SUNBORN FINANCE

Key Figures (IFRS) - Issuer Sunborn Finance Oyj

EUR thousand	Q4 / 2020 1 Oct – 31 Dec 2020	Q4 / 2019 1 Oct – 31 Dec 2019	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Revenue	344	906	3 060	3 625
EBITDA	122	723	2 190	2 806
Investment property (Spa Hotels)			61 820	65 914
Total equity			2 587	6 909
Bond			49 616	49 130

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	Q4 / 2020 1 Oct – 31 Dec 2020	Q4 / 2019 1 Oct – 31 Dec 2019	YTD 2020 1 Jan – 31 Dec 2020	Y 2019 1 Jan – 31 Dec 2019
Revenue	4 370	6 940	21 004	27 944
EBITDA before rent and group admin	735	1 085	2 839	4 290

Executive Director, Hans Niemi

"Mixed performance in Q4 while navigating the special circumstances of Covid-19. The quarter started well with October performance close to the previous year levels and strong pre-bookings going forward. The mood changed rapidly in November as restrictions for public gatherings and hospitality were yet again imposed. While the business environment was difficult and sales fell well below 2019 figures for the whole Q4, our hotels overperformed national industry occupancy averages by +60 % in Naantali and +34 % in Ruissalo. The Operator Q4 revenue fell to €4.4 M (€6.9 M) and EBITDA was €0.74 M (€1.1 M). The 25 June 2020 written procedure amendments to bond terms and conditions had secured certain waivers and amendments to the terms and conditions of the bonds and introduced new performance covenants. These included permitted lease waivers which impacted company total revenue for Q4 €0.34 M (€0.9 M). The new compliance covenants set for Operator in Q4 were tested and passed. Strict cost control and adjustment of labor resources continued throughout the period."

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. 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 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 1st November, 2017. Sunborn Finance Oyj owns Naantali and Ruissalo spa hotel properties, acting as a lessor of the spa hotels and providing property and IT related facility services. Significant renovation of the hotel rooms was made in both spa hotels during 2018 and 2019.

Sunborn Finance Oyj Financial summary 1 October – 31 December 2020

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 10-12/2020 was 0.28 M€ (10-12/2019 0.84 M€) including two-month Covid-19 lease waiver. Other services income refers to personnel costs for facility services and is typically a cost/income neutral line item.

According to December valuation reports the value of the Spa hotels is at Naantali Spa 52.2 M€ and at Ruissalo Spa 26.9 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets).

The Covid-19 outbreak continues to severely and negatively impact the tourism market in Finland since the outbreak in March 2020. As Sunborn Finance Oyj is reliant on the ability of the Operator to pay rent, the unprecedented operating circumstances and the government-imposed restrictions in the travel and hospitality market continue to impact the performance of the operator in the short and medium term, as described below.

Sunborn Saga Oy Financial summary 1 October – 31 December 2020

Total revenue Q4 2020 was 4,73 M€ (Q4 2019 6,94 M€). EBITDA in Q4 was 0,74 M€ (Q4/2019 1,11 M€).

Operations under Covid 19 challenges continued in Q4

After the spring Covid-19 lockdown, the summer and autumn had rebounded with bent up demand setting expectations for the last quarter. October started well with occupancy peaking in mid-October during midterm break. Corporate and international customers still missing, hotels relied on domestic leisure and more concentrated in the weekends. The leisure segment increased but not enough to cover usual B2B and international segments during the weekdays.

In November, Covid 19 -cases started to increase again and tightened the restrictions for public gatherings and hospitality yet again imposed. A good order book of Christmas parties and events during the months of November and December quickly evaporated. All bookings for meetings and conferences were either cancelled or postponed. Leisure guest bookings also decreased as customers were hesitant to travel due to the restrictions.

November and December proved difficult months and revenue and customers were lost in all main segments because of the Covid-19 pandemic restrictions. In Naantali, ADR decreased by -4,6 % YoY, occupancy % by -27,2 % YoY and RevPar -30,5 % YoY. In Ruissalo medical rehabilitation was steady in comparison to Q4 2019, but other segments were negatively affected by the Covid-19 situation and KPI's in Ruissalo decreased. Ruissalo ADR decreased by -12 % YoY, occupancy % -41,8 % YoY and RevPar by -48,8 %. A large shipyard client in Turku handed over their latest cruise ship in Q4, but this usually busy event provided little business in the area due to travel restrictions.

