SUNBORN FINANCE

FINANCIAL STATEMENTS 2022
SUNBORN FINANCE OYJ

sunborn

CONTENTS

REPORT OF BOARD OF DIRECTORS 2022

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Revenue	3 802	3 856
Operating profit	2 875	2 862
Investment property (Spa hotels)	62 195	61 759
Total Equity	2 562	2 638
Borrowings	50 212	49 906

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Revenue	25 467	22 469
EBITDA before rent and group admin	4 602	4 715

General

Sunborn Finance Oyj ("the Company") was established 1 November, 2017 through a partial demerger of Sunborn Oy. The Company's operations consist of acting as a lessor of the spa hotels and providing property, facility and IT related services. During the financial year, Sunborn Finance had on average four employees. The Company operates only in Finland.

Sunborn Finance Oyj 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 Operator"). 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 218 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. Significant renovation was made in both spa hotels during recent years and renovations continue in 2023.

Financial summary 1 January - 31 December 2022

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 2022 was EUR 3.534 million (2021 EUR 3.479 million). Other revenues relate to IT and facility services income and cost support related to Covid-19 in 2021. Costs overall were in line with previous year.

According to December 2022 valuation reports, the value of the Spa hotels is at Naantali Spa EUR 52.6 million (+ 0.4 MEUR) and at Ruissalo Spa EUR 26.8 million (+ 0.1 MEUR) (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets). The effect of changes in fair value of investment is included in operating profit.

Business environment

The year started with threat of the Omicron variant remaining from Q4 2021. Continued inflationary pressure continues to effect energy expenditure and to increase cost of materials and labour.

Corporate business and rehabilitation of the Operator show signs of improvement, whereas individual customers continue to reduce consumption impacting food and beverage and treatment sales. The travelling industry must adapt at the same time as there is pressure to raise prices.

Customer satisfaction of the hotels continues to be good. Net promotion score is on a high level in both hotels and is expected to improve as the renovation program continues.

Notable events during and after the end of the reporting period

Renovations will continue in 2023. Refurbishment of 26 hotel rooms in Ruissalo commenced in January and is expected to be ready by early April. These rooms with Nordic design style will enable new segments, improve average room rate and increase customer satisfaction. This renovation will be followed by restaurant renovations in Naantali and adding a new junior suite in Ruissalo.

Estimated future development

Sunborn continuously strives to improve our environmental performance. The 3-year ESG strategy to achieve major reductions in energy consumption and carbon footprint is being implemented and investments are planned to begin in 2023. These investments are essential to ensure our continued excellent market position and standards.

The company foresees that 2023 will show improvement in Operator revenue and number of guests and that the spring season will be busy in both hotels.

Operator management will focus on increasing revenue and profitability, improving customer service and hotel property management system in 2023. At the same time the management will continue to keep emphasis on company responsibility program to strengthen our position as leader in reliable and responsible hospitality.

Short-term risks and uncertainties

The Company´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 and may negatively and materially impact Sunborn Finance Oyj liquidity.

In a written procedure initiated on 2 December 2022 and closed on 9th January 2023, a requisite majority of the holders of the Bonds gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. Management views the current market conditions to be less favourable but refinancing to be available subject to terms and conditions.

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.

Incidents relating to environmental or public health issues may cause the possible business interruptions of Operator. The war in Ukraine is not estimated to have a direct impact on the company's operations.

Company’s shares

Total number of Company´s shares is 400 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.

Corporate Governance

Sunborn Finance Oyj's ownership, corporate structure, operational activities and related party transactions are described in notes to the financial statements.

The governance of Sunborn Finance Oyj is based on the Finnish Limited Liability Companies Act and Sunborn Finance Oyj's articles of association. The Company's shares are not listed for public trading. Sunborn Finance Oyj has issued a secured bond that is listed by NASDAQ Helsinki Oy, and the Company complies with its rules and regulations for listed bonds, the Securities Markets Act as well as the Financial Supervisory Authority's regulations.

The Annual General Meeting is the highest decision-making body in Sunborn Finance Oyj, deciding on matters laid down in the Finnish Limited Liability Companies Act. The AGM is held once a year, in June at the latest, on a date determined by the Company's Board of Directors.

The Board of Directors of Sunborn Finance Oyj consists of three ordinary members, elected by the AGM for one year at a time. The Board of Directors decides on significant matters concerning the Company strategy, investments and finance. In the reporting period the Board had two meetings.

Members of the Board of Directors in 2022 were Ritva Niemi, Pekka Niemi and Hans Niemi. The Board of Directors did not receive remuneration. Sunborn Finance Oyj has no committees.

