

# SUNBORN FINANCE



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

EUR thousand	1 Jan- 31 Mar 2020	1 Jan- 31 Mar 2019	1 Jan - 31 Dec 2019
Revenue	911	907	3 625
EBITDA	766	651	2 806
Investment property (Spa Hotels)	65 914	63 500	65 914
Total equity	6 820	5 485	6 909
Bond	49 194	48 922	49 130

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

EUR thousand	1 Jan- 31 Mar 2020	1 Jan- 31 Mar 2019	1 Jan - 31 Dec 2019
Revenue	4 799	5 110	27 944
EBITDA before rent and group admin	-88	170	4 290

**Executive Director, Hans Niemi**

“Year 2020 started with record breaking performance until the abrupt government imposed COVID19 restrictions forced freeze of operations in mid to end of March. Sunborn Finance Oyj Rental income however remained as expected at 0.9 M euros (0.9 M euros) and costs were in line with previous year.

Whilst operations in Sunborn Saga Oy were heavily effected from 13<sup>th</sup> March onwards, strong performance in January and February provided a good foundation for Q1 revenues, which decreased only -6 % and EBITDA was -88 keur vs. 170 keur last year. Management has revised all business forecasts for 2020 to account for the disruption of the pandemic. Business operations are planned to reopen 1<sup>st</sup> June whilst the COVID 19 is expected to heavily impact all business during the remainder of 2020.”

**General**

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

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

Sunborn Finance was established 1 November, 2017. Sunborn Finance Oyj is a SPV with no other purpose than owning the Naantali and Ruissalo spa hotel properties, acting as a lessor of the spa hotels and providing property and IT related facility services.

Significant renovation of the hotel rooms was made in both spa hotels during 2018 and 2019.

**Sunborn Finance Oyj Financial summary 1 January – 31 March 2020**

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 1-3/2020 was 0.85 M€ (1-3/2019 0.85 M€). Other services income refers to personnel costs for facility services and is a cost/income neutral line item. Costs in 2019 included one-time costs related to the listing.

According to the valuation reports, the value of the Spa hotels is at Naantali Spa 55.7 M€ and at Ruissalo Spa 28.7 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets).

The COVID-19 outbreak is severely and negatively affecting the tourism market in Finland, however it did not significantly impact Sunborn Finance's operations during the reporting period. As Sunborn Finance is reliant on the ability of the property operator to pay rent, the temporary closure of the underlying business and the subsequent forecasted recovery period is affecting the performance of the operator in the short and medium term, as described below.

**Sunborn Saga Oy Financial summary 1 January – 31 March 2020**

Total revenue 1-3/2020 was 4.8 M€ (1-3/2019 5.1 M€).

Both of our hotels had an excellent start for year 2020. Full room capacity, increased customer demand and major renovations completed in 2019 all had a positive impact on the sales of both hotels. January sales in Naantali increased +35 % in comparison to last year and +12 % in Ruissalo. Room revenue increased +57 % in Naantali and +37 % in Ruissalo. All customers segments – leisure, corporate and rehab and health care segment – increased in both hotels. January's EBITDA improved +78 % in comparison to last year and was by far among the best results for January in the company's history.

Sales in February continued well in both hotels with +14 % in Naantali and +13 % in Ruissalo. Result in February was also better than last year even though first cancellations due to COVID-19 mainly from Asian groups were apparent.

The situation however changed dramatically in March. As the COVID-19 epidemic started to spread into Europe, Naantali Spa and Ruissalo Spa started extensive measures in order to ensure customers and personnel would not get exposed to the virus. These measures included among others cleaning procedures, hygiene instructions to both customers and personnel and increase in cleaning personnel. The wide and severe restrictions on public gathering, travel and the subsequent state of emergency given by the Finnish Government during March resulted in cancellations or postponement of all big conferences and events, cancellation of international group bookings and many individual domestic bookings. As a result of this Sunborn Saga Oy laid off 96 % of total personnel as of March 25th and was forced to close first Ruissalo Spa on March 19th and most of the operations in Naantali on March 25th. Energy expenditure was shut down as much as possible in both premises.

Despite the outstanding start for the year, the unexpected shut down of both hotels caused a severe drop in EBITDA in Q1 and revenue in month of March resulted in 50 % below budget and year 2019.

