Sunborn Finance Oyj
SPECIAL PURPOSE FINANCIAL STATEMENTS
for the 10-month period ended 31 October 2017 and
for the 12-month period ended 31 December 2016

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STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1 Jan - 31 Oct 2017	1 Jan - 31 Dec 2016
Revenue	5, 13	2 871	3 460
Changes in fair value of investment property	8	-622	-622
Personnel expenses	6	-86	-117
Operating expenses	6	-333	-339
Operating profit		**1 830**	**2 381**
Interest expenses on borrowings	11	-5 971	-
Profit before taxes		**-4 140**	**2 381**
Income tax expense	7	-	-83
Change in deferred tax	7,9	370	-394
Profit for the period		**-3 770**	**1 905**
Total comprehensive income for the period		**-3 770**	**1 905**

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

BALANCE SHEET

EUR thousand	Note	31 Oct 2017	31 Dec 2016	1 Jan 2016
Assets				
Non-current assets				
Investment property	8	63 500	63 500	63 500
Total non-current assets		**63 500**	**63 500**	**63 500**
Current assets				
Receivables from related party	4,13	601	285	563
Total current assets		**601**	**285**	**563**
Total assets		**64 101**	**63 785**	**64 063**

EUR thousand	Note	31 Oct 2017	31 Dec 2016	1 Jan 2016
Equity and liabilities				
Invested equity	10	10 192	12 642	55 163
Total equity		10 192	12 642	55 163
Liabilities				
Non-current liabilities				
Borrowings	11	-	41 332	-
Deferred income tax liabilities	9	8 595	8 965	8 572
Total non-current liabilities		**8 595**	**50 297**	**8 572**
Current liabilities				
Borrowings	11	44 379	-	-
Trade and other payables	11	313	34	18
Payables to related party	12	622	812	311
Total current liabilities		**45 314**	**846**	**329**
Total liabilities		**53 909**	**51 143**	**8 900**
Total equity and liabilities		**64 101**	**63 785**	**64 063**

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

STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Invested equity	Total equity
Equity at 1.1.2016		55 163	**55 163**
Profit for the period		1 905	**1 905**
Total comprehensive income		1 905	**1 905**
Equity transactions with Sunborn Oy	9	-44 426	**-44 426**
Total contributions by and distributions with Sunborn Oy, recognised directly in equity		-44 426	**-44 426**
Equity at 31.12.2016		**12 642**	**12 642**
Equity at 1.1.2017		12 642	**12 642**
Profit for the period		-3 770	**-3 770**
Total comprehensive income		-3 770	**-3 770**
Equity transactions with Sunborn Oy	9	1 320	**1 320**
Total contributions by and distributions with Sunborn Oy, recognised directly in equity		1 320	**1 320**
Equity at 31.10.2017		**10 192**	**10 192**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

EUR thousand	Note	1 Jan - 31 Oct 2017	1 Jan - 31 Dec 2016
Cash flows from operating activities			
Profit before tax		-4 140	2 381
Change in fair value of investment property	8	622	622
Interest expenses on borrowings	11	5 971	-
Change of working capital			
Change in trade and other receivables	3,13	285	278
Change in trade and other payables	13	-212	206
Net cash flows from operating activities		**2 526**	**3 488**
Cash used in investing activities			
Capital Expenditure			
Net cash flows used in investing activities		**0**	**0**
Cash flows from financing activities			
Proceeds from borrowings		-	42 500
Contribution from/to Sunborn Oy		272	-44 995
Transaction costs paid		-175	-993
Interest paid		-2 623	-
Net cash flows from financing activities		**-2 526**	**-3 488**
Cash and cash equivalents at the beginning of period		-	-
Change in cash and cash equivalents		-	-
Cash and cash equivalents at the end of period		-	-