Sunborn Finance Oyj’s Board of Directors appoints the Chief Executive Officer. The CEO Hans Niemi is responsible for the Company's management, financial performance and organizing business operations and administration according to legislation as well as instructions and orders issued by the Board.

The Annual General Meeting elects the authorized public accountants until further notice. Sunborn Finance Oyj auditors are PricewaterhouseCoopers Oy with Kalle Laaksonen, APA, as principal auditor since 2017.

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that the funds are carried forward to retained earnings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Revenue	5, 13	3 802	3 856
Changes in fair value of investment property	9	-218	-377
Personnel expenses	6	-299	-249
Operating expenses	6	-410	-368
Operating profit		2 875	2 862
Interest expenses	7	-2 972	-2 797
Result before taxes		-97	65
Change in deferred tax	8	19	-13
Result for the period		-78	52
Total comprehensive income for the period		-78	52

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Assets			
Non-current assets			
Investment property	9	62 195	61 759
Total non-current assets		62 195	61 759
Current assets			
Receivables from related party	13	70	70
Other receivables		66	17
Cash and cash equivalents		859	676
Total current assets		995	763
Total assets		63 190	62 522

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Equity and liabilities			
Share capital	11	80	80
Reserve for invested unrestricted equity		6 638	6 638
Retained earnings		-4 156	-4 080
Total equity		2 562	2 638
Liabilities			
Non-current liabilities			
Borrowings	12	-	49 906
Lease liabilities	2	624	632
Deferred tax liabilities	10	8 626	8 645
Total non-current liabilities		9 250	59 183
Current liabilities			
Borrowings	12	50 212	-
Lease liabilities	2	8	8
Trade and other payables		193	262
Payables to related parties	13	404	10
Accrued expenses		562	421
Total current liabilities		51 379	700
Total liabilities		60 629	59 883
Total equity and liabilities		63 190	62 522

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
Equity at 1 Jan, 2021	80	6 638	-4 132	2 587
Result for the period	0	0	52	52
Equity at 31 Dec, 2021	80	6 638	-4 080	2 638
Equity at 1 Jan, 2022	80	6 638	-4 080	2 638
Result for the period	0	0	-78	-78
Equity at 31 Dec, 2022	80	6 638	-4 156	2 562

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

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Cash flows from operating activities			
Profit before tax		-97	65
Adjustments for			
Change in fair value of investment property	9	218	370
Interest expenses	7	2 972	2 797
Change of working capital			
Change in trade and other receivables		-49	-9
Change in trade and other payables		334	-136
Net cash flows from operating activities		**3 378**	**3 086**
Cash used in investing activities			
Additions to investment properties	9	-652	-311
Net cash flows used in investing activities		**-652**	**-311**
Cash flows used in financing activities			
Land lease agreement		-49	-71
Interest paid		-2 494	-2 459
Net cash flows used in financing activities		**-2 543**	**-2 530**
Cash and cash equivalents at the beginning of period		**676**	**430**
Change in cash and cash equivalents		**183**	**245**
Cash and cash equivalents at the end of period		**859**	**676**

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

NOTES TO THE FINANCIAL STATEMENTS (IFRS)

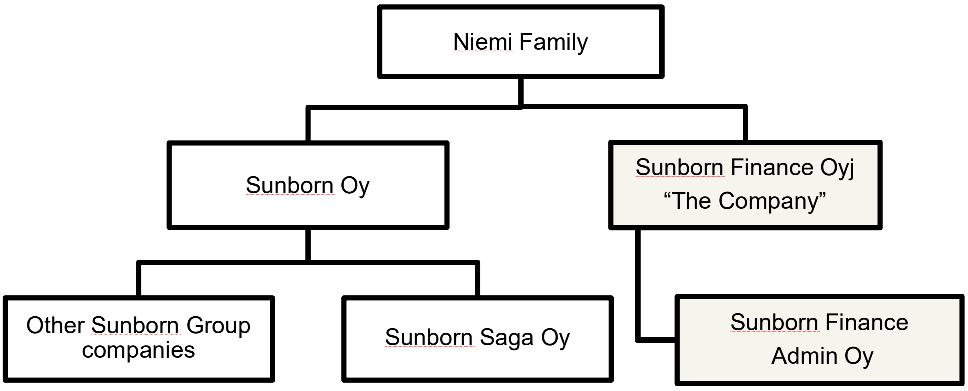
1. General information

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, 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", "operator"), 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.

