SUNBORN FINANCE

FINANCIAL STATEMENTS Q2 2020
28/08/2020

sunborn

Key Figures (IFRS) - Issuer Sunborn Finance Oyj

EUR thousand	Q2 / 2020 1 Apr- 30 Jun 2020	Q2 / 2019 1 Apr- 30 Jun 2019	H1 / 2020 1 Jan- 30 Jun 2020	H1 / 2019 1 Jan- 30 Jun 2019	1 Jan - 31 Dec 2019
Revenue	883	907	1 794	1 813	3 625
EBITDA	713	710	1 479	1 360	2 806
Investment property (Spa Hotels)			65 918	64 146	65 914
Total equity			6 559	5 732	6 909
Bond			49 476	49 003	49 130

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	Q2 / 2020 1 Apr - 30 Jun 2020	Q2 / 2019 1 Apr - 30 Jun 2019	H1 / 2020 1 Jan - 30 Jun 2020	H1 / 2019 1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Revenue	1 684	7 337	6 483	12 447	27 944
EBITDA before rent and group admin	-74	1 098	-162	1 267	4 290

Executive Director, Hans Niemi

"Q2 Operations in Sunborn Saga Oy continued under special circumstances of Covid-19 with both properties remaining closed through April and May due to government restrictions. Operations were resumed on 1st June albeit with limitations in place. The closure of both hotels for more than two months, caused a severe drop revenue in Q2 to 1.7 M€ (7.3M€) and EBITDA to -0.1M€ (1.1 M€). June performance was in line with expectations based on the Covid-19 revised business plan. Due to the unprecedented circumstances and the disruption in business, Sunborn Finance Oyj concluded within Q2 written procedures with bondholders to apply certain amendments and waivers in terms and conditions of bonds. Sunborn Saga Oy secured substantial governmental support in state aid and also secured a 3.0 M€ permitted credit line for increased liquidity during the crisis. Sunborn Saga Oy's trading is stabilized and costs of operations continue to be adapted to the new operating environment."

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 operator 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 renovations were concluded in both hotels during 2018 and 2019.

Sunborn Finance Oyj Financial summary 1 April – 30 June 2020

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 4-6/2020 was 0.85 M€ (4-6/2019 0.84 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 latest 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 has severely and negatively affected 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 April – 30 June 2020

Total revenue 4-6/2020 was 1.7 M€ (4-6/2019 7.3 M€). The unexpected shut down of both hotels for more than two months, caused a severe drop in EBITDA in Q1 and Q2 and revenue in Q2 resulted 77 % below year 2019 and 78 % below budget.

Both of the hotels had an excellent beginning for the year 2020 until the situation changed dramatically in March with Covid-19 epidemic causing market disruption. Government imposed restrictions forced the company to close down both hotels in March and in consequence lay off 96 % of staff. The effect of closure impacted already Q1 revenues and the dramatic drop seen in Q2 revenue and EBITDA was unprecedented in company history.

Both Naantali Spa and Ruissalo Spa were closed from end of March until end of May. The state of emergency issued by Finnish Government in March regulated that restaurants and spa & wellness facilities must be closed, gatherings were restricted to maximum 10 people and all rehabilitation courses were cancelled. There was no realistic possibility to keep either of the hotels open. Most staff were laid off and fixed costs brought to minimum. To ensure adequate working capital for the operator Sunborn Saga Oy during the crisis and anticipated recovery, the company secured a government and parent company backed EUR 3.0 million working capital loan. Sunborn Saga Oy also benefitted from government fiscal compensation programs and qualified for government compensation schemes for the partial reimbursement of fixed costs during lockdown. Overall, the company has succeeded in managing through the crisis and is in a good position to continue operations and meet obligations.

Sunborn Saga Oy reopened both hotels June 1st, 2020 in accordance with government restrictions and hygienic and safety regulations. Restaurant opening hours, serving of alcohol and the number of customers allowed were restricted. Personnel levels in June were at 35% with many services remaining closed and customers numbers in spa, pool area and restaurant operations restricted.