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

NOTES TO THE FINANCIAL STATEMENTS

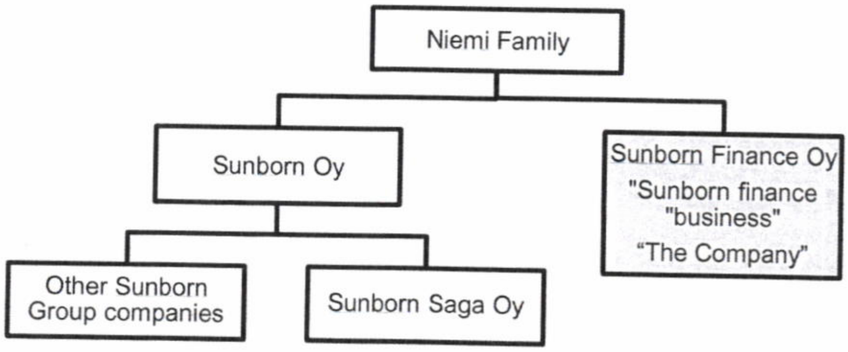
1. General information

Sunborn Finance Oyj is a public limited liability company ("the Company", "Sunborn Finance" or "Sunborn Finance Oyj") 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% ownership 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 Oy prior to the partial demerger) and Sunborn Saga. Sunborn Finance provides also property management and IT support services and has four employees as at beginning of the year 2018. 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"). Sunborn Finance did not have any subsidiaries during the periods presented. The Company has also acquired a dormant subsidiary in December 2018 for administrative purposes.

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.

Sunborn companies and Sunborn Finance owned by Niemi family in 2017 and 2016:



The copies of the Company's special purpose financial statements are available at Juhana Herttuan puistokatu 23, Turku, Finland.

These special purpose financial statements have been prepared for the inclusion in the prospectus in connection with the admission to listing of Sunborn Finance's senior secured bonds ("the bond"), drawn on February 8, 2018, to the regulated market on Nasdaq Helsinki Ltd.

The financial information presented in these special purpose financial statements for the 10 month period ended October 31, 2017 and the 12 month period ended December 31, 2016 are based on carve-out figures. The carve-out financial information presented in these special purpose financial statements reflects the financial performance of the business related to the properties of Naantali Spa and the new part of Ruissalo Spa within Sunborn Oy ("Sunborn Finance business"). Accordingly, the financial information for the periods before November 1, 2017 (date of the partial demerger) are based on carve-out financial information of Sunborn Finance business of Sunborn Oy.

These special purpose financial statements are not the statutory financial statements of Sunborn Finance Oyj and they do not include the report of the Board of Directors. First statutory consolidated financial statements for the Company will be prepared for the fourteen month period ended December 31, 2018 in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors of Sunborn Finance Oyj has authorised these special purpose financial statements for issue on January 28, 2019.

The special purpose financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

2. Summary of significant accounting policies

Basis of preparation

These special purpose financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per October 31, 2017. In connection with the adoption of IFRS, the Company has early adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*. International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the special purpose financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

The Company publishes the first financial statements prepared under IFRS standards for the ten-month period ended October 31, 2017 with comparative information for the twelve-month period ended December 31, 2016. The Company applies in these financial statements IFRS 1 *First-time adoption of International Financial Reporting Standards* standard as of January 1, 2016. As the Company was established through a partial demerger on November 1, 2017, it did not previously prepare financial statements. Accordingly, the requirement to present reconciliation between the previous applied accounting principles and IFRS are not applicable to the Company that would otherwise be required under IFRS 1.

The investment property is measured at fair value. Measurement bases for other items are disclosed in connection with relevant accounting policies.

Preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements are presented in thousands of euros unless otherwise stated.

Basis of accounting for the carve-out financial information

The financial information of Sunborn Finance for the 12 month period ended December 31, 2016 and for the ten month period ended October 31, 2017 has been prepared on a carve-out basis from Sunborn Oy's standalone financial statements, which comply with Finnish Accounting Standards ("FAS"), comprising the historical income and expenses, assets and liabilities and cash flows attributable to the Sunborn Finance business and adjusted to comply with IFRS as adopted by the EU. As IFRS does not provide guidance for the preparation of carve-out financial statements, certain accounting conventions commonly used for the preparation of historical financial information have been applied in preparing the carve-out financial statements for the 12 month period ended December 31, 2016 and for the ten month period ended October 31, 2017. The application of these carve-out conventions has been described below.