Sunborn Finance is 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, UK, Gibraltar and Denmark, 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 Finance Oyj owns a dormant subsidiary for administrative purposes and is the parent company of the group ("Group"). The consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

Sunborn Finance ownership structure in 2022:



2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements of the Group 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 December 31, 2022.

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 consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards. There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

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

Preparation of consolidated 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 Group'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 consolidated 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.

Leases

Sunborn Finance as Lessor

The Group leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga, which is a related party of the Group. The 10-year lease contract is 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.

Sunborn Finance as Lessee

The Group 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.

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. The lease payments are classified in cash flow statement as lease liability repayments in cash flows from financing activities and interest expenses in operating activities.

Investment property

Owned property that is held to earn rental are classified as investment property. The Group 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 valuators 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 recognized in the income statement. Investment properties are derecognized when they have been disposed.

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 Group classifies all its financial assets as at amortised cost. The Group'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 and 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 Group transfers the financial asset or the group of financial assets in question.

Impairment of financial assets at amortised cost

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

Financial liabilities

Financial liabilities of the Group 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, is 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 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 group entities operate and generate taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 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 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 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 Group'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 Group at group level based on revenue less operating expenses and fair value changes of investment property. The Group operates and all its assets are 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 Group applies fair value model to its investment property as explained in the accounting policies. 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.

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

	Value 31 Dec 2022		Value 31 Dec 2021	
Input	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.6	8.9	52.2	8.9
Yield / NOI II	7.35 % / 7.68 %	7.90 % / 8.40 %	7.35 % / 5.67 %	7.85 % / 6.18 %
Net yearly income	EUR 4.1 million	EUR 2.3 million (includes also the old part)	EUR 2.9 million	EUR 1.6 million (includes also the old part)

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

Comparable figures, especially yearly revenues and yield/NOI II in 2021, reflected the impact of Covid-19 pandemic.

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. Financial risk management

The Group´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 Group aims to protect the Group 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 3-month Euribor. The nominal value of the bonds is EUR 50.0 million in total and they carry interest at rate of 6.59 % as at December 31, 2022 consisting of margin of 4.85 % plus 3-month Euribor at 1.74 %. Cash and cash equivalents do not carry significant interest.

If the Euribor had increased 100 basis points higher or lower during the periods presented, that would have had EUR 0.5 million impact on the interest expense or interest income. The management of the Company monitors changes in the interest rate level and its possible impact on future cash outflows. The need for any hedging activity is assessed continuously.

Credit risk

Credit risk is the risk that the other party to the Group's financial assets will cause a financial loss for the Company by failing to discharge an obligation. The Group's financial assets consist mainly of lease receivables from Sunborn Saga. Sunborn Saga is a long term lessor of the Spa hotels and the Group has historically not generated any credit losses from the lease receivables. The Group has assessed that the impairment loss calculated under the expected loss model is not material.

Cash and cash equivalents are held in reputable Nordic banks, whose credit ratings are strong. While cash and cash equivalents are also subject to the same impairment requirements as other receivables, the management has assessed that the impairment loss for them is immaterial.

Liquidity risk and refinancing risk

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the Group'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 at inception of the contract 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.

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. The bonds mature on 9 February 2023 and at the balance sheet date carry interest 4.85 % +3 months Euribor. In a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the bond holders gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. See more in note 12 Borrowings. The current property lease contract with operator continues for approximately 4 more years after the maturity of the bonds, however a 10 year extension is planned to be implemented prior to bond maturity.

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.

31 Dec 2022

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	47	94	94	936	1 171
Senior secured bond	50 250	-	-	-	50 250
Senior secured bond, interest payments	3 369	842	-	-	4 212
Trade and other payable	197	-	-	-	197
Total	53 863	936	94	936	**55 829**

31 Dec 2021

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	47	94	94	1 023	1 258
Senior secured bond	-	50 000	-	-	50 000
Senior secured bond, interest payments	2 459	620	-	-	3 078
Trade and other payable	272	-	-	-	272
Total	2 778	50 714	94	1 023	**54 608**

Refinancing risk is managed by securing the refinancing early enough. The Company's long-term financing is secured by bond financing, which matures in February 2024, as further described in note 12. Management believes that the committed, long term lease contract of the Spa hotels with Sunborn Saga safeguards the Group's ability to obtain long term financing.

Capital management

Capital of the Group as monitored by the management consists of borrowings and equity as shown in the balance sheet.

Capital management is based on the evaluation of essential risks concerning the Company. In accordance with the terms of the bond, the Company is not allowed to raise external debt without permission.

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 hotel calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company. The Company has not breached the covenant. Other covenants are disclosed in note 12.

