SUNBORN FINANCE

FINANCIAL STATEMENTS Q3 2019
25/11/2019

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Key Figures (IFRS) - Issuer Sunborn Finance Oyj

EUR thousand	Q3 / 2019 1 Jul- 30 Sep 2019 (3 months)	Q3 / 2018 1 Jul- 30 Sep 2018 (3 months)	YTD / 2019 1 Jan- 30 Sep 2019 (9 months)	YTD / 2018 1 Nov 2017 - 30 Sep 2018 (11 months)	Y 2018 1 Nov 2017 – 31 Dec 2018 (14 months)
Revenue	906	896	2 719	3 241	4 136
EBITDA	722	663	2 082	2 602	3 295
Investment property (Spa Hotels)			64 155	63 500	63 500
Total equity			5 607	6 028	6 374
Bond			49 066	50 000	48 883

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	Q3 / 2019 1 Jul - 30 Sep 2019	Q3 / 2018 1 Jul - 30 Sep 2018	YTD / 2019 1 Jan - 30 Sep 2019	YTD / 2018 1 Jan - 30 Sep 2018	Y 2018 1 Jan - 31 Dec 2018
Revenue	8 557	8 004	21 004	19 931	25 672
EBITDA before rent and group admin	1 938	1 989	3 205	3 413	4 115

Executive Director, Hans Niemi

“The period of Q3 2019 for Sunborn Finance Oyj and underlying operations in Naantali and Ruissalo Spa hotels were in line with management expectations. Rental income was 0.9 M euros (0.9 M euros) and with lower costs EBITDA was up +5.4 %. Operating revenue in the hotels was 8.56 M euros (8.00) up +6.9 % YoY and the operating EBITDA levels relatively flat.”

General

Sunborn Finance Oyj 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. Its operations consist of acting as a lessor of the spa hotels and also providing property and IT related facility services. Sunborn Finance has four employees.

Sunborn Finance Oyj Financial summary 1 January – 30 September 2019

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 1-9/2019 was 2.72 M€. Other services income refers to personnel costs for facility services and is a cost/income neutral line item.

The value of the Spa hotels is at Naantali Spa 54.0 M€ and at Ruissalo Spa 28.5 M€ (1/3 in Sunborn Finance assets) according the valuation reports.

Sunborn Saga Oy Financial summary 1 January – 30 September 2019

Total Revenue 1-9/2019 21.0 M€ vs 1-9/2018 was 19.9 M€, +5,4 % increase.

Room renovations in the main building in Naantali Spa were completed in Q2 so both of our hotels operated with full capacity in Q3. Full room capacity had very positive impact on the hotel's ADR, OCC% and RevPar. In Q3 there were a high demand towards Turku region both in Leisure and Corporate segments. Only the refurbishment in suites in Naantali Spa was still going on in Q3/2019.

New management strategy was implemented earlier this year with further objectives to improve customer experience, higher quality services and to drive increases in operating revenue and ADR. This has required emphasis on recruiting professional and skilled employees and implementing further training programs for the existing and new employees. Organization changes relating to new strategy were implemented in Q3 with changes in mid management level and executive management of the hotel department. Major positions included recruitment of new Hotel Operations Director and Health Services Director. These changes have created additional costs in the short term, whereas expected benefits and improvements in operating revenue and costs are expected to materialize in the next months to few quarters.

Improving customer experience has required investments in product development which will facilitate Revenue, ADR and RevPar growth. The major investment into refurbishment of hotel rooms has had a clear positive impact on the occupancy and revenue of both hotels and this trend is expected to continue. Higher occupancy has demanded more resources from our suppliers and in particular, our laundry supplier had difficulties in coping with the added demand in the high season, creating some additional costs and disruption in our operation. A decision to change suppliers was made after the summer season and transition took place in early November.

As a conclusion the hotels have had remarkable growth in revenue. New management is now in place and focused on improving margins consistent also with our objectives for better services and higher customer satisfaction. Newly instated management structures, new refurbished and contemporary hotel rooms and improved and expanded services, the company has created the foundation for the business to meet company strategy and expectations for growth and profitability over the next years.

Naantali Spa Q3

Summer season July and August were extremely successful in Naantali Spa. All KPI´s this year increased compering to July-Aug 2018.

In July OCC % +6 %, ADR +3,7 % and RevPar increased +10,1 %. In August OCC% 9 %, ADR +11,2 % and RevPar increased +25 %. Leisuresegment increased +6 % in July and +10 % in August.

In September OCC% +3,6 %, ADR +5,6% and RevPar increased +9,3 %. Specially leisure (+32 %) and meetings (+168 %) segments increased hugely. Successful marketing campaigns contributed these figures specially in Leisure segment.