The change of the hotel property management system took place in Q1 and went well. The system will improve our efficiency and bring savings in respect of personnel and fixed costs in the future. Once the hotels are able to open business again, we expect to benefit from the increase of domestic travelling. Yet at the same time corporate guests and international visitors will remain absent presumably until the year end.

*Naantali Spa*

January and February hotel's RevPAR increased +30 %. All segments improved and especially for corporate and leisure segments we had high expectations for the whole Q1. Our forecast showed +35 % RevPAR increase for Q1/2020 vs. Q1/2019.

*Ruissalo Spa*

January and February hotel's RevPAR increased +12.5 %. Growth divided in all our main segments: corporate, rehabilitation and leisure segment. Our forecast showed +15 % RevPAR increase for Q1/2020 vs. Q1/2019.

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

The government has continued the restrictions until the end of May. Operations will restart 1<sup>st</sup> June and preparations are ongoing. The restrictions imposed by government are expected to increase domestic travel demand while reducing international travel. There are some restrictions still in place and are expecting to recover towards year end. Leisure travel is likely to drive the opening and recovery phase for hotels while corporate business travel is expected to return earliest in and during fall.

The ability of the operator to operate the business and pay rents normally during the closure and the subsequent recovery period has been negatively affected and as a result, Sunborn Finance initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as set out in the notice of written procedure published 15<sup>th</sup> May 2020 which can be found on the company's website: <https://www.sunborn.com/press>. The waivers would provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. Sunborn Finance Oyj appointed DNB Markets to act as the consent solicitation agent in connection with the amendment and waiver process. At the time of publishing this report, the consent solicitation agent has reported collecting voting undertakings (investors committing to vote in favour of the proposal) from certain larger investors in the bond over the minimum threshold 2/3 of aggregated amount of bonds. However, the formal voting deadline is 15<sup>th</sup> of June and the outcome of the vote will not be presented until after the deadline. Based on the consent solicitation progress, Sunborn Finance Oyj management has great confidence the written procedure for the amendments and waivers will be accepted. Sunborn Saga Oy has also secured a government backed working capital fund to ensure the operator has adequate increased working capital during the crisis and subsequent recovery. The government has published number of fiscal compensation programs for effected businesses for which the Operator is eligible.

The Company has also agreed on payment holidays to the lease payments for the year 2020 on the land and water areas of Naantali Spa, which are leased from the city of Naantali. While the COVID-19 situation is an unprecedented scenario, the management is confident the properties are well placed to soon continue operations normally regardless of the temporary closure and subsequent changes in the operating environment. Management is also confident, that the Sunborn Finance Oyj and the Operator have sufficient financial resources to weather through this difficult time and our long-term lenders support the company in its management of the crisis.

**Business environment**

The hotels are leased out to Sunborn Saga Oy through a lease agreement. Sunborn Saga Oy pays Sunborn Finance Oyj a fixed sum per month in lease.

The COVID-19 restrictions are expected to increase domestic travel demand while reducing international travel. Leisure travel is likely to drive the opening and recovery phase for hotels while corporate business travel is likely to return earliest in and during fall.

Global phenomena, such as climate change and demographic change will have an impact on customers' everyday life and their purchasing decisions. Therefore, our strategy is to increase emphasis on our responsibility program in 2020, which will have some impact on the cost side and future investments, but at the same time strengthen our position as a reliable and responsible operator in the travelling business. Consumers will continue making responsible choices and invest in health and domestic travelling will increase.

Customer satisfaction of the hotels continues to be good.

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

The COVID-19 outbreak is severely and negatively affecting the tourism market in Finland. As the company is reliant on the ability of the property operator to pay rent, recent temporary closure of the underlying business and the subsequent forecasted recovery period is likely to affect the performance of the operator in the short and medium term. Sunborn Finance initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as described above.

Without the absolute certainty of acceptance of the written procedure regardless of voting undertakings from investors, some uncertainty of final acceptance of the requested amendments remain, and if no resolution would be found, the Company's ability to service bond liabilities or adhering to all terms and conditions could be at risk. However, based on the consent solicitation progress, Sunborn Finance Oyj management considers this a low risk and is confident the written procedure for the amendments and waivers will be accepted.

Prolonged COVID-19 restrictions could further impact the Company's business through continued negative impact on the operator. The impact of the unprecedented crisis is difficult to predict and it is unknown when the recovery of the affected businesses will take place. Prolonged crisis could also in the long term impact the fair value of the hotels the Company holds as investment property.