5. 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 Dec 2022	1 Jan – 31 Dec 2021
Rental income from operating leases with related party	3 534	3 479
Service income from related parties	268	251
Other income – cost support	-	126
Total	3 802	3 856

6. Personnel and operating expenses

Personnel expenses relate to the personnel costs for the four employees providing property management and IT support services.

Personnel expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Salaries	252	208
Social security costs	5	5
Pension costs	42	35
Total	299	249

Operating expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Property tax	204	198
Insurance	76	69
Professional services	25	10
Administrative expenses	105	91
Total	410	368

Auditors' fees:

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Statutory fees	13	6

7. Finance expenses

Finance expenses consist of interest expenses as presented in the table below:

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Finance expenses:		
Interest expenses on borrowings	-2 932	-2 756
Interest expenses on lease liability	-39	-41
Total	-2 972	-2 797

8. Income tax expense

The effective tax rate in 2022 and 2021 was 20 %.

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Result before tax	-97	65
Tax calculated using Finnish tax rate (20 %)	19	-13
Tax recognized in profit loss	19	-13

9. 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 62.2 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, 2021. Refer to significant estimation and judgement as disclosed in note 3 above.

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

EUR thousand	Spa Hotels
Fair value at January 1, 2021	61 820
Additions	311
Changes in Fair Value	-370
Fair value at December 31, 2021	61 759
Fair value at January 1, 2021	61 820
Fair value at December 31, 2021	61 759

EUR thousand	Spa hotels
Fair value at January 1, 2022	61 759
Additions	652
Changes in Fair Value	-218
Fair Value at December 31, 2022	62 195

Fair value at January 1, 2022	61 759
Fair value at December 31, 2022	62 195

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations continued during 2022 in hotel reception, cafeteria and lobby bar.

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 Dec 2022	1 Jan – 31 Dec 2021
Rental income	3 534	3 479
Direct operating expenses from property that generated rental income	283	270

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.

10. Deferred tax liabilities

EUR thousand	Difference between fair value and tax value of investment property	Borrowings	Other	Total
Deferred tax assets:				
At January 1, 2021	-1 893	-267	-763	-2 924
Recognized in income statement	-227	-58	-2	-287
Book value at December 31, 2021	-2 120	-325	-765	-3 211
Deferred tax liabilities:				
At January 1, 2021	11 210	344	2	11 556
Recognized in income statement	294	-	6	300
Book value at December 31, 2021	11 504	344	8	11 856
Deferred tax assets and liabilities, net December 31, 2021	**9 383**	**19**	**-757**	**8 645**
Deferred tax assets:				
At January 1, 2022	-2 120	-325	-765	-3 211
Recognized in income statement	-103	-61	-160	-324
Book value at December 31, 2022	-2 223	-387	-925	-3 535
Deferred tax liabilities:				
At January 1, 2022	11 504	344	8	11 856
Recognized in income statement	303	-	2	305
Book value at December 31, 2022	11 807	344	10	12 161
Deferred tax assets and liabilities, net December 31, 2022	**9 583**	**-43**	**-915**	**8 626**

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

11. 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.

12. Borrowings and trade and other payables

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current:		
Senior secured bond	-	49 906
Current:		
Senior secured bond	50 212	-
Total	50 212	49 906

As at February 9, 2018 Sunborn Finance Oyj issued senior secured bonds (“the bonds”) with nominal amount of EUR 50 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.

In a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the holders of the Bonds gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. The Company has the right to early repayment also. As a result of written procedure amendment and waivers, amendment fee of 50 bp is incurred at maturity.

The bonds are denominated in euros. The bonds shall be fully redeemed on maturity date at nominal amount +10 %. The Company has the right to early repayment before 1st April, 2023 at nominal amount +1 % or before 9 December, 2023 at nominal amount +4 %. The contractual interest is 4.85 % plus 3-month Euribor. The effective interest rate is 5.41 %.

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

Collaterals and guarantees given on the bonds

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 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 1.0 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.

Changes in liabilities from financing activities:

EUR thousand	Borrowings due within 1 year	Borrowings due after 1 year	Total
Liabilities as at January 1, 2021		49 616	49 616
Amortisation using effective interest method	-	290	290
Liabilities as at December 31, 2021	-	49 906	49 906
Liabilities as at January 1, 2022	-	49 906	49 906
Amortisation using effective interest method	273	33	306
Other changes	49 938	-49 938	0
Liabilities as at December 31, 2022	50 212	0	50 212

Trade payables and other payables

The line item Trade and other payables include mainly trade payables as at December 31, 2022 and December 31, 2021. For the payables to related parties, see Note 13 Related parties.