The carve-out financial information may not be indicative of the Company's future performance and it does not necessarily reflect what its results of operations, financial position and cash flows would have been, had Sunborn Finance Oyj operated as an independent company and had it presented stand-alone financial statements during the periods presented.

The following summarises the main carve-out adjustments and allocations made in preparing the carve-out financial statements. Management of the Company considers that the allocations described below have been made on a reasonable basis, but are not necessary indicative of the costs that would have been incurred if Sunborn Finance had been independent company.

Related party transactions

Transactions with Sunborn Group, Niemi Family and Sunborn Finance business have been treated as related party transactions. All intercompany receivables and liabilities and income and expenses of Sunborn Group with the counterparty of Sunborn Finance business have been allocated to the Company.

Invested equity

Sunborn Finance Oyj did not before the partial demerger form a separate legal entity and accordingly it is not conceivable to present share capital separately from other equity balances including reserves. The Company's net assets as at December 31, 2016 and prior to the partial demerger as at 31 October 2017 are represented by capital invested in Sunborn Finance business and shown in the carve-out financial statements as "invested equity". Changes in net assets allocated to Sunborn Finance business are presented separately in the statement of changes in invested equity through line "Equity transactions with Sunborn Oy" and in the statement of cash flows under "Contribution from/to Sunborn Oy" reflecting the internal financing between Sunborn Finance business and Sunborn Oy during the periods presented.

Cash Management and Financing

The working capital needs of Sunborn Finance business were financed through Sunborn Oy before the partial demerger. Also the cash inflows related to Sunborn Finance business were paid to the bank accounts of Sunborn Oy. Movements related to the Sunborn Finance business in those bank accounts are presented separately in the statement of changes in invested equity through line "Equity transactions with Sunborn Oy".

The external debt financing and related interest expenses of the demerging Sunborn Oy that were directly attributable to Sunborn Finance business were included in the carve-out financial information. The bridge loan facility was provided to the Company for the purpose of facilitating and arranging the bond issue and as such formed a part of the bond issuance process. The Spa hotels were pledged as guarantees for the bridge loan facility. The bridge financing was transferred to the Company in the partial demerger and is presented as "borrowings" on the balance sheet.

Centrally provided services

Sunborn Oy has provided property management and IT support services during the periods presented for Sunborn group companies. The income and expenses of Sunborn Oy have been allocated based on the employees transferred to Sunborn Finance in the partial demerger.

Leases

In the carve-out financial statements the non-cancellable operating lease allocated to Sunborn Finance business include the lease agreement related to the hotels between Sunborn Oy and Sunborn Saga and the land lease agreement between Sunborn Oy and city of Naantali. The minimum lease payments of these non-cancellable lease agreements of Sunborn Oy presented in the carve-out financial statements is equivalent with the minimum lease payments of the corresponding external lease agreements made by Sunborn Oy.

Income Tax

While Sunborn Finance business was part of Sunborn Oy, they operated as one tax payer. The taxes allocated to Sunborn Finance business from the demerging Sunborn Oy have been calculated as Sunborn Finance business had been a separate taxpayer. Therefore, the income tax for the carve out periods is the amount of tax payable or refundable based on the Company's hypothetical tax returns, and it is presented as current tax expense in the income statement. In the balance sheet these tax entries are presented as transactions through invested equity because any payable or refundable taxes will not arise to Sunborn Finance Oyj due to these hypothetical taxes. Deferred taxes on temporary differences are recognised where such temporary differences exist.

Evaluation of the future impact of new standards and interpretations

Certain new or revised standards and interpretations have been issued that are not yet effective or early adopted by the Company. The most significant one to the Company is IFRS 16 *Leases.* The Company will adopt the standard in its financial statements for the period beginning on 1 January 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Company expects to use the simplified retrospective method for the adoption of the standard.