Despite the decreasing figures Naantali Spa Hotel remained number one hotel in the area in respect to all KPI's and customer satisfaction was at a high level. Naantali Spa Hotel was voted Finland's Leading Hotel, now for the second consecutive year. Our hotels overperformed both national and local hotel industry occupancy averages by +60 % in Naantali and +34 % in Ruissalo. Strict cost control and adjustment of labor resources continued throughout the period.

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

Low Covid-19 cases during the summer took a turn to worse in the autumn. By November the situation in Finland was as severe as in the spring. The government held back issuing a total lockdown, instead imposing restrictions to restaurant services, travelling and gatherings. This caused a decline in bookings and number of overnight and daily visitors for the November and December.

Sunborn Saga Oy kept developing and adapting its services to the new business environment. Two new restaurants were opened in the Naantali premises, an Italian style Bistro Rucola and the highly rewarded Thai Garden was relocated with refreshed interior design and higher efficiency in both restaurants.

Naantali Spa won the prestigious title of Finland's Leading Hotel second time in a row at the 2020 World Travel Awards in the beginning of November. In addition, the new, duplex theme suites won the title of Finland's Leading Hotel Suite. Naantali Spa was also nominated for Finland's Leading Business Hotel and Europe's Leading leisure Resort, representing the Nordics alone among five other resorts from Southern and Eastern Europe.

Management utilized the quiet period to engage key departments in development of products and services. This work continued throughout the Q4 ensuring the properties stay updated with latest in food and beverage and hotel services.

The 1Q of 2021 is expected to continue similarly to Q4 2020. Foreign visitors will remain absent possibly throughout the year 2021 and corporate business is not expected to return before summer or autumn. Both hotels rely on domestic leisure business and short breaks, staycations and domestic vacations are expected to have strong continued demand during the coming months. This segment is also very susceptible to possible continuing restrictions.

New online booking system for spa treatments – both beauty and wellness treatments – was taken into use in January 2021. The new booking system is expected to increase the number of bookings in total and via online allowing the sales department to allocate current resources better.

Business environment

The continuing Covid-19 restrictions continue to negatively impact international travel and corporate business. International travel is not anticipated to recover before the year end 2021 or 2022. Major corporate groups and international conferences will remain absent at least until Q3/2021. In the meantime, our business will be focused on domestic leisure and rehabilitation segments, both of which could be affected by further restrictions.

Due to Covid-19 safe and hygienic travelling will be a major issue in the coming months. Finland has succeeded better than other European countries in managing the pandemic. Finland has great potential in the future as a safe and attractive destination for international and domestic travelers, but before a Covid-19 vaccine is widely available travelling from and to Finland will not take place.

Sunborn Saga management will keep emphasis on safety of clients and staff with a renewed focus on company responsibility program to strengthen our position as a reliable and responsible operator in the travelling business. Consumers will continue making responsible choices and invest in health and domestic travelling will increase. Customer satisfaction of the hotels continues to be good and has not been negatively affected by the crisis. On the contrary net promotion score is raising in both hotels.

Short-term risks and uncertainties

The Covid-19 pandemic has had an impact on the tourism industry globally due to the resulting travel restrictions as well as slump in demand among travellers. What started as a record-breaking year has had prospects downgraded several times since the outbreak in view of the high level of uncertainty. As the Company is reliant on the ability of the property operator to pay rent, possible 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. The latest valuation of the properties shows a reduction in the fair value of the hotels the Company holds as investment property and the pandemic may further impact the fair value.

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 unfavourable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q4 / 2020 1 Oct – 31 Dec 2020	Q4 / 2019 1 Oct – 31 Dec 2019	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Revenue	4	344	906	3 060	3 625
Changes in fair value of investment property	5	-4 175	1 598	-4 612	608
Personnel expenses		-69	-66	-228	-255
Operating expenses		-153	-116	-642	-564
Operating result		**-4 053**	**2 321**	**-2 421**	**3 413**
Interest expenses		-696	-694	-2 981	-2 746
Result before taxes		**-4 749**	**1 627**	**-5 402**	**668**
Change in deferred tax		950	-325	1 081	-134
Result for the period		**-3 799**	**1 302**	**-4 322**	**534**
Total comprehensive income for the period		**-3 799**	**1 302**	**-4 322**	**534**

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Investment property	5	61 820	65 914
Total non-current assets		**61 820**	**65 914**
Current assets			
Receivables from related parties	7	74	-
Other receivables		4	4
Cash and cash equivalents		430	1 108
Total current assets		**508**	**1 112**
Total assets		**62 328**	**67 027**