13. Related parties

Transactions with related parties

The Group is owned by Niemi Family. Group'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.

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

	1 Jan – 31 Dec 2022			31 Dec 2022	31 Dec 2022
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	3 534	83	-	-	400
Other related parties	-	184	-53	70	4
Total	3 534	268	-53	70	404

	1 Jan – 31 Dec 2021			31 Dec 2021	31 Dec 2021
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	3 479	79	-	1	-
Other related parties	-	172	-74	69	10
Total	3 479	251	-74	70	10

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 following represents the maturity analysis of the lease payments by Sunborn Saga under the lease contract:

EUR thousand	31 Dec 2022	31 Dec 2021
No later than 1 year	3 858	3 534
Later than 1 year and no later than 2 years	3 858	3 534
Later than 2 year and no later than 3 years	3 858	3 534
Later than 3 year and no later than 4 years	3 858	3 534
Later than 4 year and no later than 5 years	3 215	3 534
Later than 5 years	-	2 945
Total	18 649	20 617

Sunborn Saga has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is given in Note 12 Borrowings.

The Group has paid management fee to Sunborn Oy and Sunborn International Oy.

14. Events after the balance sheet date

The war in Ukraine is not estimated to have a direct impact on the company's operations.

INCOME STATEMENT (FAS)

	1 Jan - 31 Dec 2022		1 Jan - 31 Dec 2021	
TURNOVER		3 534 360,00		3 478 504,00
Other income from business operations		267 523,39		377 263,19
Personnel expenses				
Salaries	-251 591,26		-208 239,92	
Pension costs	-42 132,78		-35 169,31	
Social security costs	-4 938,17	-298 662,21	-5 093,85	-248 503,08
Depreciation and impairment				
Planned depreciation		-1 514 652,56		-1 471 126,06
Other operating charges		-459 343,45		-438 958,38
		============		============
EBITA		1 529 225,17		1 697 179,67
Financial income and expenses				
Interest income and financial income	33,08		32,81	
Interest expenses and financial expenses	-2 876 622,19	-2 876 589,11	-2 466 392,46	-2 466 359,65
		============		============
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-1 347 363,94		-769 179,98
Adjustment items				
Increase(-) / decrease(+) in depreciation difference		296 915,41		760 000,00
		============		============
Result for the period		-1 050 448,53		-9 179,98

BALANCE SHEET (FAS)

ASSETS		31 Dec 2022		31 Dec 2021
FIXED ASSETS				
Intangible assets				
Other capitalized long-term expenses		43 861,46		50 788,22
Tangible assets				
Land and water	320 511,17		320 511,17	
Buildings	59 389 987,09		59 839 361,09	
Machinary and equipment	2 788 329,50		2 752 657,87	
Construction in process	445 259,02	62 944 086,78	887 678,13	63 800 208,26
Investments				
Shares		3 500,00		3 500,00
CURRENT ASSETS				
Current receivables				
Accounts receivable	70 078,08		70 039,37	
Other receivables	65 850,14	135 928,22	17 029,96	87 069,33
Cash and bank receivables		855 770,79		672 367,94
		============		============
TOTAL ASSETS		63 983 147,25		64 613 933,75

LIABILITIES		31 Dec 2022		31 Dec 2021
SHAREHOLDERS' EQUITY				
Share capital	80 000,00		80 000,00	
Reserve for invested non-restricted equity	6 638 188,33		6 638 188,33	
Retained earnings	-3 723 364,00		-3 714 184,02	
Profit for the period	-1 050 448,53	1 944 375,80	-9 179,98	2 994 824,33
APPROPRIATIONS				
Accumulated depreciation difference		944 921,24		1 241 836,65
LIABILITIES				
Non-current liabilities				
Bond	0,00		50 000 000,00	
Deferred tax liabilities	9 684 554,12	9 684 554,12	9 684 554,12	59 684 554,12
Current liabilities				
Bond	50 000 000,00		0,00	
Accounts payable	53 942,04		139 419,96	
Other liabilities	142 983,49		132 555,87	
Accrued liabilities and deferred income	1 212 370,56	51 409 296,09	420 742,82	692 718,65
		============		============
TOTAL LIABILITIES		63 983 147,25		64 613 933,75

NOTES TO THE FINANCIAL STATEMENTS (FAS)

ACCOUNTING PRINCIPLES

The accounting period of the company is a calendar year.