The land leases for Naantali Spa hotel from the city of Naantali are only lease agreements where the Company acts as lessee. These have been accounted for operating lease under IAS 17. As at October 31, 2017, the Company's non-cancellable lease payments related to the lease amounted to EUR 1,6 million. For these leases, the Company estimates to recognise a lease liability of approximately EUR 0,6 million on 1 January 2019. The Right-of-Use asset will be classified as investment property and measured using fair value model, as it is further subleased to Sunborn Saga under a 10 year long lease contract.

The lease contracts where the Company acts as lessor, will continue to be accounted for as operating leases and there are not expected to be any material changes.

Other issued new standards or amendments are not expected to have a material impact on the Company's financial statements when they are adopted.

Investment property

Owned property that is held to earn rental are classified as investment property.

The Company presents as investment property its investment in spa hotels (Naantali and Ruissalo Spas). The spa hotels are leased out to Sunborn Saga (related party) that operates the spa hotels.

Investment property is measured initially at its cost. Directly attributable transaction costs are included in the initial measurement. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at fair value. Valuations are performed as of the financial reporting date by professional, external valuers who hold recognised and relevant professional qualifications. These valuations form the basis for the carrying amounts in the financial statements. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. The current use of the investment property equates to the highest and best use.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

Leases

Company as lessee

Company leases the land area for Naantali Spa hotel from the city of Naantali under a lease contract, which ends in 2055, and the water area under a contract which ends in 2035. The contracts are classified as operating leases, because the significant portion of the risks and rewards of ownership remain with the city of Naantali. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Company as lessor

The Company leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga. The lease contract is between Sunborn Oy and Sunborn Saga. A new 10-year contract between the Company and Sunborn Saga were signed in connection with the demerger on November 1, 2017. The lease contracts are treated as operating leases, and the lease income from these contracts is recognised as income on a straight line basis over the lease term. The respective leased assets are shown as Investment Property on the balance sheet and measured at fair value.

Revenue recognition

Lease income generated from operating leases is recognised as revenue on a straight line basis over the lease term. Revenue from providing services property management and IT support services is recognised over time in the accounting period in which the services are rendered. The customers for such services receive and use benefits simultaneously.

Employee benefit expenses

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Financial assets at amortised cost

The Company classifies all its financial assets as at amortised cost. The Company's financial assets comprise lease receivables and are held within a business model whose objective is to collect the contractual cash flows, and the financial assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

Receivables are included in current assets. Receivables are recognised initially at fair value. They are subsequently carried at amortised cost less provision for impairment. Receivables are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company transfers the financial asset or the group of financial assets in question.

Impairment of financial assets at amortised cost

The Company uses expected loss model to assess the impairment of the financial assets. The Company's receivables comprises lease receivables from Sunborn Saga. The Company has assessed that the impairment calculated under the expected loss model is not material.

Financial liabilities

Financial liabilities of the Company consist of borrowings and accounts payable. Financial liabilities are recognised initially at fair value, net of transaction costs incurred. A financial liability is derecognized when it is extinguished – that is when the obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Borrowings

Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as interest expense over the period of the borrowings using the effective interest method.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable are measured at amortised cost.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Finland, the country where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Company's revenue is mainly generated from owning and leasing the Spa hotels. The chief operating decision maker is determined as the Board of Directors of the Company who monitor the result of the Company at Company level based on revenue less operating expenses and fair value changes of investment property. The Company operates and all its assets are located in Finland.

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 Company applies fair value model to its investment property as explained in the accounting policies. 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 the 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 Company'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 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.

Main inputs in the fair valuation model are:

Input	**Value 31 Oct 2017**		**Value 31 Dec 2016**		**Value 1 Jan 2016**	
	Naantali	**Ruissalo**	**Naantali**	**Ruissalo**	**Naantali**	**Ruissalo**
Fair value (mEUR)	54,0	9,5	54,0	9,5	54,0	9,5
Yield	7,5 %	8 %	7,5 %	8 %	7,5 %	8 %
Net yearly income	EUR 3,9 million	EUR 2,3 million	EUR 3,9 million	EUR 2,3 million	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 8,2 million – 10,8 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.

4. Financial risk management

The Company´s financial risks related to business are interest rate risk, credit risk, liquidity risk and refinancing risk. 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 reviews financial risks on regular basis to manage the financial risk position and decide on necessary actions.

