191	120
Payables to related parties	7	32	37	12
Accrued expenses		459	457	698
<b>Total current liabilities</b>		<b>717</b>	<b>686</b>	<b>859</b>
<b>Total liabilities</b>		<b>59 675</b>	<b>60 220</b>	<b>59 742</b>
<b>Total equity and liabilities</b>		<b>62 241</b>	<b>67 040</b>	<b>62 328</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	-89	-89
<b>Equity at 31 Mar, 2020</b>	<b>80</b>	<b>6 638</b>	<b>101</b>	<b>6 820</b>
Result for the period	0	0	-4 233	-4 233
<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>	<b>80</b>	<b>6 638</b>	<b>-4 132</b>	<b>2 587</b>
Result for the period	0	0	-20	-20
<b>Equity at 31 Mar, 2021</b>	<b>80</b>	<b>6 638</b>	<b>-4 152</b>	<b>2 567</b>

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan - 31 Mar 2021	1 Jan - 31 Mar 2020	1 Jan - 31 Dec 2020
<b>Cash flows from operating activities</b>				
Result before tax		-25	-111	-5 402
Adjustments for				
Change in fair value of investment property	5	94	197	4 612
Interest expenses on borrowings		694	680	2 981
Change of working capital				
Change in trade and other receivables		-11	-4	-74
Change in trade and other payables		-136	57	195
<b>Net cash flows from operating activities</b>		<b>617</b>	<b>819</b>	<b>2 311</b>
<b>Cash used in investing activities</b>				
Capital Expenditure	5	-94	-197	-514
<b>Net cash flows used in investing activities</b>		<b>-94</b>	<b>-197</b>	<b>-514</b>
<b>Cash flows from financing activities</b>				
Land lease agreement		-	-	-23
Interest paid		-620	-613	-2 452
<b>Net cash flows from financing activities</b>		<b>-620</b>	<b>-613</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>-97</b>	<b>10</b>	<b>-678</b>
<b>Cash and cash equivalents at the end of period</b>		<b>333</b>	<b>1 118</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 south west 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 three months ended March 31, 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 provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant allowing the lease payment obligations to be relaxed during 2020 financial year. The issuer Sunborn Finance Oyj provided the operator a four-month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due.

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

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

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

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

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

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

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

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

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

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

Input	Value 31 Dec 2020		Value 31 Dec 2019	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.2	8.97	55.7	9.6
Yield	7.35 %	7.85 %	7.3 %	8.0 %
Net yearly income	EUR 2.9 million	EUR 1.6 million (includes also the old part)	EUR 4.0 million	EUR 2.3 million (includes also the old part)

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

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

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

#### 4. 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 – 31 Mar 2021	1 Jan – 31 Mar 2020	1 Jan – 31 Dec 2020
Rental income from operating leases with related party	852	850	2 835
Service income from related parties	63	61	225
	<b>915</b>	<b>911</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	197
Changes in Fair Value	-197
<b>Fair Value at March 31, 2020</b>	<b>65 914</b>

EUR thousand	Spa hotels
Fair value at April 1, 2020	65 914
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	94
Changes in Fair Value	-94
<b>Fair Value at March 31, 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	31 Mar 2021	31 Mar 2020	31 Dec 2020
Senior secured bond	49 686	49 194	49 616
<b>Total</b>	<b>49 686</b>	<b>49 194</b>	<b>49 616</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 of the reporting period. The amount of borrowings has been adjusted accordingly.

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

### *Collaterals and guarantees given*

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

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

The bonds are also secured by a 1st lien floating charge (in Finnish: yrityskiinnitys) registered on the Company's and Sunborn Saga's movable assets in accordance with the Floating Charge Act. Sunborn Saga's cash flows, as well as its bank accounts have been pledged and insurance proceeds are assigned to bond holders as security of the bonds.

Moreover, the shareholders have pledged shares in the Company and Sunborn Oy has pledged Sunborn Saga Oy shares to secure the repayment of the bonds. Owners have pledged lease receivables which they have from Sunborn Saga. The financial covenant is further described below.