Valuation principles for fixed assets

Investment property was initially recognised at fair value as at 1 November, 2017 in accordance with Finnish Accounting Standards Chapter 5, Article 2. Subsequently, investment property is depreciated according to the predefined depreciation plan and valued at amortised cost. Planned depreciation is calculated according to the predefined depreciation plan as straight-line depreciation on the original acquisition cost of fixed assets.

Depreciation periods based on estimated economic working lives are as follows:

Other capitalized long-term expenses	10 years
Investment property	40 years
Machinery and equipment	8 - 10 years

Small purchases (below EUR 850) are fully expensed during the financial year.

Deferred tax liability

Deferred tax liability, recognised under non-current liabilities in the financial statements, relates to revaluation of the investment property at fair value.

The war in Ukraine is not estimated to have a direct impact on the company's operations.

OTHER OPERATING INCOME	2022	2021
Business cost support, State Treasury	0,00	126 376,12

PERSONNEL	2022	2021
The average number of personnel during the financial period	4	4

DEPRECIATON AND DEPRECIATION DIFFERENCE

	Planned depreciation	Depreciation difference +/-	Total depreciation
Intangible assets	6 926,76	0,00	6 926,76
Tangible assets	1 507 725,80	-296 915,41	1 210 810,39
Total	1 514 652,56	-296 915,41	1 217 737,15

OTHER OPERATING EXPENSES	2022	2021
Administrative expenses	79 892,72	98 858,67
Maintenance expenses	329 187,43	316 439,95
Other expenses	50 263,30	23 659,76
Total	459 343,45	438 958,38

FINANCIAL INCOME AND EXPENSES

	2022	2021
Financial income		
Interest income	33,08	32,81
Financial expenses		
Interest expenses	2 626 622,19	2 465 904,99
Other financial expenses	250 000,00	487,47
Total	2 876 622,19	2 466 392,46

AUDITOR'S FEES

	2022	2021
Pricewaterhousecoopers Oy		
Audit fees	12 963,00	5 526,47

CHANGES IN FIXED ASSETS

Intangible assets:	Other capitalised long-term expenses
Acquisition cost 1 Jan	64 756,18
Additions	0,00
Acquisition cost 31 Dec	64 756,18
Accumulated depreciation 1 Jan	-13 967,96
Depreciation during the financial year	-6 926,76
Accumulated depreciation 31 Dec	-20 894,72
Book value 31 Dec	43 861,46

Tangible assets:	Land and water	Buildings	Machinery and equipment	Construction in process
Acquisition cost 1 Jan	320 511,17	24 723 774,59	3 884 599,10	887 678,13
Revaluation, fair value	0,00	39 340 622,60	0,00	0,00
Additions	0,00	566 264,24	527 759,19	610 366,75
Disposals	0,00	0,00	0,00	-1 052 785,86
Acquisition cost 31 Dec	320 511,17	64 630 661,43	4 412 358,29	445 259,02
Accumulated depreciation 1 Jan	0,00	-4 225 036,10	-1 131 941,23	0,00
Depreciation during the financial year	0,00	-1 015 638,24	-492 087,56	0,00
Accumulated depreciation 31 Dec	0,00	-5 240 674,34	-1 624 028,79	0,00
Book value 31 Dec	320 511,17	59 389 987,09	2 788 329,50	445 259,02

INVESTMENTS

Shares in subsidiaries	
Acquisition cost 1 Jan	3 500,00
Book value 31 Dec	3 500,00

Name	Number of shares	Holding %	Domicile
Sunborn Finance Admin Oy	1 000	100 %	Helsinki

Consolidated statements have been prepared according to IFRS.

SHAREHOLDERS' EQUITY

	2022	2021
Restricted equity		
Share capital	80 000,00	80 000,00
Share capital, 31 Dec	80 000,00	80 000,00
Non-restricted equity		
Reserve for invested non-restricted equity	6 638 188,33	6 638 188,33
Reserve for invested non-restricted equity, 31 Dec	6 638 188,33	6 638 188,33
Retained earnings	-3 723 364,00	-3 714 184,02
Result for the period	-1 050 448,53	-9 179,98
Non-restricted equity total	1 864 375,80	2 914 824,33
Shareholders´ equity total	1 944 375,80	2 994 824,33
Distributable assets, 31 Dec		
Reserve for invested non-restricted equity	6 638 188,33	6 638 188,33
Retained earnings	-3 723 364,00	-3 714 184,02
Profit for the period	-1 050 448,53	-9 179,98
Total	1 864 375,80	2 914 824,33
Business cost support, State Treasury	0,00	-126 376,12
Total	1 864 375,80	2 788 448,21

The number of company shares is 400. There are two classes of shares divided by voting rights, otherwise the terms are the same.