Interest rate risk

The interest rate of the Company's borrowings during the periods presented is bound to Euribor but have a floor of 1 percentage point. In practice, due to the low interest rate levels, the Company has paid the floor interest and in substance the interest rate has been fixed. Had the Euribor been 50 basis points higher or lower during the periods presented, that would not have had any impact on the interest expense.

Credit risk

Credit risk is the risk that the other party to the Company's financial assets will cause a financial loss for the Company by failing to discharge an obligation. The Company's financial assets consist mainly of lease receivables from Sunborn Saga. Sunborn Saga is a long term lessor of the Spa hotels and the Company has historically not generated any credit losses from the lease receivables. The Company has assessed that the impairment loss calculated under the expected loss model is not material. At the balance sheet dates, there were receivables that were past due because Sunborn Saga and the Company agreed that the renovation and construction works done by Sunborn Saga were settled by the Company in accordance with the lease contract by offsetting them against the lease receivables by year-end 2017 and 2016.

The table below shows the maturity analysis of the receivables:

	31 Oct 2017	31 Dec 2016	1 Jan 2016
Not past due	308	285	285
1-30 days past due	285	0	278
31-90 days past due	7	-	-

Liquidity risk and refinancing risk

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the Company's business needs or high extra costs are incurred for arranging them. Refinancing risk is the risk that refinancing of the existing borrowings and/or rising new funding will not be available, or is available at high price.

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of adequate funding. In the long–run the principal source of liquidity is expected to be the cash flow generated by the lease agreement. The Company's liquidity position is monitored by the management of the Company.

The business related to the Spa hotels is estimated to be profitable and the non-cancellable lease term in accordance with the lease agreement between Sunborn Saga and Sunborn Finance is for 10 years as at November 1, 2017. Since the companies are under the same ownership, it is unlikely that the contract would not be extended after the expiration date.

A summary table with maturity of the financial liabilities is presented below. The amounts disclosed in the tables below are the contractual undiscounted cash flows including the interest payments. The interest payments are calculated based on the interest rate level at the balance sheet dates. The borrowings during the years presented consists of bridge financing (bridge loan facility) which was withdrawn when the Company started the process of issuing bonds in year 2016. The bridge financing was reclassified from long term to short term in 2017, because the borrowings were going to be repaid in 2018 with the proceeds to be received from the issuance of the bonds.

31 Oct 2017

EUR thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Financial facility	46 822				46 822
Trade and other payable	935				935
Total	47 757	0	0	0	**47 757**

31 Dec 2016

EUR thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Financial facility	5 021	44 412			49 433
Trade and other payable	846				846
Total	5 867	44 412	0	0	**50 279**

1 Dec 2016

EUR thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Trade and other payable	326				326
Total	326	0	0	0	**326**

Refinancing risk is managed by securing the refinancing early enough. Management believes that the committed, long term lease contract of the Spa hotels with Sunborn Saga safeguards the Company's ability to obtain long term financing. After the reporting period, as at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million to certain qualified institutional investors to finance all existing debt. See more in note 13, Events after the balance sheet date. The committed lease contract period continues after the maturity of the bonds issued after the balance sheet date for approximately 5 more years.

Capital management

Capital of the Company as monitored by the management consists of borrowings and equity as shown in the balance sheet. The terms of the bridge facility shown in the borrowings contain covenants related to Sunborn Saga Capex and Ebitda levels and loan to value covenant which is based on the fair value of the Spa Hotels. The covenants have all been met. Sunborn Saga has guaranteed the bridge loan facility. In addition, the Spa hotels were pledged as guarantees for the loan.

Capital management is based on the evaluation of essential risks concerning the Company. Capital of the Company is managed by equity instalments between Sunborn Oy and Sunborn Finance business. In accordance with the terms of the borrowings, the Company is not allowed to raise external debt without permission from the lender of the bridge loan facility. The bridge loan facility was refinanced with the bond financing on February 9, 2018. The bridge loan facility was provided to the Company for the purpose of facilitating and arranging the bond issue and as such formed a part of the bond issuance process. Covenants related to the bond financing and other terms and conditions are disclosed in note 13, Events after the balance sheet date.