Despite the low revenues in June -53 % below budget and -45 % below year 2019, Sunborn Saga Oy was able to turn profit due to lower personnel costs, cost of sales and fixed costs.

Business in both hotels relied heavily on domestic leisure guests and rehabilitation courses. Corporate customers remained absent as the government still restricted the number of people in public or private gatherings. There were no international guests due to worldwide travel restrictions. It is likely corporate travel will not resume in material volumes until Q2 2021. Individual leisure segment bookings in June grew steadily and occupancy rates reached expected levels towards the end of the month.

Naantali Spa

April and May figures are not comparable YoY with hotel and all services closed. All the major events were cancelled and also first three weeks in June people were very cautious to travel. These had a negative impact on performance in June.

In June hotel´s RevPAR decreased -39 % and Occ % decreased -41,2% (vs. June 2019). Management was anticipating lower demand and made a new pricing strategy. This turned out very successful action and hotel´s ADR increased +4,2 % (vs. June 2019). Total room revenue decreased -38,70 % (vs. June 2019).

Ruissalo Spa

April and May figures are not comparable YoY with hotel and all services closed. In June hotel´s RevPAR decreased -37,2% and Occ% decreased -46,6% (vs. June 2019). Management was anticipating lower demand and made a new pricing strategy. This turned out very successful action and hotel´s ADR increased +17,7% (vs. June 2019). Total room revenue decreased -44,2% (vs. June 2019).

Some planned and ongoing maintenance and renovation projects were completed in both premises during the lockdown. Other projects e.g. concerning development of the PMS or company responsibility program were put on hold as management was engaged in crisis management of the operations. These projects are expected to be continued in the fall as circumstances allow.

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

As a result of Covid-19 impacts on the operator's activities Sunborn Finance initiated a written procedure to request 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 15th May 2020 and voted on favorably by bondholder 15th June 2020. The waivers provide relief on interest coverage ratio, minimum cash covenant and lease payment covenant allowing the property lease payment obligations to be relaxed during 2020 financial year. The issuer Sunborn Finance Oyj provided the operator a four month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due. Payment holidays of land and water leases were agreed with city of Naantali, with annual payments moved to the following year.

Sunborn Saga Oy secured an up to 3.0 M€ million government and parent company backed working capital loan ensuring adequate working capital during the crisis and subsequent recovery. Sunborn Saga Oy also benefitted from government fiscal compensation programs and qualified for government compensation schemes for the partial reimbursement of fixed costs incurred during lockdown.

While the Covid-19 situation is an unprecedented scenario, the management is confident the properties are well placed to continue operations normally regardless of the temporary closure and subsequent changes in the operating environment.

Business environment

The continuing Covid-19 restrictions continue to negatively impact international travel and corporate business. International travel is not anticipated to continue in material volumes until summer 2021. Major corporate groups and international conferences will remain absent at least until the year end. In the meantime, the business relies on domestic leisure and rehabilitation segments, both of which can easily be affected by further restrictions.

Due to Covid-19 safe and hygienic travelling will be a major issue in the coming years. Finland has so far succeeded well in managing the pandemic and is considered by most as a safe and attractive destination for international and domestic travelers in the future. Management will keep emphasis on safety of clients and staff with a renewed focus on company responsibility program to strengthen position as a reliable and responsible operator in the travelling business. Consumers will continue making responsible choices and invest in health and domestic travelling will increase. Customer satisfaction of the hotels continues to be good and has not been negatively affected by the crisis

Short-term risks and uncertainties

The Covid-19 outbreak is severely and negatively affecting the tourism market globally. 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.