	Number of shares
A shares (20 votes per share)	24
B shares (1 vote per share)	376
Total	400

ACCRUED EXPENSES

	2022	2021
Interest accrual	476 088,89	343 541,67
Social security costs accrued	86 281,67	77 201,15
Other accrued expenses	650 000,00	0,00
Total	1 212 370,56	420 742,82

COLLATERALS AND CONTINGENT LIABILITIES

	2022	2021
Bonds	50 000 000,00	50 000 000,00
Mortgages	126 651 783,67	126 651 783,67
Floating charge	65 000 000,00	65 000 000,00

Company´s bank accounts have been pledged to secure the bond repayments, however the Company can use them by the terms of the bonds.

SIGNATURES FOR THE FINANCIAL STATEMENTS

SUNBORN FINANCE OYJ

Turku, April 12, 2023

______________________ ______________________

Ritva Niemi Pekka Niemi

Chairman of the Board Board member

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Hans Niemi

Board member and Chief Executive Officer

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, the date of electronic signature

PricewaterhouseCoopersOy

Authorized Public Accountant Firm

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Kalle Laaksonen

Authorized Public Accountant

The following documents were signed Friday, April 28, 2023

Sunborn Finance Oyj IFRS 2022_EN.pdf
(1789389 byte)
SHA-512: e827d5e6ebec96f132847a2f007798dfde4bd
14cc6231f7046bcef17eb83d103bbee6323d77fdd7680b
aa05f700737c87438a05875ecc37fb4a291913172f56c

Signatures

4/28/2023 3:00:35 PM (CET)

Kalle Juhani Laaksonen, PricewaterhouseCoopers Oy

kalle.laaksonen@pwc.com
Signed with electronic ID (Mobiilivarmenne)

Signature is certified by Assently

Sunborn Finance Oyj IFRS 2022 EN

Verify the integrity of this receipt by scanning the QR-code to the left.
You can also do this by visiting https://app.assently.com/case/verify
SHA-512:
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63

About this receipt

Auditor’s Report (Translation of the Finnish Original)

To the Annual General Meeting of Sunborn Finance Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the company’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Sunborn Finance Oyj (business identity code 2834108-5) for the year ended 31 December 2022. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

- the parent company’s balance sheet, income statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

Assently: 04b9453115392f7df1265c656d93a7e39a309c26ef67b90c5479e83ea7231a4b8d393fdfd49f680e43d9da9001378b672b861b98e0dc3d346da003eea9033477

Our Audit Approach

Overview

Materiality • Overall materiality: 0,3 million euros, which represents 0.5% of group total assets.
Group scoping • The group audit scoping encompassed the parent company
Key audit matters • Revenue recognition • Investment property valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Group overall materiality	0,3 million euros
How we determined it	0.5% of group total assets.
Rationale for the materiality benchmark applied	We chose group total assets as the benchmark because in our view, it is the benchmark against which the assets of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 0.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. The group operates mainly in the parent company. The group audit scope encompassed the parent company. We determined that no risk for material misstatements relates to the subsidiary and therefore our procedures regarding this entity comprised only of analytical procedures performed at group level. By performing the procedures above, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole in order to provide an opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
Occurrence of revenue recognition *Refer to Accounting policies and note 5* Revenue consists of rental income from lease contract. Rental income is booked as a revenue as straight-line basis based on the lease contract. Based on our estimation there is a risk that the rental income doesn't reflect the lease contract. We focused on transactions that occurred during the financial period, especially whether the recorded revenue reflect the lease contract.	Our audit procedures consisted of obtaining and understanding of the internal control as well as substantive procedures performed on recorded transactions. As part of substantive audit procedures relating to revenue, we: - Evaluated the appropriateness of the accounting policies for revenue recognition. - We read the lease contract. - Tested a sample of transactions recorded during the financial year to verify that they reflect the terms in the lease contract. - Tested the accurate timing of revenue recognition of transactions recorded near the end of the financial period.
Valuation of investment Refer to Accounting policies and notes 3 and 9. Company´s investment property consists of spa hotels. Investment property is carried at fair value. Changes in fair values are recognized in the income statement. The assumptions used in valuations include estimates and judgement. Forecasting of cash flows, estimation of useful lifetime of investment property and the estimation of discount rate are the most significant assumptions in the valuation of the investment property. We focused on cash flow estimations, because the cash flows include significant judgement.	We obtained an understanding of the processes relating to the calculation and valuation of investment properties. Our audit procedures were especially directed to the following: - We obtained the valuation report provided by independent valuator, which management has used to support the valuation. We evaluated the appropriateness of key assumptions used in fair value valuations. - We compared the fair value in the valuation report to the disclosures in the financial statements related to the valuation.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors on 1 November 2017. Our appointment represents a total period of uninterrupted engagement of 5 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Turku 28.4.2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kalle Laaksonen
Authorised Public Accountant (KHT)

