SUNBORN FINANCE

FINANCIAL STATEMENTS Q4 2023
29 February 2024

sunborn

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	Q4/2023 1 Oct – 31 Dec 2023	Q4/2022 1 Oct – 31 Dec 2022	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Revenue	1 424	952	4 781	3 802
EBITDA	1 208	770	3 972	3 093
Operating result [1]	-2 340	1 118	-208	2 875
Investment property (Spa Hotels)			58 876	62 195
Total equity [2]			-1 107	2 562
Bond			49 965	50 212

Key Figures (FAS)- Operator Sunborn Saga Oy

EUR thousand	Q4/2023 1 Oct – 31 Dec 2023	Q4/2022 1 Oct – 31 Dec 2022	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Revenue	5 854	5 751	26 520	25 467
EBITDA before rent and group admin	1 372	815	5 602	4 602

Executive Director, Hans Niemi

“Sunborn Finance Oyj revenue for Q4 was 1.424 M€ (Q4 2022: 0.952 M€). Operational costs were in line with previous year, but financing expenses have increased significantly. As per IFRS, the mark-to-market reduction in property valuations reflected in Q4 both operating result and investment property. The company has sought and received approval for a bond maturity extension to complete ongoing refinancing negotiations, maturity is extended until 13 May 2024. The refinancing process is taking place amidst a challenging higher for longer rates policy environment, higher borrowing costs and volatile commercial real-estate market across the Nordics.

Operator’s revenue in the period was 5.854 M€ (Q4 2022: 5.751 M€, +2 %) and EBITDAR 1.372 M€ (Q4 2022: 0.815 M€, +68 %). Performance is under pressure in a declining consumer sentiment caused by higher consumer borrowing rates, general inflation and macroeconomic uncertainty. Management continues introducing and implementing changes to achieve revenue growth and improve operating margins. Higher property rent required due to higher borrowing cost continues to impact management business development plans and timing.”

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.

[1] Reflects reduction in property valuations as per IFRS

[2] Equity position as per IFRS, not FAS

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.

Sunborn Finance Oyj Financial summary 1 October – 31 December 2023

Sunborn Finance Oyj´s revenue 1.424 M€ consists of lease income from the operator and other services income. Lease income Q4 2023 increased to 1.265 M€ (Q4 2022: 0.884 M€) to support increase in borrowing costs. Other services income for Issuer refers to personnel costs for facility and IT services. Operational costs were in line with previous year, but interest expenses have increased significantly.

According to December 2023 valuation reports the value of the Spa hotels is at Naantali Spa 49.8 M€ and at Ruissalo Spa 25.0 M€ (1/3 of Ruissalo Spa is owned by Sunborn Finance and shown as its assets). The latest valuation reductions are a direct result of higher commercial yields and a general mark-to-market downgrade in Nordic commercial real-estate. As per IFRS, the mark-to-market reduction in fair value of the investment property valuations reflected in Q4 both operating result and investment property.

Operator Sunborn Saga Financial summary 1 October – 31 December 2023

Operator’s revenue in the period was 5.854 M€ (Q4 2022: 5.751 M€, +2 %) and EBITDAR 1.372 M€ (Q4 2022: 0.815 M€, +68 %).

The autumn holiday was quieter than previous years due to staggered school breaks across districts. Naantali Spa hosted corporate Christmas parties featuring Finnish artists, while private events took place at Naantali Pavilion. Le Soleil restaurant saw high demand for Christmas lunches. Both Christmas and New Year's fell on weekends in 2023, with Naantali Spa seeing strong sales in Christmas packages but shorter stays and a quiet pre-Christmas period. The inter-holiday week was busier at Naantali Spa compared to Ruissalo Spa.

Customer base included leisure, conference, and corporate groups, with a steady number of state-supported rehabilitation clients. Summer attracted more Swedish and German tourists, though foreign visitor numbers dipped in fall, with Asian tourists notably absent. Group tour demand from abroad is expected to rise from summer 2024.

Both spas maintained strong performance against local hotels in terms of occupancy, rates, and revenue, despite competition from new hotels and Meyer's shipyard accommodations preferring downtown Turku hotels. Customer satisfaction, measured by NPS, improved for both spas.

Challenges like inflation and changing consumer behaviors impacted bookings, though renovated rooms at Ruissalo boosted satisfaction. Domestic tourism growth expectations were unmet, with guests spending less on F&B and services, leading to lower average spend. Short-notice bookings complicated resource planning.