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

Financial risk management carried out by the management of the Company aims to protect the Company against unfavorable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

**CONTENTS**

**CONTENTS ..... 6**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) ..... 7**  
**CONSOLIDATED BALANCE SHEET (IFRS) ..... 8**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)..... 9**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS) ..... 10**  
**NOTES TO THE FINANCIAL STATEMENTS (IFRS)..... 11**  
**1. General information..... 11**  
**2. Summary of significant accounting policies..... 11**  
**3. Critical accounting estimates and management judgement ..... 12**  
**4. Revenue ..... 13**  
**5. Investment property..... 13**  
**6. Borrowings..... 14**  
**7. Transactions with related parties ..... 15**  
**8. Events during and after the balance sheet date..... 16**  
**Appendix 1 SUNBORN SAGA (FAS)..... 17**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)**

EUR thousand	Note	1 Jan - 31 Mar 2020	1 Jan - 31 Mar 2019	1 Jan - 31 Dec 2019
Revenue	4	911	907	3 625
Changes in fair value of investment property	5	-197	-1 101	608
Personnel expenses		-62	-60	-255
Operating expenses		-83	-195	-564
<b>Operating result</b>		<b>569</b>	<b>-450</b>	<b>3 413</b>
Interest expenses		-680	-662	-2746
<b>Result before taxes</b>		<b>-111</b>	<b>-1 111</b>	<b>668</b>
Change in deferred tax		22	222	-134
<b>Result for the period</b>		<b>-89</b>	<b>-889</b>	<b>534</b>

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	5	65 914	63 500	65 914
<b>Total non-current assets</b>		<b>65 914</b>	<b>63 500</b>	<b>65 914</b>
<b>Current assets</b>				
Receivables from related parties	7	4	289	-
Other receivables		4	-	4
Cash and cash equivalents		1 118	1 405	1 108
<b>Total current assets</b>		<b>1 125</b>	<b>1 694</b>	<b>1 112</b>
<b>Total assets</b>		<b>67 040</b>	<b>65 194</b>	<b>67 027</b>

EUR thousand	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Equity and liabilities</b>				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		102	-1 233	190
<b>Total equity</b>		<b>6 820</b>	<b>5 485</b>	<b>6 909</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	6	49 194	48 922	49 130
Lease liabilities	2, 5	650	643	635
Deferred income tax liabilities		9 690	9 357	9 712
<b>Total non-current liabilities</b>		<b>59 534</b>	<b>58 920</b>	<b>59 477</b>
<b>Current liabilities</b>				
Lease liabilities	2, 5	2	17	7
Trade and other payables		191	307	172
Payables to related parties	7	37	22	30
Accrued expenses		457	442	433
<b>Total current liabilities</b>		<b>686</b>	<b>789</b>	<b>641</b>
<b>Total liabilities</b>		<b>60 220</b>	<b>59 709</b>	<b>60 118</b>
<b>Total equity and liabilities</b>		<b>67 040</b>	<b>65 194</b>	<b>67 027</b>

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



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)**

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1 Jan, 2019</b>	<b>3</b>	<b>6 716</b>	<b>-344</b>	<b>6 374</b>
Result for the period	78	-78	-889	<b>-889</b>
<b>Equity at 31 Mar, 2019</b>	<b>80</b>	<b>6 639</b>	<b>-1 234</b>	<b>5 485</b>
Result for the period	0	0	1 423	<b>1 423</b>
<b>Equity at 31 Dec, 2019</b>	<b>80</b>	<b>6 639</b>	<b>190</b>	<b>6 909</b>
<b>Equity at 1 Jan, 2020</b>	<b>80</b>	<b>6 639</b>	<b>190</b>	<b>6 909</b>
Result for the period	0	0	-89	<b>-89</b>
<b>Equity at 31 Mar, 2020</b>	<b>80</b>	<b>6 639</b>	<b>101</b>	<b>6 820</b>

Share capital was increased from reserves of the invested unrestricted equity by EUR 77 500 in January 2019. After this transaction, the Company's share capital amounts to EUR 80 thousand.