Ruissalo Spa Q3

Summer season in Ruissalo Spa was also very successful. KPI´s increased compering to July-Aug 2018. In Turku city center one of biggest hotels is under renovation starting from 05/2019 until year

2021. This has big influence to overflow that Ruissalo Spa receives because of lack of room capacity in city center.

In July OCC % +11%, ADR +0,7 % and RevPar increased +11,7 %. In August OCC % +15,8 %, ADR +7,6 % and RevPar increased +24,6 %. Biggest increase was Leisure segment in August +31 %.

In September OCC% +31 %, ADR +5 % and RevPar increased +37 %. Biggest influence to this growth was high demand in corporate business. Meetings segment increased +662 % in September.

Notable events during and after the end of the reporting period

The issuer completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Helsinki on 8th of February, 2019.

Business environment

No notable changes in the business environment.

Issuer is a SPV with no other purpose than owning the Naantali and Ruissalo spa hotel properties. The hotels are leased out to Sunborn Saga Oy through a lease agreement. Sunborn Saga Oy pays Sunborn Finance Oyj a fixed sum of 281 600 € per month in lease.

Guest satisfaction continues to be good in Naantali reflected by Booking.com rating of 8.2/10, Hotels.com rating of 8.2/10, Expedia.com 4.1/5 and in Ruissalo by Booking.com rating of 7.9/10, Hotels.com rating of 7.6/10, Expedia.com 3.7/5.

Estimated future development

The company estimates that its financial performance and debt service capacity will remain stable.

Short-term risks and uncertainties

Sunborn Finance’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.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Q3 / 2019 1 Jul - 30 Sep 2019	Q3 / 2018 1 Jul - 30 Sep 2018	YTD / 2019 1 Jan- 30 Sep 2019	YTD / 2018 1 Nov 2017 - 30 Sep 2018	Y 2018 1 Nov 2017 - 31 Dec 2018
Revenue	4	906	896	2 719	3 241	4 136
Changes in fair value of investment property	5	-186	-766	-990	-2 152	-2 909
Personnel expenses		-71	-100	-189	-253	-319
Operating expenses		-113	-133	-448	-404	-523
Operating profit		**536**	**-103**	**1 092**	**450**	**386**
Interest expenses on borrowings		-693	-1 980	-2 052	-5 045	-4 548
Profit before taxes		**-157**	**-2 083**	**-960**	**-4 595**	**-4 162**
Change in deferred tax		31	417	192	919	832
Result for the period		**-126**	**-1 666**	**-768**	**-3 676**	**-3 330**
Total comprehensive income for the period		**-126**	**-1 666**	**-768**	**-3 676**	**-3 330**

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

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 Sep 2019	31 Dec 2018	30 Sep 2018
Assets				
Non-current assets				
Investment property	5	64 155	63 500	63 500
Total non-current assets		**64 155**	**63 500**	**63 500**
Current assets				
Receivables from related parties	7	73	25	3 310
Other receivables		20	497	534
Cash and cash equivalents		1 141	2 110	2 307
Total current assets		**1 235**	**2 631**	**6 151**
Total assets		**65 390**	**66 131**	**69 651**

EUR thousand	Note	30 Sep 2019	31 Dec 2018	30 Sep 2018
Equity and liabilities				
Share capital		80	3	3
Reserve for invested unrestricted equity		6 638	6 716	6 716
Retained earnings		-1 112	-344	-690
Total equity		**5 607**	**6 374**	**6 028**
Liabilities				
Non-current liabilities				
Borrowings	6	49 066	48 883	-
Lease liabilities	2, 5	648	-	-
Deferred income tax liabilities		9 387	9 579	9 492
Total non-current liabilities		**59 101**	**58 462**	**9 497**
Current liabilities				
Borrowings	6	-	-	50 000
Lease liabilities	2, 5	7	-	-
Trade and other payables		180	118	119
Payables to related parties	7	31	730	3 608
Accrued expenses		465	447	403
Total current liabilities		**682**	**1 295**	**54 131**
Total liabilities		**59 783**	**59 757**	**63 623**
Total equity and liabilities		**65 390**	**66 131**	**69 651**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1 Nov, 2017	3	6 716	2 986	**9 704**
Result for the period	0	0	-3 676	**-3 676**
Equity at 30 Sep, 2018	**3**	**6 716**	**-690**	**6 028**
Equity at 1 Oct, 2018	3	6 716	-690	**6 028**
Result for the period	0	0	346	**346**
Equity at 31 Dec, 2018	**3**	**6 716**	**-344**	**6 374**
Equity at 1 Jan, 2019	3	6 716	-344	**6 374**
Result for the period	78	-78	-768	**-768**
Equity at 30 Sep, 2019	**80**	**6 638**	**-1 112**	**5 607**