The following documents were signed Friday, April 28, 2023

Sunborn Finance Oyj_ttk Engl 2022.pdf
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Signatures

4/28/2023 3:00:40 PM (CET)

Kalle Juhani Laaksonen, PricewaterhouseCoopers Oy

kalle.laaksonen@pwc.com
Signed with electronic ID (Mobiilivarmenne)

Signature is certified by Assently

Sunborn Finance Oyj ttk Engl 2022

Verify the integrity of this receipt by scanning the QR-code to the left.
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477

About this receipt

SUNBORN SAGA OY, INCOME STATEMENT (FAS)

EUR thousand	1 Jan – 31 Dec 2022		1 Jan – 31 Dec 2021	
TURNOVER		25 467		22 469
Other income from business operations		1 367		1 509
Materials and services				
Purchases during the financial period	-4 256		-3 463	
Change in inventories	4		35	
External services	-1 429	-5 680	-906	-4 334
Personnel expenses				
Wages and salaries	-7 345		-6 684	
Mandatory pension costs	-1 237		-1 074	
Other social security costs	-273	-8 855	-266	-8 024
Other operating charges		-7 696		-6 906
Rents paid to Sunborn Finance Oyj		-3 534		-3 479
Administrative expenses paid to Sunborn Oy		-666		-542
		========		========
EBITDA		401		695
Depreciation				
Depreciation according to the plan		-562		-550
Financial income and expenses				
Interest income and financial income	1		1	
Interest expenses and financial expenses	-83	-82	-92	-92
		========		========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-243		53
Adjustment items				
Group contribution received(+) / paid(-)		379		-40
Income taxes		0		-1
		=========		=========
RESULT FOR THE PERIOD		136		12

SUNBORN SAGA OY, BALANCE SHEET (FAS)

EUR thousand				
ASSETS		31 Dec 2022		31 Dec 2021
FIXED ASSETS				
Intangible assets				
Intangible rights	129		166	
Other capitalised long-term expenditure	451	580	738	904
Tangible assets				
Machinery and equipment	897		577	
Advance payments	12	910	23	600
Investments				
Other shares and similar rights of ownership		0		0
Non-current receivables				
Receivables from group companies		7 169		6 948
CURRENT ASSETS				
Inventories				
Raw materials and supplies	179		169	
Goods	178	357	184	353
Current receivables				
Receivables from group companies	47		47	
Accounts receivable	792		998	
Other receivables	308		46	
Prepaid expenses and accrued income	603	1 750	255	1 346
Cash and bank receivables		1 500		3 085
TOTAL ASSETS		12 266		13 237

LIABILITIES		31 Dec 2022		31 Dec 2021
SHAREHOLDERS' EQUITY				
Share capital	3		3	
Reserve for invested non-restricted equity	100		100	
Retained earnings	241		228	
Profit for the period	136	479	12	342
LIABILITIES				
Non-current liabilities				
Borrowings	1 200		1 800	
Other liabilities	4 134	5 334	4713	6 513
Current liabilities				
Borrowings	600		600	
Debt to group companies	128		127	
Short-term advance payments	3 040		3 093	
Short-term accounts payable	1 367		1 269	
Other liabilities	174		156	
Accrued liabilities and deferred income	1 145	6 453	1 137	6 381
TOTAL LIABILITIES		12 266		13 237

SUNBORN SAGA OY, CASH FLOW STATEMENT (FAS)

EUR thousand	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
Cash flow from operations		
Result before adjustment items and taxes	-243	53
Depreciation and amortization	562	550
Income taxes	0	-1
Change in current receivables	-404	-145
Change in inventories	-4	-35
Change in current non-interest-bearing liabilities	71	761
Other adjustments	1	2
Cash flow from operations (A)	-16	1 185
Investing activities		
Change in tangible and intangible assets	-548	-303
Cash flow from investing activities (B)	-548	-303
Financing activities		
Change in non-current receivables	-220	-312
Change in long-term borrowings	-1 179	-268
Group contribution	379	-40
Cash flow from financing activities (C)	-1 021	-619
Change in cash and cash equivalents (A+B+C)	-1 585	262
Cash and cash equivalents at beginning of period	3 085	2 823
Cash and cash equivalents at end of period	1 500	3 085