SUNBORN FINANCE

FINANCIAL STATEMENTS Q2 2023
22/8/2023

sunborn

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	Q2/2023 1 Apr – 30 Jun 2023	Q2/2022 1 Apr – 30 Jun 2022	H1/2023 1 Jan – 30 Jun 2023	H1/2022 1 Jan – 30 Jun 2022	1 Jan – 31 Dec 2022
Revenue	1 039	949	2 073	1 899	3 802
EBITDA	826	763	1 658	1 534	3 093
Operating profit	540	632	1 041	989	2 875
Investment property (Spa Hotels)			62 276	61 760	62 195
Total equity			1 763	2 324	2 562
Bond			49 838	50 055	50 212

Key Figures (FAS)- Operator Sunborn Saga Oy

EUR thousand	Q2/2023 1 Apr – 30 Jun 2023	Q2/2022 1 Apr – 30 Jun 2022	H1/2023 1 Jan – 30 Jun 2023	H1/2022 1 Jan – 30 Jun 2022	1 Jan – 31 Dec 2022
Revenue	7 021	7 147	12 388	11 078	25 467
EBITDA before rent and group admin	905	1 005	1 414	1 168	4 602

Executive Director, Hans Niemi

"Sunborn Finance Oyj revenue for Q2 was 1.039 M€ (Q2 2022: 0.949 M€) and costs were in line with budget.

Operator's revenue in the period was 7.021 M€ (Q2 2022: 7.147 M€, -2 %) and EBITDAR 0.9 M€ (Q1 2022: 1.0 M€, -10 %) falling short of expectations amidst a declining consumer sentiment, caused by high rates, inflation, and macroeconomic uncertainty. Management continues introducing and implementing changes to achieve stable revenue growth and improve operating margins."

General

Sunborn Finance Oyj ("the Company") owns the award winning Naantali Spa hotel located in Naantali by the Baltic Sea and Ruissalo Spa Hotel located in Turku by the scenic archipelago. The Company's operations consist of acting as a lessor of the spa hotels and providing property, facility and IT related services.

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. The hotels are well reputed and good performing assets with a strong management team.

Naantali Spa Resort has 218 rooms and 40 ancillary time share apartments and Ruissalo Spa Hotel 173 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 centre, rehabilitation facilities, restaurants, bars, cafes and lounges. Significant renovation was made in both spa hotels during recent years and renovations continue in 2023.

Sunborn Finance Oyj Financial summary 1 April – 30 June 2023

Sunborn Finance Oyj´s revenue 1.039 M€ consists of fixed lease income from the operator and other services income. Lease income Q2 2023 was 0.965 M€ (Q2 2022: 0.884 M€). Other services income refers to personnel costs for facility and IT services. Costs were in line with previous year.

According to December 2022 valuation reports the value of the Spa hotels is at Naantali Spa 52.6 M€ and at Ruissalo Spa 26.8 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets).

Operator Sunborn Saga Financial summary 1 April – 30 June 2023

Anticipated expectations for Q2 2023 were not achieved due to a slowdown in the domestic leisure market that had already been evident since the previous summer. There was a 2% decrease in revenue from Q2 2022, dropping from 7.1 M€ to 7.0 M€. The economic environment presented challenges, resulting in reduced customer spending coupled with increasing salary and operational costs, particularly in the energy and food and beverage (F&B) sectors.

The health travel segment experienced growth in both hotels, while corporate business remained at the same level as 2022. However, it should be noted that Q2 2022 had an unusually high number of corporate groups due to the lifting of Covid-related restrictions and the organization of postponed events. The decline in occupancy and revenue was attributed to a decrease in leisure clients, particularly in Naantali, and also affected the average expenditure on various services, particularly food and beverage.

Both the hotel and restaurant divisions saw a decline in customer spending. Customers have become more cautious in their expenditure, opting for cost-effective alternatives or reducing the frequency of their visits. This reduction has had an impact on overall revenue and profits, highlighting the importance of addressing changing trends and adapting to evolving customer needs. The development of new services and products, as well as improved marketing within the hotels and surrounding areas, is necessary.