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.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q2 / 2020 1 Apr - 30 Jun 2020	Q2 / 2019 1 Apr - 30 Jun 2019	H1 / 2020 1 Jan - 30 Jun 2020	H1 / 2019 1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Revenue	4	883	907	1 794	1 813	3 625
Changes in fair value of investment property	5	-127	-359	-323	-804	608
Personnel expenses		-45	-57	-108	-117	-255
Operating expenses		-124	-139	-207	-335	-564
Operating result		**587**	**351**	**1 156**	**556**	**3 413**
Interest expenses		-912	-697	-1 375	-1 359	-2746
Profit before taxes		**-326**	**-347**	**-219**	**-803**	**668**
Change in deferred tax		65	69	44	161	-134
Result for the period		**-260**	**-277**	**-175**	**-642**	**534**
Total comprehensive income for the period		**-260**	**-277**	**-175**	**-642**	**534**

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
Assets				
Non-current assets				
Investment property	5	65 918	65 914	64 146
Total non-current assets		**65 918**	**65 914**	**64 146**
Current assets				
Receivables from related parties	7	1 025	-	34
Other receivables		5	4	62
Cash and cash equivalents		165	1 108	1 268
Total current assets		**1 195**	**1 112**	**1 364**
Total assets		**67 114**	**67 027**	**65 510**

EUR thousand	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
Equity and liabilities				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-159	190	-986
Total equity		6 559	6 909	5 732
Liabilities				
Non-current liabilities				
Borrowings	6	49 476	49 130	49 003
Lease liabilities	2, 5	661	635	639
Deferred income tax liabilities		9 625	9 712	9 418
Total non-current liabilities		**59 762**	**59 477**	**59 060**
Current liabilities				
Lease liabilities	2, 5	5	7	6
Trade and other payables		288	172	170
Payables to related parties	7	103	30	28
Accrued expenses		396	433	513
Total current liabilities		**792**	**641**	**717**
Total liabilities		**60 554**	**60 118**	**59 778**
Total equity and liabilities		**67 114**	**67 027**	**65 510**

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, 2019	**3**	**6 716**	**-344**	**6 374**
Result for the period	78	-78	-642	**-642**
Equity at 30 Jun, 2019	**80**	**6 638**	**-986**	**5 732**
Equity at 1 Jul, 2019	**80**	**6 638**	**-986**	**5 732**
Result for the period	0	0	1 176	**1 176**
Equity at 31 Dec, 2019	**80**	**6 638**	**190**	**6 909**
Equity at 1 Jan, 2020	80	6 638	190	**6 909**
Result for the period	0	0	-349	**-349**
Equity at 30 Jun, 2020	**80**	**6 638**	**-159**	**6 559**

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 – 30 Jun 2020	1 Jan - 31 Dec 2019	1 Jan – 30 Jun 2019
Cash flows from operating activities				
Result before tax		-437	668	-803
Adjustments for				
Change in fair value of investment property	5	323	-608	804
Interest expenses on borrowings		1 592	2 746	1 359
Change of working capital				
Change in trade and other receivables		-1026	518	426
Change in trade and other payables		153	-661	-584
Net cash flows from operating activities		**606**	**2 662**	**1 202**
Cash used in investing activities				
Capital Expenditure	5	-323	-1 159	-801
Net cash flows used in investing activities		**-323**	**-1 159**	**-801**
Cash flows from financing activities				
Land lease agreement		-	-47	-23
Interest paid		-1 226	-2 459	-1 219
Net cash flows from financing activities		**-1 226**	**-2 505**	**-1 242**
Cash and cash equivalents at the beginning of period		**1 108**	**2 110**	**2 110**
Change in cash and cash equivalents		**-943**	**-1 002**	**-841**
Cash and cash equivalents at the end of period		**165**	**1 108**	**1 268**

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"), 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 six months ended June 30, 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.

As a result of Covid-19 impacts on the operator's activities 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 May 2020 and received acceptance by bond holders 15 June. The accepted waivers provide relief on interest coverage ratio, minimum cash covenant and lease payment covenant allowing the lease payment obligations to be relaxed during 2020 financial year. The issuer Sunborn Finance Oyj provided the operator a four month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due.

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. Lease payments were originally due in 2020 and will be paid 2021.

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

While the Covid-19 situation is an unprecedented scenario, the management is confident the properties are well placed to continue operations normally regardless of the temporary closure and subsequent changes in the operating environment.

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.