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

EUR thousand	Note	1 Jan - 30 Sep 2019	1 Nov 2017 - 30 Sep 2018	1 Nov 2017 - 31 Dec 2018
Cash flows from operating activities				
Profit before tax		-960	-4 595	-4 162
Adjustments for				
Change in fair value of investment property	5	990	2 152	2 909
Interest expenses on borrowings		2 052	5 045	4 548
Change of working capital				
Change in trade and other receivables		428	-2 242	79
Change in trade and other payables		-620	987	11
Net cash flows from operating activities		**1 891**	**1 347**	**3 384**
Cash used in investing activities				
Capital Expenditure	5	-997	-1 000	-2 909
Net cash flows used in investing activities		**-997**	**-1 000**	**-2 909**
Cash flows from financing activities				
Land lease agreement		-23	-	-
Proceeds from borrowings		-	50 000	50 000
Repayment of borrowings from parent company		-	-44 028	-44 028
Transaction costs paid		-	-2 648	-2 648
Interest paid		-1 839	-2 692	-3 018
Net cash flows from financing activities		**-1 862**	**633**	**306**
Cash and cash equivalents at the beginning of period		2 110	1 328	1 328
Change in cash and cash equivalents		**-968**	**980**	**782**
Cash and cash equivalents at the end of period		**1 141**	**2 307**	**2 110**

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn Finance Oyj is a public limited liability company ("the Company") 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. Two of these employees were transferred to the Company in connection with the partial demerger and two were transferred from Sunborn Saga at the beginning of the year 2018.

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

As at 27 December 2018 Sunborn Finance Oy acquired dormant subsidiary for administrative purposes thus became the parent company of the group ("the group", "Sunborn Finance").

These interim financial statements are unaudited.

2. Summary of significant accounting policies

Basis of preparation

This condensed interim financial report for nine months ended September 30, 2019 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 2018.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2018, except for the adoption of IFRS 16 Leases as set out below.

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.

IFRS 16 Leases

On January 1, 2019, the group adopted IFRS 16, "Leases". The group applied the modified retrospective approach and did not restate comparative figures for prior periods. IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases.

The standard introduces a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value.

Lessor accounting remains largely unchanged from IAS 17.

Sunborn Finance as Lessor

Currently, the group leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga, which is a related party of the group. The management has assessed that the adoption of IFRS 16 did not have material impact on lessor accounting, and that the contracts will continue to be accounted for as operating lease.

Sunborn Finance as Lessee

The group only has lease contracts related to land and water areas from the city of Naantali which are impacted by the adoption of IFRS 16. The leases of land and water area will end in 2055 and 2035 respectively. On adoption of IFRS 16, the group recognised a lease liability in relation to these leases.

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.

A reconciliation between operating lease commitments as at 31 Dec 2018 and opening balance of lease liabilities is provided as below:

	2019
	EUR thousand
Operating lease commitments disclosed as at 31 December 2018	1 580
Discounted using the incremental borrowing rate corresponding the lease liability at 1 Jan 2019	649
Of which non-current lease liabilities	643
Of which current lease liabilities	6

Refer to Note 5 Investment property for more information.

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. The fair value of the Spa hotels is determined by a professional external valuator. The fair value is measured under income approach and reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

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

Input	**Value 30 Sep 2019**	
	Naantali	**Ruissalo**
Fair value (mEUR)	54.0	9.5
Yield	7.4 %	8.1 %
Net yearly income	EUR 3.9 million	EUR 2.3 million

Based on the valuation report provided by the third party valuator, if the net yearly income for Ruissalo Spa is changed between 2.1 - 2.4 million EUR and the yield -/+ 0,5 percentage points, the value of the new part of Ruissalo Spa would vary between EUR 8.1 million - 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 3.5 - 4.3 million EUR and the yield -/+ 0,25 percentage points, the value of the properties would vary between EUR 45.3 million - 59.9 million.

4. Restatement for correction of error in deferred tax liability

As described more closely in consolidated financial statements for the year ended 31 December 2018, equity and deferred tax liabilities for comparable 2018 figures have been restated retrospectively due to the deferred tax impact of the revaluation of Naantali Spa hotel in year 2007 which was not previously recognised.