In Ruissalo, the conversion of 26 rehabilitation rooms into executive hotel rooms commenced. Renovated rooms were gradually delivered in May and June, not yet fully impact Q2 results. The Nordic design style of these rooms allowed for higher room rates and increased customer satisfaction. Additionally, the pricing of rooms in Naantali was partially adjusted to boost room revenue. In Q2, the average daily rate (ADR) increased in both hotels, but there was a slight decrease in occupancy percentage and revenue per available room (RevPar). Key performance indicators (KPIs) related to customer satisfaction improved compared to 2022.

Naantali Spa	Overall Q2 2023	Apr	May	Jun
ADR	+ 0,8 %	- 2,3 %	+ 1,8 %	+ 2,6 %
Occupancy %	- 4 %	- 3 %	- 1,5 %	- 7,5 %
RevPar	- 4,6 %	- 6,4 %	+ 0,3 %	- 6,8 %
Ruissalo Spa				
ADR	+ 0,2 %	- 4,7 %	+ 2,3 %	+ 2,1 %
Occupancy %	- 1,2 %	- 0 ,4%	+ 0,8 %	- 4,1 %
RevPar	- 1,9 %	- 5,4 %	+ 3,7 %	- 4,6 %

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

Renovations continued in Q2 2023. In Ruissalo conversion of 26 rehabilitation rooms to executive hotel rooms was completed and rooms were taken into use in May and June, just before the summer holidays. These new rooms with Nordic design style enabled higher room rates and already increased customer satisfaction. This renovation was followed by restaurant renovations in Naantali and were completed in June. Further restaurant renovations are scheduled for the fall season. A 3-year investment plan including also other renovations has commenced.

The staffing shortages that were previously reported in our operations have been alleviated. We have successfully recruited new workers for various departments, particularly for the busy summer season. Additionally, we are pleased to see many of our previous employees returning to our company. However, our management team recognizes the importance of ensuring future availability by providing training for qualified staff and offering incentives to our employees.

During Q2, salaries have increased due to the rising costs of living caused by inflation. These higher salaries have had an impact on our overall operational costs and have reduced our profit margins. In response to these challenges, it is necessary to re-evaluate our labor structure and explore cost-effective alternatives while still maintaining employee satisfaction.

The hotel and restaurant industry faced significant challenges in Q2 due to inflationary pressures caused by the war in Ukraine. This conflict resulted in higher prices for essential goods and services, leading to a decline in customer consumption as people prioritized their basic needs over discretionary spending.

Given the concerns about customer spending and travel capabilities in the coming months, it is anticipated revenue growth may be flat or negative, particularly in the leisure segment. This makes it crucial for us to address these changing trends and adapt to evolving customer needs and cost structures.

Energy costs, including electricity and fuel, have also significantly increased due to inflation caused by the war. These added expenses have further impacted our profit margins, although electricity has been largely hedged. To mitigate the impact of rising energy costs, it is essential for hotels and restaurants to continue adopting energy-efficient solutions such as LED lighting, optimizing equipment usage, and exploring renewable energy sources like solar panels and new efficient heat pump systems to replace fossil fuel based heating. Our 3-year ESG strategy, which was implemented in 2022, is starting to yield results with noticeable reductions in energy and water consumption compared to pre-pandemic levels. Converting our heating and cooling systems to more sustainable alternatives remain as a top priority for the company in the coming years, but requires material CAPEX in plants and machinery in both properties.

Food and beverage costs have also seen an increase during the second quarter as a result of inflation. This has led to higher purchasing expenses for our business. To maintain profitability, it is essential to carefully reassess our menu offerings, negotiate with vendors, and implement innovative cost management strategies.

By implementing measures to optimize costs, exploring new customer segments, and enhancing the customer experience, we can navigate these challenging times and position our business for future growth.

Relisting of the Bond

Sunborn Finance Oyj has become aware that its senior secured bond (ISIN: FI4000292750) has been inadvertently delisted from Nasdaq Helsinki without taking into account the extension of its maturity date until 9 February 2024. Despite the temporary delisting, the Company has complied with all its disclosure duties as if the Bond had been listed and the Bond continues to be traded over the counter on the secondary market.