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan - 31 Mar 2020	1 Jan - 31 Mar 2019	1 Jan - 31 Dec 2019
<b>Cash flows from operating activities</b>				
Result before tax		-111	-1 111	668
Adjustments for				
Change in fair value of investment property	5	197	1 101	-608
Interest expenses on borrowings		680	662	2 746
Change of working capital				
Change in trade and other receivables		-4	233	518
Change in trade and other payables		57	-504	-661
<b>Net cash flows from operating activities</b>		<b>819</b>	<b>380</b>	<b>2 662</b>
<b>Cash used in investing activities</b>				
Capital Expenditure	5	-197	-451	-1 159
<b>Net cash flows used in investing activities</b>		<b>-197</b>	<b>-451</b>	<b>-1 159</b>
<b>Cash flows from financing activities</b>				
Land lease agreement		-	-	-47
Interest paid		-613	-633	-2 459
<b>Net cash flows from financing activities</b>		<b>-613</b>	<b>-633</b>	<b>-2 505</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>1 108</b>	<b>2 110</b>	<b>2 110</b>
<b>Change in cash and cash equivalents</b>		<b>10</b>	<b>-705</b>	<b>-1 002</b>
<b>Cash and cash equivalents at the end of period</b>		<b>1 118</b>	<b>1 405</b>	<b>1 108</b>

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**NOTES TO THE FINANCIAL STATEMENTS (IFRS)****1. General information**

Sunborn Finance Oyj is a public limited liability company (“the Company”) incorporated in Finland. The registered address of Sunborn Finance Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn Finance Oyj was established on November 1, 2017 through a partial demerger of Sunborn Oy. Sunborn Finance owns spa hotel “Naantali Spa” and approximately 30% of the “Ruissalo Spa” (together “hotels”) properties located in south west Finland. Naantali Spa has 218 and Ruissalo Spa 171 hotel rooms with several event rooms, restaurants, bars, café’s and lounges, spa facilities, pools and fitness centre. The Company was established for purpose of owning the hotels. The hotel operations of the spa hotels Naantali Spa and Ruissalo Spa, (together “Spa hotels”), are operated by Sunborn Saga Oy (“Sunborn Saga”), a subsidiary of Sunborn Oy, in accordance with a lease contract between Sunborn Finance and Sunborn Saga. Sunborn Finance provides also property management and IT support services and has four employees.

Sunborn Finance is wholly owned by the Niemi Family. The Niemi Family also controls the Sunborn Group, Sunborn Oy being the parent company of the Group. Sunborn Group’s focus is on the development of luxury spa and yacht hotels, restaurants and other high-quality property in the hospitality sector. Sunborn Group currently has operations in Finland, Denmark, UK and Gibraltar, and operates under several individual brands. Sunborn Saga’s operations consist of hotel, spa and restaurant operations in the Spa hotels and in other restaurants.

These interim financial statements are unaudited.

**2. Summary of significant accounting policies****Basis of preparation**

This condensed interim financial report for three months ended March 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 *interim Financial Reporting*, as adopted by the European Union.

The condensed interim year financial report does not include all the information and notes that are presented in the annual financial statements and should be read in conjunction with the consolidated financial statements for year ended 31 December 2019.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2019.

The financial statements are presented in thousands of euros unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

**Going concern**

Since 13th March 2020, the spread of the coronavirus (COVID-19) has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including Finland. COVID-19 impacts Sunborn Finance Oyj’s operations through the operator’s ability to pay the agreed rental payments as the operator Sunborn Saga is the sole lessee and the main source of the group’s cash inflows. The Company also provides IT related and property management facility services to related parties. Due to the crisis, two of the four employees in the services business have been laid off to reduce costs.

COVID-19 impacts Sunborn Finance Oyj through the operator of the spa hotels and the operator Sunborn Saga Oy’s ability to pay the agreed rental payments. The operator Sunborn Saga Oy has been forced to temporarily close most

hotel and restaurant operations while government has issued restrictions on travel and the hospitality sector. As a result, Sunborn Finance initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as set out in the notice of written procedure published 15<sup>th</sup> May 2020. The waivers would provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. The expected reliefs can be directly used to support the operations of Sunborn Saga. At the time of publishing this report, the consent solicitation agent has reported collecting voting undertakings (investors committing to vote in favor of the proposal) from certain larger investors in the bond over the minimum threshold 2/3 of aggregated amount of bonds. Based on the consent solicitation progress, Sunborn Finance Oyj management is confident the written procedure for the amendments and waivers will be accepted. With the expected approval of the bond amendments, management views the Company is in a strong position to overcome the short-term difficulties in the market and ready to resume operations even if the closures last longer than currently expected. As the management is expecting that an agreement with the bondholders will be reached, the Company has not required rent payments from Sunborn Saga during April and May 2020 in accordance with the original bond terms.