3. Critical accounting estimates and management judgement

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

Fair value measurement of the Spa hotels

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

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

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

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

Input	**Value 30 Jun 2020**		**Value 31 Dec 2019**	
	Naantali	**Ruissalo**	**Naantali**	**Ruissalo**
Fair value (mEUR)	55.7	9.6	55.7	9.6
Yield	7.3 %	8.0 %	7.3 %	8.0 %
Net yearly income	EUR 4.0 million	EUR 2.3 million (includes also the old part)	EUR 4.0 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 (31 Dec 2019: between EUR 8.4 – 10.5 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 (31 Dec 2019: between EUR 47.6 – 62.3 million).

According the management judgement the fair value of the right of use assets of land and water areas is EUR 0.652 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. The issuer Sunborn Finance Oyj provided the operator a four month lease waiver to be applied later during the financial year. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	**1 Apr – 30 Jun 2020**	**1 Apr – 30 Jun 2019**	**1 Jan – 30 Jun 2020**	**1 Jan – 30 Jun 2019**	**1 Jan – 31 Dec 2019**
Rental income from operating leases with related party	850	845	1701	1 690	3 379
Service income from related parties	33	61	93	123	245
	883	**907**	**1 794**	**1 813**	**3 625**

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	801
Changes in Fair Value	-804
Fair Value at June 30, 2019	**64 146**

EUR thousand	**Spa hotels**
Fair value at July 1, 2019	64 146
Additions	358
Changes in Fair Value	1 411
Fair Value at December 31, 2019	**65 914**

EUR thousand	**Spa hotels**
Fair value at January 1, 2020	65 914
Additions	323
Changes in Fair Value	-320
Fair Value at June 30, 2020	**65 918**

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	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2019**
Senior secured bond	49 476	49 130	49 003
Total	**49 476**	**49 130**	**49 003**

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: yrityskiinnitys) registered on the Company's and Sunborn Saga's movable assets in accordance with the Floating Charge Act. Sunborn Saga's cash flows, as well as its bank accounts have been pledged and insurance proceeds are assigned to bond holders as security of the bonds.

Moreover, Niemi Family has pledged its shares in the Company and Sunborn Oy has pledged its shares in Sunborn Saga to secure the repayment of the bonds. Pekka and Ritva Niemi have pledged all the existing and future lease receivables which they have from Sunborn Saga. The financial covenant is further described below.

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

The bond terms include also a cash requirement covenant, which requires the Company to maintain the cash minimum of upcoming 3 months interest payment. The bond terms include an interest cover ratio covenant, which requires the Company to generate EBITDA minimum of 1.1 times the interest and a lease payment coverage covenant, which requires 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.

As a result of Covid-19 impacts on the operator's activities 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 May 2020 and voted on favorably by bond holders 15 June 2020. The waivers then accepted temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. Accordingly, Sunborn Finance Oyj has been in compliance with all covenants on reporting date.

7. Transactions with related parties

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

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

	1 Jan – 30 Jun 2020			30 Jun 2020	30 Jun 2020
EUR thousand	**Rental income from the operating lease**	**Service income**	**Management fee**	**Receivable**	**Payable**
Sunborn Saga Oy	1 701	20	-	1 025	36
Other related parties	-	73	-37	-	67
Total	**1 701**	**93**	**-37**	**1 025**	**103**

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

EUR thousand	1 Jan – 30 Jun 2019 Rental income from the operating lease	Service income	Management fee	30 Jun 2019 Receivable	30 Jun 2019 Payable
Sunborn Saga Oy	1 690	40	-	-	22
Other related parties	-	83	-36	34	6
Total	**1 690**	**123**	**-36**	**34**	**28**

The rental income of the Group arises from a lease contract related to the Spa hotels. Sunborn Finance has leased the Spa hotels to Sunborn Saga with a long term operative non-cancellable lease contract with a maturity date on November 1, 2027. The rent in the contracts is set at market level. The issuer Sunborn Finance Oyj provided the operator a four month lease waiver to be applied during the financial year and was permitted to use cash reserves for liabilities falling due.

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

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

8. Events after the balance sheet date

Despite the Covid-19 the management is confident the properties are well placed to continue operations regardless of the temporary closure and under the circumstances after the June reopening sales have been in line with management expectations.