After becoming aware of the delisting of the Bond and having investigated the matter the Company immediately took action to have the Bond relisted on Nasdaq Helsinki as soon as possible in order to comply with the Bond's terms and conditions.

Accordingly, the Company has already filed an updated prospectus to FIN-FSA and we expect the relisting to be effective in few days.

Business environment

The corporate business and rehabilitation sectors are showing signs of improvement, but customer spending on food and beverage and treatment sales is still being impacted by the inflation caused by the war in Ukraine. The travel industry is adapting to the current situation and facing pressure to raise prices. Simultaneously, there is growing concern regarding individuals' ability to travel, even to destinations within their own country. However, due to concerns about the environment and security issues, many customers are still preferring domestic travel, while international travel, especially from Asia and other non-European continents, remains limited. However, there has been an increase in travel from Scandinavia and German-speaking European countries.

The hotels are maintaining a high level of customer satisfaction. The net promotion score is expected to improve as the renovation program continues.

Given the possibly lower-than-budgeted revenue levels, the management team is currently prioritizing the goal of increasing profitability, enhancing customer service, and effectively managing hotel properties. By implementing contactless technologies like mobile check-in and check-out services and digital payments by 2023, the aim is to further improve customer experience. Additionally, social responsibility initiatives will be implemented to increase customer loyalty and retention and to differentiate from competitors.

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 and may negatively and materially impact on Sunborn Finance Oyj liquidity.

The Company's bond is maturing for repayment on 9th February 2024. From the management´s point of view, the current high yield market conditions are more challenging but refinancing is available subject to certain terms and conditions. The Company has engaged advisors and is in progress of pursuing refinancing in advance of maturity.

The Company´s financial risk management aims to protect it against unfavourable developments in the financial markets and ensure the performance. The management reviews financial risks on regular basis to secure the financial risk position and decide on necessary actions.

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

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q2/2023 1 Apr – 30 Jun 2023	Q2/2022 1 Apr – 30 Jun 2022	H1/2023 1 Jan – 30 Jun 2023	H1/2022 1 Jan – 30 Jun 2022	1 Jan – 31 Dec 2022
Revenue	4	1 039	949	2 073	1 899	3 802
Changes in fair value of investment property	5	-286	-131	-617	-545	-218
Personnel expenses		-88	-74	-166	-151	-299
Operating expenses		-125	-112	-249	-214	-410
Operating result		**540**	**632**	**1 041**	**989**	**2 875**
Interest expenses		-1 076	-699	-2 039	-1 382	-2 972
Result before taxes		**-537**	**-67**	**-998**	**-393**	**-97**
Change in deferred tax		107	13	200	79	19
Result for the period		**-429**	**-53**	**-798**	**-314**	**-78**
Total comprehensive income for the period		**-429**	**-53**	**-798**	**-314**	**-78**

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Jun 2023	31 Dec 2022	30 Jun 2022
Assets				
Non-current assets				
Investment property	5	62 276	62 195	61 760
Total non-current assets		**62 276**	**62 195**	**61 760**
Current assets				
Receivables from related parties	7	75	70	75
Other receivables		66	66	66
Cash and cash equivalents		1 057	859	632
Total current assets		**1 198**	**995**	**772**
Total assets		**63 474**	**63 190**	**62 532**

EUR thousand	Note	30 Jun 2023	31 Dec 2022	30 Jun 2022
Equity and liabilities				
Share capital		80	80	80
Reserve for invested unrestricted equity		6 638	6 638	6 638
Retained earnings		-4 955	-4 156	-4 395
Total equity		1 763	2 562	2 324
Liabilities				
Non-current liabilities				
Lease liabilities	2, 5	699	624	628
Deferred income tax liabilities		8 426	8 626	8 566
Total non-current liabilities		**9 125**	**9 250**	**9 194**
Current liabilities				
Borrowings	6	49 838	50 212	50 055
Lease liabilities	2, 5	9	8	8
Trade and other payables		305	193	246
Payables to related parties	7	1 743	404	281
Accrued expenses		690	562	423
Total current liabilities		**52 585**	**51 379**	**51 013**
Total liabilities		**61 710**	**60 629**	**60 208**
Total equity and liabilities		**63 474**	**63 190**	**62 532**