5. Revenue

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

EUR thousand	1 Jan – 31 Oct 2017	1 Jan - 31 Dec 2016
Rental income from operating lease with Sunborn Saga, related party	2 782	3 338
Service income from related parties	89	122
Total revenue	**2 871**	**3 460**

6. Personnel and operating expenses

Personnel expenses relate to the personnel costs allocated to Sunborn Finance for the two employees providing property management and IT support services to Sunborn group.

Operating expenses are presented in the table below:

EUR thousand	**1 Jan - 31 Oct 2017**	**1 Jan - 31 Dec 2016**
Property tax	204	205
Land lease	38	44
Insurance	49	59
Professional services	41	29
Administrative expenses	1	3
Total	**333**	**339**

Auditors' fees:

EUR thousand	**1 Jan - 31 Oct 2017**	**1 Jan - 31 Dec 2016**
Statutory fees	6	8
Other services	5	2
Total	**11**	**10**

7. Income tax expense

The effective tax rate in 2017 was 8,9 % and in 2016 20 %. The difference between the Finnish tax rate (20%) and the effective tax rate in 2017 are due to the losses for which deferred tax has not been recognised, due to the uncertainty in the tax position after the partial demerger.

Tax reconciliation	**1 Jan - 31 Oct 2017**	**1 Jan - 31 Dec 2016**
Result before tax	-4 140	2 381
Tax calculated using Finnish tax rate (20%)	828	-476
Tax for losses not recognized	-458	-
Tax recognized in profit loss	370	-476

The Company is in process of discussing the deductibility of losses of Sunborn Oy and how they are allocated between the Company and Sunborn in the partial demerger. Because of the final decision from the tax authorities is pending, no deferred tax assets or losses have been booked.

8. Investment property

The Company 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 at the date of transition to IFRS was approximately 63.5 million EUR. After that, there has not been material change to the fair values. The fair value measurement is based on non-observable inputs and accordingly, is classified in Level 3 in the fair value hierarchy.

The carrying value of the Investment property has changed as follows:

EUR thousand	**Spa hotels**
Fair value at January 1, 2016	63 500
Additions (resulting from subsequent expenditure)	622
Changes in fair value	-622
Fair value at December 31, 2016	**63 500**

EUR thousand	**Spa hotels**
Fair value at January 1, 2017	63 500
Additions (resulting from subsequent expenditure)	622
Changes in fair value	-622
Fair value at October 31, 2017	**63 500**

Rental income and direct operating expenses related to the Spa hotels recognised in the comprehensive income statement are as follows:

EUR thousand	**1 Jan - 31 Oct 2017**	**1 Jan - 31 Dec 2016**
Rental income	2 782	3 338
Direct operating expenses from property that generated rental income	333	339

Naantali Spa is located on a land owned by the city of Naantali and leased to the Company under a long-term lease contract. Ruissalo Spa is located on a land that is leased by the Niemi Family from city of Turku.

9. Deferred income tax

EUR thousand	**Difference between fair value and tax value of investment property**	**Borrowings**	**Other**	**Total**
Deferred tax assets:				
At January 1, 2016	-	-	-	-
Recognized in income statement	-	-	-	-
Recognized in equity				
Book value at December 31, 2016	0	0	0	0

Deferred tax liabilities:				
At January 1, 2016	8 572	-	-	8 572
Recognized in income statement	160	234	-	394
Recognized in equity				
Book value at December 31, 2016	8 732	234	0	8 965
Deferred tax assets and liabilities, net December 31, 2016	**8 732**	**234**	**0**	**8 965**
Deferred tax assets:				
At January 1, 2017	-	-	-	-
Recognized in income statement	-	-121	-16	-137
Recognized in equity				
Book value at October 31, 2017	0	-121	-16	-137
Deferred tax liabilities:				
At January 1, 2017	8 732	234	-	8 965
Recognized in income statement	-	-234	-	-234
Recognized in equity	-	-	-	
Book value at October 31, 2017	8 732	0	0	8 731
Deferred tax assets and liabilities, net October 31, 2017	**8 732**	**-121**	**-16**	**8 595**

Deferred tax assets and liabilities have been offset in the balance sheet.