5. Revenue

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

EUR thousand	1 Jul – 30 Sep 2019	1 Jul – 30 Sep 2018	1 Jan – 30 Sep 2019	1 Nov 2017 – 30 Sep 2018	1 Nov 2017 – 31 Dec 2018
Rental income from operating leases with related party	844	834	2 534	3 060	3 894
Service income from related parties	61	62	184	182	242
	906	**896**	**2 719**	**3 241**	**4 136**

6. 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 63.5 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, 2018. Refer to significant estimation and judgement as disclosed in note 3 above.

EUR thousand	Spa hotels
Fair value at November 1, 2017	63 500
Additions	2 152
Changes in Fair Value	-2 152
Fair value at September 30, 2018	**63 500**
Fair value at November 1, 2017	63 500
Fair value at September 30, 2018	63 500

EUR thousand	Spa hotels
Fair value at October 1, 2018	63 500
Additions	757
Changes in Fair Value	-757
Fair value at December 31, 2018	**63 500**
Fair value at October 1, 2018	63 500
Fair value at December 31, 2018	63 500

EUR thousand	Spa Hotels
Fair value at December 31, 2018	63 500
Impact of adoption of IFRS 16	649
Fair value at January 1, 2019	64 149
Additions	997
Changes in Fair Value	-990
Fair value at September 30, 2019	**64 155**
Fair value at January 1, 2019	64 149
Fair value at September 30, 2019	64 155

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017. The renovations will continue in year 2019.

7. Borrowings

EUR thousand	30 Sep 2019	31 Dec 2018	30 Sep 2018
Senior secured bond – non-current	49 066	48 883	-
Senior secured bond – current	-	-	50 000
Total	**49 066**	**48 883**	**50 000**

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 of February, 2019.

The bonds are denominated in euros and mature on 9th of 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 %.

Before the issuance of the bonds the Company had short term bridge financing, which had contractual interest consisting of cash interest 7.0 % plus 3-month Euribor (min 1.0 %) and capitalised interest 3.5 %. The facility, together with the capitalised interest, was repaid when bond was issued.

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 Oy.

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 net 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 2018 The Spa hotels had an ongoing major renovation and pursuant to the parties' agreement regarding this major renovation, the parties reconciled and set-off their respective payment obligations as of 30 September 2018, which set-off is in an amount equal to the amount due in lease payments as of same date. The set-off structure under FAS described above may differ from the IFRS requirements and the respective payment obligations are therefore presented on gross basis in the balance sheet as receivables from and payables to related parties as at comparable year figures, 30 September 2018. In December 2018, the Company and Sunborn Saga paid in full their respective amounts outstanding in respect of the set-off structure. The set-off structure was described more closely in the consolidated financial statements for the year ended 31 December 2018.

8. 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 2019 - 30 Sep 2019		**30 Sep 2019**	**30 Sep 2019**
EUR thousand	**Rental income from the operating lease**	**Service income**	**Receivable**	**Payable**
Sunborn Saga Oy	2 534	60	16	23
Other related parties	-	125	57	8
Total	**2 534**	**184**	**73**	**31**

	1 Nov 2017 – 31 Dec 2018		**31 Dec 2018**	**31 Dec 2018**
EUR thousand	**Rental income from the operating lease**	**Service income**	**Receivable**	**Payable**
Sunborn Saga Oy	3 894	78	8	367
Other related parties	-	163	17	363
Total	**3 894**	**242**	**25**	**730**

	1 Nov 2017 – 30 Sep 2018		**30 Sep 2018**	**30 Sep 2018**
EUR thousand	**Rental income from the operating lease**	**Service income**	**Receivable**	**Payable**
Sunborn Saga Oy	3 060	59	3 278	3 290
Other related parties	-	124	32	317
Total	**3 060**	**182**	**3 310**	**3 608**

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 contract is set at market level.

The Company has paid management fee to Sunborn Oy as presented in the table above.

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

Appendix 1 SUNBORN SAGA OY (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 30 September 2019
(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, EUR