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, 2022	80	6 638	-4 080	2 638
Result for the period	0	0	-314	-314
Equity at 30 Jun, 2022	**80**	**6 638**	**-4 395**	**2 324**
Equity at 1 Jul, 2022	80	6 638	-4 395	2 324
Result for the period	0	0	237	237
Equity at 31 Dec, 2022	**80**	**6 638**	**-4 156**	**2 562**
Equity at 1 Jan, 2023	80	6 638	-4 156	2 562
Result for the period	0	0	-798	-798
Equity at 30 Jun, 2023	**80**	**6 638**	**-4 955**	**1 763**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 30 Jun 2023	1 Jan - 31 Dec 2022	1 Jan – 30 Jun 2022
Cash flows from operating activities				
Result before tax		-998	-97	-393
Adjustments for				
Change in fair value of investment property	5	617	218	545
Interest expenses on borrowings		2 039	2 972	1 382
Change of working capital				
Change in trade and other receivables		-5	-49	-54
Change in trade and other payables		1 468	334	265
Net cash flows from operating activities		**3 121**	**3 378**	**1 745**
Cash used in investing activities				
Capital Expenditure	5	-617	-652	-545
Net cash flows used in investing activities		**-617**	**-652**	**-545**
Cash flows used in financing activities				
Land lease agreement		-26	-49	-24
Transaction costs paid		-516	-	-
Interest paid		-1 763	-2 494	-1 219
Net cash flows used in financing activities		**-2 306**	**-2 543**	**-1 244**
Cash and cash equivalents at the beginning of period		**859**	**676**	**676**
Change in cash and cash equivalents		**198**	**183**	**-44**
Cash and cash equivalents at the end of period		**1 057**	**859**	**632**

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

NOTES TO THE FINANCIAL STATEMENTS (IFRS)

1. General information

Sunborn Finance Oyj is a public limited liability company ("the Company") and together with its subsidiary "the Group" incorporated in Finland. The registered address of the Company 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 Oyj owns spa hotel "Naantali Spa" and approximately 30% of the "Ruissalo Spa" (together "Spa hotels") properties located in southwest Finland. Naantali Spa has 218 and Ruissalo Spa 173 hotel rooms with several event rooms, restaurants, bars, cafés 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 Oyj and Sunborn Saga Oy. Sunborn Finance Oyj provides also property management and IT support services and has four employees.

Sunborn Finance Oyj 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 June 30, 2023 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 2022.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2022.

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.

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.

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

Input	Value 30 Jun 2023		Value 30 Jun 2022	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.6	8.9	52.2	8.9
Yield/NOI II	7.35 %/7.68 %	7.90 %/8.40 %	7.35 %/5,67 %	7.85 %/6,18 %
Net yearly income	EUR 4.1 million	EUR 2.3 million (includes also the old part)	EUR 2.9 million	EUR 1.6 million (includes also the old part)

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

Comparable figures, especially yearly revenues and yield/NOI II in 2022, reflected the impact of Covid-19 pandemic.

According to the management judgement the fair value of the right of use assets of land and water areas is EUR 0.74 million (2022: EUR 0.65 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	Q1/2023 1 Apr – 30 Jun 2023	Q1/2022 1 Apr – 30 Jun 2022	H1/2023 1 Jan – 30 Jun 2023	H1/2022 1 Jan – 30 Jun 2022	1 Jan – 31 Dec 2022
Rental income from operating leases with related party	965	884	1 929	1 767	3 534
Service income from related parties	73	66	144	132	268
	1 039	**949**	**2 073**	**1 899**	**3 802**

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 62.3 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, 2022. Refer to significant estimation and judgement as disclosed in note 3 above.