10. Equity

Sunborn Finance Oyj was established in the partial demerger of Sunborn Oy on November 1, 2017. Thus, it is not possible to present share capital or an analysis of equity reserves for the ten-month financial period ended 31 October 2017 or the 12 month period ended December 31, 2016 prior to the consummation of the partial demerger. The net assets of Sunborn Finance business are represented by capital invested in Sunborn Finance, presented under "invested equity" on the balance sheet prior to the partial demerger. The main change presented in invested equity for the 12 month period ended December 31, 2016 relates to the drawdown of the bridge loan facility, which was paid to Sunborn Oy's bank accounts and used to refinance Sunborn Oy's external financing, see section 11. Borrowings for more information.

11. Borrowings and trade and other payables

EUR thousand	31 Oct 2017	31 Dec 2016	1 Jan 2016
Bank loan – bridge facility	44 379	41 332	
Total	**44 379**	**41 332**	**0**

During the periods presented, the Company had bridge financing, which was withdrawn on December 28, 2016 in connection with the initiation of the issuance of the bonds. The bridge financing enabled bond issuance procedures for the Company. Proceeds from the bridge financing were used to refinance Sunborn Oy's capital needs and to finance the Company's day to day operations. The loan carries contractual interest consisting of cash interest of 7,0 % plus 3-month Euribor (min 1,0 %) and capitalized interest 3,5 % calculated on the loan capital. The interest expenses on borrowings calculated using effective interest method were 5 971 thousand. EUR 1 274 thousand were capitalised during the year. The capitalized interest and an exit fee of 3 % (EUR 1 320 thousand) on loan capital was paid together with the repayment of the capital of the loan after the end of the reporting period in 2018 when the bond was issued. The covenants of the bridge financing mainly related to Sunborn Oy's and Sunborn Saga's assets and shares. The Spa hotels were pledged as guarantees for the loan. The loan was transferred to the Company in the partial demerger as at November 1, 2017.

The fair value of the facility approximates the book value as it was withdrawn on December 31, 2016 and as of October 31, 2017 it had been outstanding for less than a year.

Changes in liabilities from financing activities:

EUR thousand	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
Liabilities as at January 1 2016			
Cash inflows	-	41 507	41 507
Other changes	-	-175	-175
Liabilities as at December 31 2016	-	**41 332**	**41 332**
Liabilities as at January 1 2017			
Cash inflows		41 332	41 332
Accumulated interest	3 047		3 047
Other changes	41 332	-41 332	0
Liabilities as at October 31 2017	**44 379**	**0**	**44 379**

Trade and other payables

The line item Trade and other payables includes EUR 301 thousand of accrued interest and 12 payroll related accruals as at October 31, 2017, EUR 10 thousand of trade payables and EUR 24 thousand payroll related accruals as at 31 December 2016 and EUR 18 payroll related accruals as at 1 January 2016. For the payables to related parties, see Section 13 Related parties.

12. Operating lease commitments

Future minimum lease payments from the land lease contracts between the Company and the city of Naantali are as follows:

EUR thousand	**31 Oct 2017**	**31 Dec 2016**
No later than 1 year	46	45
Later than 1 year and no later than 5 years	184	184
Later than 5 years	1 396	1 443
Total	**1 626**	**1 672**

13. Related parties

Transactions with related parties

The Company is owned by Niemi Family. Company's related parties are entities under the 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.