Prolonged COVID-19 restrictions could further impact the Company's business through continued negative impact on the operator. The impact of the unprecedented crisis is difficult to predict and it is unknown when the recovery of the affected businesses will take place. Prolonged crisis could also in the long term impact the fair value of the hotels the Company holds as investment property.

In addition to amendments to the terms of the long term financing, Sunborn Group is in process of finalizing governmental fiscal support programs and negotiations with a bank in terms of medium term working capital loans and development subsidies for the operator. The operator has received supporting decision on working capital loan from the bank.

### **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 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 Company has ownership only in the new part of the Ruissalo Spa hotel. The fair value of the new part of the Ruissalo Spa is based on the fair value of the property as a whole and has been separated from the total fair value of the Ruissalo Spa based on management estimation which is based on the relative surface areas of the new part and the old part. The management estimation has also been supported by independent valuator.

Fair valuations are divided to levels 1-3 in fair value hierarchy depending on to what extent the value is based on observable inputs. Fair values of the group's investment property are classified in level 3, because the inputs in the valuation models are based on unobservable information. There have not been any changes in the inputs or the relevant market during the periods presented. Accordingly, there have not been any material changes to the fair values of the spa hotels during the periods presented.

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

Input	Value 31 Dec 2019		Value 31 Dec 2018	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	55.7	9.6	54.0	9.5
Yield	7.3 %	8.0 %	7.4 %	8.1 %
Net yearly income	EUR 4.0 million	EUR 2.3 million (includes also the old part)	EUR 3.9 million	EUR 2.3 million (includes also the old part)

Based on the valuation report provided by the third party valuator, if the net yearly income for Ruissalo Spa is changed between 2.2 – 2.4 million EUR and the yield +/- 0,5 percentage points, the value of the new part of Ruissalo Spa would vary between EUR 8.4 – 10.5 million (2018: between EUR 8.1 – 10.7 million).

Based on the valuation report provided by the third party valuator, if the net yearly income for Naantali Spa is changed between 3.6 - 4.4 million EUR and the yield +/- 0,25 percentage points, the value of the properties would vary between EUR 47.6 – 62.3 million (2018: between EUR 45.3 – 59.9 million).

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

#### 4. Revenue

The group's revenue consists mainly of rental income from its related party Sunborn Saga. The group is highly dependent on Sunborn Saga's ability to pay the rents as Sunborn Saga is the sole lessee and the main source of the group's cash inflows. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019	1 Jan – 31 Dec 2019
Rental income from operating leases with related party	850	845	3 379
Service income from related parties	61	62	245
	<b>911</b>	<b>907</b>	<b>3 625</b>

#### 5. Investment property

The group presents the Spa hotels as investment property and measures them using the fair value model. The valuation has been prepared by an independent and recognized professional valuator. Fair value of the Spa hotels is approximately EUR 65.9 million including the right-of-use asset and lease liability. 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, 2019. Refer to significant estimation and judgement as disclosed in note 3 above.

EUR thousand	Spa hotels
Fair value at January 1, 2019	64 149
Additions	451
Changes in Fair Value	-1 100
<b>Fair Value at March 31, 2019</b>	<b>63 500</b>

EUR thousand	Spa hotels
Fair value at April 1, 2019	63 500
Additions	707
Changes in Fair Value	1 707
<b>Fair Value at December 31, 2019</b>	<b>65 914</b>

EUR thousand	Spa hotels
Fair value at January 1, 2020	65 914
Additions	197
Changes in Fair Value	-197
<b>Fair Value at March 31, 2020</b>	<b>65 914</b>

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations for year 2020 have been put on hold due to COVID 19.

## 6. Borrowings

EUR thousand	31 Mar 2020	31 Mar 2019	31 Dec 2019
Senior secured bond	49 194	48 922	49 130
<b>Total</b>	<b>49 194</b>	<b>48 922</b>	<b>49 130</b>

As at February 9, 2018 the Company issued senior secured bonds ("the bonds") with nominal amount of EUR 50 million (less transaction costs of EUR 1.3 million) to certain qualified institutional investors mainly to refinance the existing debt. The remaining proceeds are used for the capital expenditure purposes. The Company completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Helsinki on 8th February, 2019.

The bonds are denominated in euros and mature on 9 February 2023. The bonds shall be fully redeemed on maturity date at nominal amount. The Company has the right to early repayment also. The contractual interest is 4.85 % plus 3-month Euribor. The effective interest rate is 5.41 %.