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

EUR thousand	Spa hotels
Fair value at January 1, 2022	61 759
Additions	545
Changes in Fair Value	-545
Fair Value at June 30, 2022	**61 760**

EUR thousand	Spa hotels
Fair value at July 1, 2022	61 760
Additions	107
Changes in Fair Value	327
Fair Value at December 31, 2022	**62 195**

EUR thousand	Spa hotels
Fair value at January 1, 2023	62 195
Additions	697
Changes in Fair Value	-617
Fair Value at June 30, 2023	**62 276**

The Spa hotels have had an ongoing major renovation since before the Company’s establishment on 1 November 2017. Renovation has continued in 2023 with the refurbishment of 26 hotel rooms in Ruissalo Spa and restaurant renovations in Naantali Spa.

6. Borrowings

EUR thousand	30 Jun 2023	31 Dec 2022	30 Jun 2022
Current:			
Senior secured bond	49 838	50 212	50 055
Total	**49 838**	**50 212**	**50 055**

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

In a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the holders of the Bonds gave their consent to certain requested amendments to the Terms and Conditions and one year extension of maturity for repayment until 9th February 2024. The bonds shall be fully redeemed on maturity date at nominal amount +10 %. The Company has the right to early repayment before 9 December, 2023 at nominal amount +4 %. The contractual interest is 4.85 % plus 3-month Euribor. The effective interest rate is 5.41 %.

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

Collaterals and guarantees given

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

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

The bonds are also secured by a 1st lien floating charge (in Finnish: yrityskiinnitys) registered on the Company's and Sunborn Saga's movable assets in accordance with the Floating Charge Act. Sunborn Saga's cash flows, as well as its bank accounts have been pledged and insurance proceeds are assigned to bond holders as security of the bonds.

Moreover, the shareholders have pledged shares in the Company and Sunborn Oy has pledged Sunborn Saga Oy shares to secure the repayment of the bonds. Owners have pledged lease receivables which they have from Sunborn Saga. The financial covenant is further described below.

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

The bond terms include also a cash requirement covenant, which requires the Company to maintain the cash minimum of upcoming 3 months interest payment. The bond terms include an interest cover ratio covenant, which requires the Company to generate EBITDA minimum of 1.0 times the interest and a lease payment coverage covenant, which requires Sunborn Saga to generate EBITDA (before lease and internal management fees) minimum of 1.0 times the lease payment. Covenants are tested on a quarterly basis.

In accordance with the bond terms bond holders may declare outstanding bonds due and payable among others if the Company fails to pay an amount at the due date under the bond terms and conditions related other agreements, the Company or Sunborn Saga fails to comply with the covenants, any financial indebtedness of the Company or Sunborn Saga is not paid when due provided that amount due is less than EUR 2.000.000 and provided that it does not apply to any loans from the shareholders and Sunborn Saga fails to make a lease payment to the Company under the Lease Agreement.

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 2023			30 Jun 2023	
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	1 929	44	-	1	1 722
Other related parties	-	100	-28	74	20
Total	**1 929**	**144**	**-28**	**75**	**1 743**

	1 Jan – 30 Jun 2022			30 Jun 2022	
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	1 767	42	-	5	280
Other related parties	-	90	-26	70	-
Total	**1 767**	**132**	**-26**	**75**	**281**

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

The rental income of the Group arises from a lease contract related to the Spa hotels. Sunborn Finance Oyj 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

Continued inflationary pressure may continue to effect energy expenditure and to increase cost of materials and labour.

Sunborn Finance Oyj has become aware that its senior secured bond (ISIN: FI4000292750) has been inadvertently delisted from Nasdaq Helsinki without taking into account the extension of its maturity date until 9 February 2024. Despite the temporary delisting, the Company has complied with all its disclosure duties as if the Bond had been listed and the Bond continues to be traded over the counter on the secondary market.

After becoming aware of the delisting of the Bond and having investigated the matter the Company immediately took action to have the Bond relisted on Nasdaq Helsinki as soon as possible in order to comply with the Bond's terms and conditions.

Accordingly, the Company has already filed an updated prospectus to FIN-FSA and we expect the relisting to be effective in few days.