EUR thousand	1 Jan - 31 Oct 2017 Rental income from the operating lease	Service income	Purchases	31 Oct 2017 Receivables	31 Oct 2017 Payables
Sunborn Saga Oy	2 782	61	-622	601	622
Other group companies	-	28	-	-	-
Total	**2 782**	**89**	**-622**	**601**	**622**

EUR thousand	1 Jan - 31 Dec 2016 Rental income from the operating lease	Service income	Purchases	31 Dec 2016 Receivables	31 Dec 2016 Payables
Sunborn Saga Oy	3 338	69	-622	285	812
Other group companies	-	53	-	-	-
Total	**3 338**	**122**	**-622**	**285**	**812**

EUR thousand	1 Jan 2016 Receivables	1 Jan 2016 Payables
Sunborn Saga Oy	563	311
Total	**563**	**311**

The revenue of the Company arises mainly from a lease contract related to the Spa hotels which have been leased to Sunborn Saga. Relationships between the Company and other Niemi family owned companies are presented in the flowchart in Note 1.

A new 10-year lease contract for the Spa hotels was signed between Sunborn Saga and the Company as at November 1, 2018. The old lease contracts were cancellable by both parties with 3 and 6 months' term of notice for Ruissalo and Naantali spas respectively. The rent in the contracts is set at market level. Purchases are related to renovations and investments paid by Sunborn Saga on behalf of the Company.

The following represents the maturity analysis of the lease payments by Sunborn Saga under the new lease contract as of October 31, 2017:

EUR thousand	31 Oct 2017
No later than 1 year	3 338
Later than 1 year and no later than 5 years	13 352
Later than 5 years	16 689
Total	**33 378**

Sunborn Saga and Sunborn Oy have guaranteed the senior unsecured bonds of the Company which were issued after the end of the reporting periods. Detailed information on the guarantee is described in note 14 Events after the balance sheet date.

14. Events after the balance sheet date

Share Capital and subsidiary

Sunborn Finance Oy was established through a partial demerger from Sunborn Oy on November 1, 2017. The share capital was increased by 2,5 thousand from the reserve of invested unrestricted equity. Number of the shares has been 400 shares since the establishment of the Company and the Company has two classes of shares. A shares have 20 votes per share and B shares have one vote per share, otherwise the terms are the same. Shares have no nominal value. The Company has not distributed any dividend and the bond agreement sets restrictions for distribution of dividend.

Sunborn Finance Oy decided to change the legal form of the Company from private limited company to public limited liability company in December 2018. At the same time, the Company decided to increase the share capital of the Company to meet the requirements of a public limited liability company under Finnish Companies Act (624/2006). 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.

As at 27 December Sunborn Finance Oy acquired dormant subsidiary for administrative purposes thus became the parent company of the group.

Bond issue

As at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million to certain qualified institutional investors mainly to finance the existing debt. The remaining proceeds will be used for the future capital expenditure purposes.

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 5,45 %.

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 issuer 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 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. 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 the Sunborn Saga to generate EBITDA 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 that EUR 2,000 thousand and provided that it does not apply to any loans from the shareholders and Sunborn Saga fails to make a lease payment to the Issuer under the Lease Agreement.

Furthermore, while the Spa hotels were undergoing renovations for the period from the Company's establishment until December, 2018, the Company relied on the Sunborn Saga to manage and complete these major renovations. Accordingly, as of the Company's establishment and through Q3 2018, the Company has accrued and waived Sunborn Saga's requirement to make lease payments to the Company in light of Sunborn Saga extending its funds for purposes of this major renovation. Pursuant to the parties' agreement regarding this major renovation, the parties reconciled and set-off their respective payment obligations as of 30 September 2018, which set-off is in an amount equal to the amount due in lease payments as of same date. The set-off structure under FAS may not meet the IFRS requirements and accordingly, management decided to present the bonds as current borrowings as at 30 September 2018. In December 2018, the Company and Sunborn Saga have paid in full their respective amounts outstanding in respect of the set-off structure described including an amount that is also in compliance with the per annum minimum aggregate amount stated in the bonds' terms and conditions. Therefore the bonds are subsequently reclassified as long-term as at year-end 2018.

SIGNATURES FOR THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Turku, January 28, 2019

Ritva Niemi
Chairman of the Board

Pekka Niemi
Board member and Chief Executive Officer

Hans Niemi
Board member

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, January 28, 2019

PricewaterhouseCoopersOy
Authorized Public Accountant Firm

Kalle Laaksonen
Authorized Public Accountant