Appendix 1 SUNBORN SAGA (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 30 June 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.-30.6.2020		1.1.-30.6.2019		1.1.-31.12.2019	
TURNOVER		6 483		12 447		27 944
Other income from business operations		146		111		291
Materials and services						
Purchases during the financial period	-960		-1 883		-3 952	
Change in inventories	27		26		-38	
External services	-370	-1 302	-836	-2 694	-1 934	-5 924
Personnel expenses						
Wages and salaries	-2 423		-3 692		-8 064	
Mandatory pension costs	-322		-607		-1 429	
Other social security costs	-63	-2 807	-119	-4 419	-264	-9 756
Other operating charges		-2 682		-4 178		-8 265
Rents paid to Sunborn Finance Oy		-1 715		-1 690		-3 379
Administrative expenses paid to Sunborn Oy		-303		-335		-668
		========		========		========
EBITDA		-2 180		-758		243
Depreciation						
Depreciation according to the plan		-296		-321		-643
Financial income and expenses						
Interest income and financial income	0		0		0	
Interest expenses and financial expenses	-29	-29	-1	-1	-2	-2
		========		========		========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-2 505		-1 080		-402
Adjustment items						
Group contribution received(+) / paid(-)		0		0		500
Income taxes		-1		-4		0
		========		========		========
RESULT FOR THE PERIOD		-2 505		-1 084		97

SUNBORN SAGA OY
BALANCE SHEET, tEUR

ASSETS	30.06.2020		30.06.2019		31.12.2019	
FIXED ASSETS						
Intangible assets						
Intangible rights	59		7		67	
Other capitalised long term expenditure	1 225	1 284	1 680	1 687	1 435	1 501
Tangible assets						
Machinery and equipment	502		413		529	
Advance payments	168	671	0	413	26	555
Investments						
Other shares and similar rights of ownership		0		0		0
CURRENT ASSETS						
Inventories						
Raw materials and supplies	209		216		176	
Goods	176	384	205	421	181	357
Receivables						
Non-current receivables						
Receivables from group companies		5 236		4 264		5 061
Current receivables						
Receivables from group companies	43		48		101	
Accounts receivable	372		1 741		1 284	
Other receivables	59		79		42	
Prepaid expenses and accrued income	49	522	144	2 012	119	1 545
Cash and bank receivables		3 965		309		1 698
TOTAL ASSETS		**12 063**		**9 107**		**10 719**

LIABILITIES	30.06.2020		30.06.2019		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	-2 505	-2 213	-1 084	-889	97	293
LIABILITIES						
Non-current liabilities						
Debt to group companies	0		222		0	
Loans from financial institutions	3 000		0		0	
Other liabilities	4 943	7 943	4 876	5 098	4 634	4 634
Current liabilities						
Debt to group companies	243		142		96	
Short-term advance payments	1 865		1 081		2 610	
Short-term accounts payable	2 648		2 224		1 299	
Other liabilities	140		288		342	
Accrued liabilities and deferred income	1 436	6 332	1 161	4 898	1 445	5 792
TOTAL LIABILITIES		**12 063**		**9 107**		**10 719**

SUNBORN SAGA OY
CASH FLOW STATEMENT, tEUR

	1.1.-30.6.2020	1.1.-30.6.2019	1.1.-31.12.2019
Cash flow from operations			
Profit before adjustment items and taxes	-2 505	-1 080	98
Depreciation and amortization	296	321	643
Income taxes	-1	-4	0
Change in current receivables	1 023	65	531
Change in inventories	-27	-26	38
Change in current non-interest-bearing liabilities	540	-488	407
Cash flow from operations (A)	-674	-1 213	1 716
Investing activities			
Change in tangible and intangible assets	-194	-104	-382
Cash flow from investing activities (B)	-194	-104	-382
Financing activities			
Change in non-current receivables	-175	540	-256
Change in long-term borrowings	3 310	532	67
Cash flow from financing activities (C)	3 135	1 072	-189
Change in cash and cash equivalents (A+B+C)	2 267	-244	1 144
Cash and cash equivalents at beginning of period	1 698	554	554
Cash and cash equivalents at end of period	3 965	309	1 698