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

### *Collaterals and guarantees given*

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

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

The bonds are also secured by a 1st lien floating charge (in Finnish: yrittyskiinnitys) 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 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.

The Company has started and is final stages of written procedure for amendments of the bond terms and conditions.

## 7. Transactions with related parties

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

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

	1 Jan - 31 Mar 2020			31 Mar 2020	31 Mar 2020
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	850	20	-	-	22
Other related parties	-	41	-15	4	15
<b>Total</b>	<b>850</b>	<b>61</b>	<b>-15</b>	<b>4</b>	<b>37</b>

	1 Jan - 31 Mar 2019			31 Mar 2019	31 Mar 2019
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	845	20	-	265	22
Other related parties	-	42	-15	24	0
<b>Total</b>	<b>845</b>	<b>62</b>	<b>-15</b>	<b>289</b>	<b>22</b>

	1 Jan - 31 Dec 2019	31 Dec 2019	31 Dec 2019
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EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	3 379	79	-	-	30
Other related parties	-	166	-73	-	-
<b>Total</b>	<b>3 379</b>	<b>245</b>	<b>-73</b>	<b>-</b>	<b>30</b>

The rental income of the Group arises from a lease contract related to the Spa hotels. Sunborn Finance has leased the Spa hotels to Sunborn Saga with a long term operative non-cancellable lease contract with a maturity date on November 1, 2027. The rent in the contracts is set at market level.

Sunborn Saga has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is given in Note 6 Borrowings.

The Company has paid management fee to Sunborn Oy.

## 8. Events after the balance sheet date

Since 13th March 2020, the spread of the coronavirus (COVID-19) has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including Finland.

COVID-19 impacts Sunborn Finance Oyj through the operator of the spa hotels and the operator Sunborn Saga Oy's ability to pay the agreed rental payments. The operator Sunborn Saga Oy has been forced to temporarily close most hotel and restaurant operations while government has issued restrictions on travel and the hospitality sector. Whilst the hotels and restaurants will gradually open at the beginning of June, the ability of the operator to pay rents normally during the closure and the subsequent recovery period has been negatively affected and as a result, Sunborn Finance initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as set out in the notice of written procedure published 15<sup>th</sup> May 2020. The waivers would provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. The expected reliefs can be directly used to support the operations of Sunborn Saga.. At the time of publishing this report, the consent solicitation agent has reported collecting voting undertakings (investors committing to vote in favor of the proposal) from certain larger investors in the bond over the minimum threshold 2/3 of aggregated amount of bonds. The formal voting deadline is 15th of June and the outcome of the vote will not be presented until after the deadline. Without the absolute certainty of acceptance of the written procedure regardless of voting undertakings from investors, some uncertainty of final acceptance of the requested amendments remain, and if no resolution would be found, the Company's ability to service bond liabilities or adhering to all terms and conditions could be at risk. However, based on the consent solicitation progress, Sunborn Finance Oyj management considers this a low risk and is confident the written procedure for the amendments and waivers will be accepted.

As the management is expecting that an agreement with the bondholders will be reached, and the bond covenants will be changed, the Company has not required rent payment from Sunborn Saga during April and May 2020, which would be required in accordance with the original bond terms.

In addition to amendments to the terms of the long term financing, Sunborn Group is in process to finalizing governmental fiscal support programs and negotiations with a bank in terms of medium term working capital loans and development subsidies for the operator. The operator has received supporting decision on working capital loan from the bank.

After the end of the reporting period, the Company has also agreed on payment holidays to the lease payments on the land and water areas of Naantali Spa, which are leased from the city of Naantali.



**Appendix 1 SUNBORN SAGA (FAS)**

Sunborn Saga Oy  
INTERIM REPORT 1 January - 31 March 2020  
(FAS)

Sunborn Saga's interim financial report has been prepared in accordance with the Finnish Accounting Standards (Finnish Accounting Act and Ordinance and related instructions and statements issued by the Accounting Board operating under the auspices of the Ministry of Economic Affairs and Employment). For the purposes of this interim financial information profit and loss statement, balance sheet and cash flow statement of Sunborn Saga have been presented as required by the terms of the bond issued by Sunborn Finance. Sunborn Saga is the guarantor of the bond.