	1.1.-30.9.2019		1.1.-30.9.2018		1.1.-31.12.2018	
TURNOVER		21 003 896		19 931 208		25 672 227
Other income from business operations		177 455		196 305		316 723
Materials and services						
Purchases during the financial period	-3 072 691		-2 776 254		-3 661 644	
Change in inventories	-23 465		-28 716		-99 776	
External services	-1 566 984	-4 663 140	-2 473 740	-5 278 711	-2 957 188	-6 718 608
Personnel expenses						
Wages and salaries	-5 831 539		-4 664 703		-6 536 359	
Mandatory pension costs	-999 811		-786 823		-1 081 097	
Other social security costs	-173 466	-7 004 815	-160 871	-5 612 398	-237 307	-7 854 764
Other operating charges		-6 308 567		-5 823 265		-7 300 971
Rents paid to Sunborn Finance Oy		-2 534 400		-2 503 368		-3 337 824
Administrative expenses paid to Sunborn Oy		-501 782		-494 502		-659 336
		==========		==========		==========
EBITDA		168 648		415 270		117 447
Depreciation						
Depreciation according to the plan		-484 052		-533 565		-706 100
Financial income and expenses						
Interest income and financial income	75		144		351	
Interest expenses and financial expenses	-1 686	-1 611	-1 090	-946	-1 521	-1 170
		==========		==========		==========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-317 016		-119 241		-589 823
Adjustment items						
Group contribution received(+) / paid(-)		0		0		655 000
Income taxes		-6 672		-7 707		-1 066
		==========		==========		==========
RESULT FOR THE PERIOD		-323 688		-126 948		64 111

SUNBORN SAGA OY
BALANCE SHEET, EUR

	30.09.2019		30.09.2018		31.12.2018	
ASSETS						
FIXED ASSETS						
Intangible assets						
Intangible rights	5 891		8 809		8 010	
Other capitalised long term expenditure	1 553 966	1 559 856	2 056 766	2 065 575	1 932 156	1 940 167
Tangible assets						
Machinery and equipment	427 343		334 100		377 568	
Advance payments	948	428 291	8 002	342 101	0	377 568
Investments						
Other shares and similar rights of ownership		290		290		290
CURRENT ASSETS						
Inventories						
Raw materials and supplies	177 533		182 938		151 525	
Goods	193 562	371 095	282 681	465 620	243 035	394 560
Receivables						
Non-current receivables						
Receivables from group companies		4 504 883		4 164 105		4 804 685
Current receivables						
Receivables from group companies	44 123		189 589		91 276	
Accounts receivable	1 640 731		1 514 066		1 498 213	
Other receivables	83 806		163 341		89 079	
Prepaid expenses and accrued income	75 308	1 843 968	249 282	2 116 278	397 819	2 076 388
Cash and bank receivables		160 439		116 195		553 875
TOTAL ASSETS		**8 868 823**		**9 270 163**		**10 147 532**

LIABILITIES	30.09.2019		30.09.2018		31.12.2018	
SHAREHOLDERS' EQUITY						
Share capital	2 523		2 523		2 523	
Reserve for invested non-restricted equity	100 000		100 000		100 000	
Retained earnings	92 790		28 679		28 679	
Profit for the period	-323 688	-128 375	-126 948	4 254	64 111	195 313
LIABILITIES						
Non-current liabilities						
Debt to group companies	0		122 000		0	
Other liabilities	4 881 273	4 881 273	5 056 429	5 178 429	4 566 569	4 566 569
Current liabilities						
Debt to group companies	329 959		160 810		421 360	
Short-term advance payments	817 205		815 833		1 912 140	
Short-term accounts payable	1 713 165		1 416 267		1 085 129	
Other liabilities	275 337		830 017		631 409	
Accrued liabilities and deferred income	980 260	4 115 926	864 554	4 087 481	1 335 612	5 385 650
TOTAL LIABILITIES		**8 868 823**		**9 270 163**		**10 147 532**

SUNBORN SAGA OY
CASH FLOW STATEMENT, EUR

	1.1.-30.9.2019	1.1.-30.9.2018	1.1.-31.12.2018
Cash flow from operations			
Profit before adjustment items and taxes	-317 016	-119 241	65 177
Depreciation and amortization	484 052	533 565	706 100
Income taxes	-6 672	-7 707	-1 066
Change in current receivables	232 419	-145 891	-106 001
Change in inventories	23 465	28 716	99 776
Change in current non-interest-bearing liabilities	-1 269 724	-1 510 787	-212 618
Cash flow from operations (A)	-853 476	-1 221 345	551 367
Investing activities			
Change in tangible and intangible assets *	-154 466	676 073	593 481
Cash flow from investing activities (B)	-154 466	676 073	593 481
Financing activities			
Change in non-current receivables	299 803	-242 070	-882 651
Change in long-term borrowings	314 703	473 833	-138 026
Cash flow from financing activities (C)	614 506	231 762	-1 020 678
Change in cash and cash equivalents (A+B+C)	-393 436	-313 509	124 171
Cash and cash equivalents at beginning of period	553 875	429 704	429 704
Cash and cash equivalents at end of period	160 439	116 195	553 875

* Until 2018, capital expenditure in Spa hotels is done by Sunborn Saga, but the investments are transfered to Sunborn Finance.