EUR thousand	Note	31 Dec 2020	31 Dec 2019
Equity and liabilities			
Share capital		80	80
Reserve for invested unrestricted equity		6 638	6 638
Retained earnings		-4 132	190
Total equity		2 587	6 909
Liabilities			
Non-current liabilities			
Borrowings	6	49 616	49 130
Lease liabilities	2, 5	635	635
Deferred income tax liabilities		8 632	9 712
Total non-current liabilities		**58 882**	**59 477**
Current liabilities			
Lease liabilities	2, 5	30	7
Trade and other payables		132	172
Payables to related parties	7	-	30
Accrued expenses		698	433
Total current liabilities		**859**	**641**
Total liabilities		**59 742**	**60 118**
Total equity and liabilities		**62 328**	**67 027**

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	534	**534**
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	-4 322	**-4 322**
Equity at 31 Dec, 2020	**80**	**6 638**	**-4 132**	**2 587**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Cash flows from operating activities			
Result before tax		-5 402	668
Adjustments for			
Change in fair value of investment property	5	4 612	-608
Interest expenses on borrowings		2 981	2 746
Change of working capital			
Change in trade and other receivables		-74	518
Change in trade and other payables		195	-661
Net cash flows from operating activities		**2 311**	**2 662**
Cash used in investing activities			
Capital Expenditure	5	-514	-1 159
Net cash flows used in investing activities		**-514**	**-1 159**
Cash flows from financing activities			
Land lease agreement		-23	-47
Interest paid		-2 452	-2 459
Net cash flows from financing activities		**-2 475**	**-2 505**
Cash and cash equivalents at the beginning of period		**1 108**	**2 110**
Change in cash and cash equivalents		**-678**	**-1 002**
Cash and cash equivalents at the end of period		**430**	**1 108**

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 4 months ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 *interim Financial Reporting*, as adopted by the European Union.

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

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

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

Going concern

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

As a result of Covid-19 impacts on the operator's activities Sunborn Finance written procedure to amend bond terms and conditions was accepted 25 June 2020 and secured certain waivers and amendments to the terms and conditions of the bonds.

The accepted waivers provide temporary 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.

Sunborn Saga Oy secured a permitted EUR 3.0 million government and parent company 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 regardless of the temporary closures and changes in the operating environment. During the difficult year, the hotels have succeeded in managing their variable costs and performed well above the Finnish national hotel occupancies.

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. The latest valuation of the properties shows a reduction in the fair value of the hotels the Company holds as investment property and the pandemic may further impact the fair value.

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 31 Dec 2020		Value 31 Dec 2019	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	52.2	8.97	55.7	9.6
Yield	7.35 %	7.85 %	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 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.

The fair value contains significant estimation and assumptions on the continued economic and business environment.The sensitivity analysis may not appropriately reflect the impact of extraordinary events, such as the covid-19 pandemic. The yearly revenues applied yield assumptions and level of operating costs may materialise higher than expected variance to the historical or market performance data used as a basis for the sensitive analysis by the third-party valuation agency. Therefore, the sensitivity analysis may contain assumptions not fully accounting the impact of the ongoing pandemic and the sensitivity analysis will not be estimated here numerically as far as we have the covid-19 ongoing.

According to the management judgement the fair value of the right of use assets of land and water areas is EUR 0.65 million.

3. 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. Two-month lease waiver has been used. In addition, the group derives service revenue from property management and IT support services.

EUR thousand	1 Oct – 31 Dec 2020	1 Oct – 31 Dec 2019	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Rental income from operating leases with related party	283	844	2 835	3 379
Service income from related parties	61	61	225	245
	344	**906**	**3 060**	**3 625**

4. 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	1 159
Changes in Fair Value	608
Fair Value at December 31, 2019	**65 914**

EUR thousand	**Spa hotels**
Fair value at January 1, 2020	65 914
Additions	514
Changes in Fair Value	-4 612
Fair Value at December 31, 2020	**61 820**

The Spa hotels have had an ongoing major renovation since before the Company's establishment on 1 November 2017.

5. Borrowings

EUR thousand	**31 Dec 2020**	**31 Dec 2019**
Senior secured bond	49 616	49 130
Total	**49 616**	**49 130**

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 %.

As a result of written procedure amendment and waivers, related amendment fee of 50 bp resulted in a modification loss in interest expenses of the reporting period. The amount of borrowings has been adjusted accordingly.

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, 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 1.1 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.

Sunborn Finance written procedure to amend bond terms and conditions was accepted 25th June 2020 and secured certain waivers and amendments to the terms and conditions of the bonds. The waivers provide temporary relief due to Covid-19 on interest coverage ratio, minimum cash covenant and lease payment covenant. Accordingly, Sunborn Finance Oyj has been in compliance with all its covenants on reporting date.