SUNBORN SAGA OY  
INCOME STATEMENT, tEUR

	1.1.-31.3.2020	1.1.-31.3.2019	1.1.-31.12.2019
TURNOVER	4 799	5 110	27 944
Other income from business operations	48	57	291
Materials and services			
Purchases during the financial period	-633	-700	-3 952
Change in inventories	-23	-42	-38
External services	-307	-340	-1 934
Personnel expenses			
Wages and salaries	-1 841	-1 691	-8 064
Mandatory pension costs	-223	-239	-1 429
Other social security costs	-44	-68	-264
Other operating charges	-1 863	-1 917	-8 265
Rents paid to Sunborn Finance Oy	-858	-834	-3 379
Administrative expenses paid to Sunborn Oy	-151	-168	-668
	=====	=====	=====
EBITDA	-1 097	-833	243
Depreciation			
Depreciation according to the plan	-148	-161	-643
Financial income and expenses			
Interest income and financial income	0	0	0
Interest expenses and financial expenses	0	-1	-2
	=====	=====	=====
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES	-1 245	-994	-402
Adjustment items			
Group contribution received(+) / paid(-)	0	0	500
Income taxes	-1	-2	0
	=====	=====	=====
RESULT FOR THE PERIOD	-1 246	-996	97

SUNBORN SAGA OY  
BALANCE SHEET, tEUR

	31.03.2020	31.03.2019	31.12.2019
<b>ASSETS</b>			
FIXED ASSETS			
Intangible assets			
Intangible rights	63	7	67
Other capitalised long term expenditure	1 330 1 393	1 805 1 812	1 435 1 501
Tangible assets			
Machinery and equipment	529	341	529
Advance payments	141 670	0 341	26 555
Investments			
Other shares and similar rights of ownership	0	0	0
CURRENT ASSETS			
Inventories			
Raw materials and supplies	152	152	176
Goods	182 334	201 352	181 357
Receivables			
Non-current receivables			
Receivables from group companies	5 126	4 852	5 061
Current receivables			
Receivables from group companies	46	65	101
Accounts receivable	771	1 077	1 284
Other receivables	46	48	42
Prepaid expenses and accrued income	58 921	126 1 316	119 1 545
Cash and bank receivables	496	250	1 698
<b>TOTAL ASSETS</b>	<b>8 940</b>	<b>8 925</b>	<b>10 719</b>
<b>LIABILITIES</b>			
31.03.2020 31.03.2019 31.12.2019			
SHAREHOLDERS' EQUITY			
Share capital	3	3	3
Reserve for invested non-restricted equity	100	100	100
Retained earnings	190	93	93
Profit for the period	-1 246 -953	-996 -800	97 293
LIABILITIES			
Non-current liabilities			
Debt to group companies	0	500	0
Other liabilities	4 789 4 789	4 721 5 221	4 634 4 634
Current liabilities			
Debt to group companies	37	266	96
Short-term advance payments	2 050	1 539	2 610
Short-term accounts payable	1 517	1 479	1 299
Other liabilities	165	59	342
Accrued liabilities and deferred income	1 335 5 105	1 161 4 505	1 445 5 792
<b>TOTAL LIABILITIES</b>	<b>8 940</b>	<b>8 925</b>	<b>10 719</b>

SUNBORN SAGA OY  
CASH FLOW STATEMENT, tEUR

	1.1.-31.3.2020	1.1.-31.3.2019	1.1.-31.12.2019
<b>Cash flow from operations</b>			
Profit before adjustment items and taxes	-1 245	-994	98
Depreciation and amortization	148	161	643
Income taxes	-1	-2	0
Change in current receivables	625	760	531
Change in inventories	23	42	38
Change in current non-interest-bearing liabilities	-688	-881	407
<b>Cash flow from operations (A)</b>	<b>-1 138</b>	<b>-914</b>	<b>1 716</b>
<b>Investing activities</b>			
Change in tangible and intangible assets *	-154	3	-382
<b>Cash flow from investing activities (B)</b>	<b>-154</b>	<b>3</b>	<b>-382</b>
<b>Financing activities</b>			
Change in non-current receivables	-65	-48	-256
Change in long-term borrowings	155	655	67
<b>Cash flow from financing activities (C)</b>	<b>90</b>	<b>607</b>	<b>-189</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>-1 202</b>	<b>-303</b>	<b>1 144</b>
Cash and cash equivalents at beginning of period	1 698	554	554
Cash and cash equivalents at end of period	496	251	1 698