Appendix 1 SUNBORN SAGA (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 30 June 2023
(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 Jan – 30 Jun 2023		1 Jan – 30 Jun 2022		1 Jan – 31 Dec 2022
TURNOVER		12 388		11 078		25 467
Other income from business operations		117		617		1 367
Materials and services						
Purchases during the financial period	-2 186		-2 015		-4 256	
Change in inventories	194		140		4	
External services	-607	-2 599	-597	-2 472	-1 429	-5 680
Personnel expenses						
Wages and salaries	-3 763		-3 624		-7 345	
Mandatory pension costs	-567		-528		-1 237	
Other social security costs	-122	-4 452	-115	-4 266	-273	-8 855
Other operating charges		-4 039		-3 790		-7 696
Rents paid to Sunborn Finance Oy		-1 929		-1 767		-3 534
Administrative expenses paid to Sunborn Oy		-350		-333		-666
		======		======		========
EBITDA		-865		-933		401
Depreciation						
Depreciation according to the plan		-248		-279		-562
Financial income and expenses						
Interest income and financial income	0		1		1	
Interest expenses and financial expenses	-37	-36	-41	-40	-83	-82
		======		======		========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-1 149		-1 253		-243
Adjustment items						
Group contribution received(+) / paid(-)		0		0		379
Income taxes		0		-1		0
		======		======		=========
RESULT FOR THE PERIOD		-1 149		-1 254		136

SUNBORN SAGA OY
BALANCE SHEET, tEUR

ASSETS	30.6.2023		31.12.2022		30.6.2022	
FIXED ASSETS						
Intangible assets						
Intangible rights	109		129		144	
Other capitalised long term expenditure	365	474	451	580	579	723
Tangible assets						
Machinery and equipment	879		897		619	
Advance payments	289	1 168	12	910	247	866
Investments						
Other shares and similar rights of ownership		0		0		0
CURRENT ASSETS						
Inventories						
Raw materials and supplies	341		179		302	
Goods	210	551	178	357	191	493
Receivables						
Non-current receivables						
Receivables from group companies		4 990		7 169		6 880
Current receivables						
Receivables from group companies	43		47		46	
Accounts receivable	1 170		792		1 082	
Other receivables	1 385		308		196	
Prepaid expenses and accrued income	80	2 679	603	1 750	102	1 425
Cash and bank receivables		454		1 500		674
TOTAL ASSETS		**10 316**		**12 266**		**11 061**

LIABILITIES	30.6.2023		31.12.2022		30.6.2022	
SHAREHOLDERS' EQUITY						
Share capital	3		3		3	
Reserve for invested non-restricted equity	100		100		100	
Retained earnings	377		241		240	
Profit for the period	-1 149	-670	136	479	-1 254	-912
LIABILITIES						
Non-current liabilities						
Borrowings	1 200		1 200		1 800	
Other liabilities	4 443	5 643	4 134	5 334	5 023	6 823
Current liabilities						
Debt to group companies	274		128		99	
Borrowings	300		600		300	
Short-term advance payments	1 524		3 040		1 553	
Short-term accounts payable	1 736		1 367		1 645	
Other liabilities	77		174		103	
Accrued liabilities and deferred income	1 431	5 342	1 145	6 453	1 451	5 150
TOTAL LIABILITIES		**10 316**		**12 266**		**11 061**

SUNBORN SAGA OY

CASH FLOW STATEMENT, tEUR

	1 Jan – 30 Jun 2023	1 Jan – 30 Jun 2022	1 Jan – 31 Dec 2022
Cash flow from operations			
Profit before adjustment items and taxes	-1 149	-1 253	-243
Depreciation and amortization	248	279	562
Income taxes	0	-1	0
Change in current receivables	-929	-79	-404
Change in inventories	-194	-140	-4
Change in current non-interest-bearing liabilities	-1 111	-1 231	71
Other adjustments	0	0	1
Cash flow from operations (A)	-3 134	-2 425	-16
Investing activities			
Change in tangible and intangible assets	-400	-364	-548
Cash flow from investing activities (B)	-400	-364	-548
Financing activities			
Change in non-current receivables	2 179	69	-220
Change in long-term borrowings	310	310	-1 179
Group contribution	0	0	379
Cash flow from financing activities (C)	2 489	378	-1 021
Change in cash and cash equivalents (A+B+C)	-1 046	-2 411	-1 585
Cash and cash equivalents at beginning of period	1 500	3 085	3 085
Cash and cash equivalents at end of period	454	674	1 500