6. Transactions with related parties

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

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

	1 Jan – 31 Dec 2020			31 Dec 2020	31 Dec 2020
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	2 835	66	-	0	4
Other related parties	-	158	-74	74	8
Total	**2 835**	**225**	**-74**	**74**	**12**

	1 Jan - 31 Dec 2019			31 Dec 2019	31 Dec 2019
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	3 379	79	-	-	30
Other related parties	-	166	-73	-	0
Total	**3 379**	**245**	**-73**	**-**	**30**

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 two-month lease waiver for 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.

7. Events after the balance sheet date

Nothing to report.

Appendix 1 SUNBORN SAGA (FAS)

Sunborn Saga Oy
INTERIM REPORT 1 January – 31 December 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, 000 EUR

	1.1.–31.12.2020		1.1.–31.12.2019	
TURNOVER		18 454		27 944
Other income from business operations		948		291
Materials and services				
Purchases during the financial period	-2 718		-3 952	
Change in inventories	-39		-38	
External services	-834	-3 591	-1 934	-5 924
Personnel expenses				
Wages and salaries	-6 063		-8 064	
Mandatory pension costs	-876		-1 429	
Other social security costs	-197	-7 135	-264	-9 756
Other operating charges		-5 837		-8 265
Rents paid to Sunborn Finance Oy		-2 835		-3 379
Administrative expenses paid to Sunborn Oy		-605		-668
		========		========
EBITDA		-601		243
Depreciation				
Depreciation according to the plan		-589		-643
Financial income and expenses				
Interest income and financial income	0		0	
Interest expenses and financial expenses	-67	-66	-2	-2
		========		========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-1 257		-402
Adjustment items				
Group contribution received(+) / paid(-)		1 300		500
Income taxes		-10		0
		=========		=========
RESULT FOR THE PERIOD		34		97

SUNBORN SAGA OY
BALANCE SHEET, 000 EUR

	31.12.2020		31.12.2019	
ASSETS				
FIXED ASSETS				
Intangible assets				
Intangible rights	182		67	
Other capitalised long term expenditure	1 038	1 220	1 435	1 501
Tangible assets				
Machinery and equipment	477		529	
Advance payments	55	531	26	555
Investments				
Other shares and similar ownership rights		0		0
CURRENT ASSETS				
Inventories				
Raw materials and supplies	152		176	
Goods	166	317	181	357
Receivables				
Non-current receivables				
Receivables from group companies		6 637		5 061
Current receivables				
Receivables from group companies	114		101	
Accounts receivable	589		1 284	
Other receivables	42		42	
Prepaid expenses and accrued income	455	1 201	119	1 545
Cash and bank receivables		2 823		1 698
TOTAL ASSETS		12 729		10 719

LIABILITIES	31.12.2020		31.12.2019	
SHAREHOLDERS' EQUITY				
Share capital	3		3	
Reserve for invested non-restricted equity	100		100	
Retained earnings	190		93	
Profit for the period	34	326	97	293
LIABILITIES				
Non-current liabilities				
Borrowings	2 100		0	
Other liabilities	4 681	6 781	4 634	4 634
Current liabilities				
Debt to group companies	26		96	
Borrowings	600		0	
Short-term advance payments	2 600		2 610	
Short-term accounts payable	954		1 299	
Other liabilities	151		342	
Accrued liabilities and deferred income	1 291	5 622	1 445	5 792
TOTAL LIABILITIES		12 729		10 719

SUNBORN SAGA OY
CASH FLOW STATEMENT, 000 EUR

	1.1.–31.12.2020	1.1.–31.12.2019
Cash flow from operations		
Profit before adjustment items and taxes	-1 257	-402
Depreciation and amortization	589	643
Income taxes	-10	0
Change in current receivables	345	531
Change in inventories	39	38
Change in current non-interest-bearing liabilities	-170	407
Cash flow from operations (A)	-463	1 216
Investing activities		
Change in tangible and intangible assets	-284	-382
Cash flow from investing activities (B)	-284	-382
Financing activities		
Change in non-current receivables	-1 576	-256
Change in long-term borrowings	2 147	67
Group contribution	1 300	500
Cash flow from financing activities (C)	1 871	311
Change in cash and cash equivalents (A+B+C)	1 125	1 144
Cash and cash equivalents at beginning of period	1 698	554
Cash and cash equivalents at end of period	2 823	1 698