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

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

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

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

## 7. Transactions with related parties

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

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

EUR thousand	1 Jan - 31 Mar 2021			31 Mar 2021	31 Mar 2021
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	852	20	-	3	18
Other related parties	-	43	-13	81	14
<b>Total</b>	<b>852</b>	<b>63</b>	<b>-13</b>	<b>84</b>	<b>32</b>

EUR thousand	1 Jan - 31 Mar 2020			31 Mar 2020	31 Mar 2020
	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	850	20	-	-	22
Other related parties	-	41	-15	4	15
<b>Total</b>	<b>850</b>	<b>61</b>	<b>-15</b>	<b>4</b>	<b>37</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 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 - 31 March 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.-31.3.2021	1.1.-31.3.2020	1.1.-31.12.2020
TURNOVER	3 201	4 799	18 454
Other income from business operations	621	48	948
Materials and services			
Purchases during the financial period	-423	-633	-2 718
Change in inventories	-27	-23	-39
External services	-101	-307	-834
	-550	-963	-3 591
Personnel expenses			
Wages and salaries	-1 433	-1 841	-6 063
Mandatory pension costs	-175	-223	-876
Other social security costs	-51	-44	-197
	-1 659	-2 109	-7 135
Other operating charges	-1 476	-1 863	-5 837
Rents paid to Sunborn Finance Oy	-852	-858	-2 835
Administrative expenses paid to Sunborn Oy	-141	-151	-605
	=====	=====	=====
EBITDA	-858	-1 097	-601
Depreciation			
Depreciation according to the plan	-136	-148	-589
Financial income and expenses			
Interest income and financial income	0	0	0
Interest expenses and financial expenses	-18	0	-67
	-18	0	-66
	=====	=====	=====
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES	-1 012	-1 245	-1 257
Adjustment items			
Group contribution received(+)/ paid(-)	0	0	1 300
Income taxes	0	-1	-8
	=====	=====	=====
RESULT FOR THE PERIOD	-1 012	-1 246	35

### SUNBORN SAGA OY BALANCE SHEET, tEUR

	31.03.2021	31.03.2020		31.12.2020		
<b>ASSETS</b>						
<b>FIXED ASSETS</b>						
Intangible assets						
Intangible rights	171		63		182	
Other capitalised long term expenditure	951	1 123	1 330	1 393	1 038	1 220
Tangible assets						
Machinery and equipment	480		529		477	
Advance payments	55	535	141	670	55	531
Investments						
Other shares and similar rights of ownership		0		0		0
<b>CURRENT ASSETS</b>						
Inventories						
Raw materials and supplies	125		152		152	
Goods	166	291	182	334	166	317
Receivables						
Non-current receivables						
Receivables from group companies		6 622		5 126		6 637
Current receivables						
Receivables from group companies	44		46		114	
Accounts receivable	910		771		589	
Other receivables	59		46		42	
Prepaid expenses and accrued income	729	1 742	58	921	455	1 201
Cash and bank receivables		899		496		2 823
<b>TOTAL ASSETS</b>		<b>11 212</b>		<b>8 940</b>		<b>12 729</b>
<b>LIABILITIES</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	-1 012	-684	-1 246	-953	35	328
<b>LIABILITIES</b>						
Non-current liabilities						
Borrowings	2 100				2 100	
Other liabilities	4 836	6 936	4 789	4 789	4 681	6 781
Current liabilities						
Debt to group companies	-41		37		26	
Borrowings	600				600	
Short-term advance payments	2 386		2 050		2 600	
Short-term accounts payable	678		1 517		954	
Other liabilities	172		165		151	
Accrued liabilities and deferred income	1 166	4 960	1 335	5 105	1 290	5 621
<b>TOTAL LIABILITIES</b>		<b>11 212</b>		<b>8 940</b>		<b>12 729</b>

## SUNBORN SAGA OY CASH FLOW STATEMENT, tEUR

1.1.-31.3.2021 1.1.-31.3.2020 1.1.-31.12.2020

Cash flow from operations			
Profit before adjustment items and taxes	-1 012	-1 245	-1 257
Depreciation and amortization	136	148	589
Income taxes	0	-1	-8
Change in current receivables	-541	625	345
Change in inventories	27	23	39
Change in current non-interest-bearing liabilities	-661	-688	-172
<b>Cash flow from operations (A)</b>	<b>-2 052</b>	<b>-1 138</b>	<b>-463</b>
Investing activities			
Change in tangible and intangible assets	-42	-154	-284
<b>Cash flow from investing activities (B)</b>	<b>-42</b>	<b>-154</b>	<b>-284</b>
Financing activities			
Change in non-current receivables	15	-65	-1 576
Change in long-term borrowings	155	155	2 147
Group contribution	0	0	1 300
<b>Cash flow from financing activities (C)</b>	<b>170</b>	<b>90</b>	<b>1 871</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>-1 924</b>	<b>-1 202</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	899	496	2 823