Q4 saw a modest 2% revenue increase year-over-year, below expectations. Cost control measures were enforced, particularly in purchases and staffing, with December adjustments following the Christmas season. New sales and marketing efforts, including a Black Friday campaign, partially offset revenue shortfalls. The health travel sector saw increased overnights, but corporate business remained steady. A slight decline in domestic leisure volume and spending contributed to stagnant revenue growth.

Pricing of new rooms in Ruissalo led to an increased average daily rate (ADR) there. In Q4, the ADR and revenue per available room (RevPar) decreased in Naantali, whereas Ruissalo was able to increase the average daily rate. Key performance indicators related to customer satisfaction improved compared to 2022, including the net promoter score (NPS).

Naantali Spa	Overall Q4 2023	Oct	Sep	Nov
ADR	- 2,8 %	- 3.3 %	- 4.1 %	-2,1 %
Occupancy %	- 7,4 %	- 6,9 %	- 11,9 %	-1,9 %
RevPar	- 11,6 %	- 10,1 %	- 16,5 %	-7,7 %
Ruissalo Spa				
ADR	+ 6,4 %	+ 5,2 %	+ 7,6 %	+ 7,9 %
Occupancy %	- 3,1 %	- 4,2 %	+ 2,1 %	- 8,4 %
RevPar	- 4,0 %	- 6,5 %	+ 2,3 %	- 7,4 %

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

The financial landscape for real estate financing in the Nordic region faced significant challenges in 2023, exacerbated by unforeseen rises in interest rates and investor yield expectations, alongside depreciations in market valuations of real estate properties. Consequently, the Company encountered difficulties in securing refinancing its bonds.

In response to these challenges the company sought and received approved a written procedure to further extend the bond maturity, to allow sufficient time to negotiate a refinancing and investment package with the aim of repayment by the new extended maturity of 13 May 2024.

The Company has engaged advisors and is in progress of negotiating terms and conditions in advanced stage. The current high yield and commercial real estate market conditions are clearly challenging, but the management expresses cautious optimism for a positive outcome during the extended period. Under the current terms and conditions, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 10 %). The company is expecting to conclude a redemption offer that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement.

Company has also adjusted the fair value of the properties as per the latest valuations to reflect the mark-to-market and commercial real-estate higher yield expectations. The impact is a material readjustment in profit and loss and balance sheet.

As part of the refinancing process and subject to lenders approval and tax authority preapproval, Sunborn Finance Oyj is planning to merge into Sunborn Group within H1 2024 via a directed share issue and exchange, to improve the financial standing of the Issuer and allow future group support and contributions.

Business environment

Facing customer spending and travel demand uncertainties, we anticipate limited growth in leisure revenue. We're adjusting costs and reviewing operations to align with market changes. Encouragingly, health travel and corporate sectors are expected to grow. Due to global uncertainties, domestic travel options are favored by many local customers, while international travel has high potential for growth, particularly from neighbouring and Central European countries.

Food and beverage costs have climbed due to inflation, prompting a re-evaluation of menus and cost management strategies. General wage increases in the hospitality and healthcare sectors have also elevated operational costs.

Rising energy costs, influenced by inflation and an exceptionally cold start to 2024, are squeezing profit margins despite our hedging efforts and energy-efficient initiatives. Our 3-year ESG strategy focuses on reducing consumption and exploring renewable sources, though sustainable system upgrades will necessitate further investment.

A 3-year investment plan for both properties is addressing maintenance needs and planning for the summer 2024 opening of Tammikellari in Naantali with a new restaurant concept, and phased renovations in Naantali Spa's pool area.

In anticipation of potentially lower revenue levels compared to budget projections, the management team is prioritizing cost management, enhancing customer service, and optimizing staff resources. Additionally, social responsibility initiatives will be implemented to bolster customer loyalty and retention, setting the establishment apart from market competitors.

Despite these challenges, hotels are maintaining high levels of customer satisfaction, with expectations of further improvements in net promotion scores in the upcoming months.

Short-term risks and uncertainties

The Company’s bond is maturing for repayment on 13 May 2024. The Company has engaged advisors and is in progress of negotiating terms and conditions in advanced stage. The current high yield and commercial real estate market conditions are clearly challenging, but the management expresses cautious optimism for a positive outcome during the extended period.

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. High interest rates impact negatively and materially on Sunborn Finance Oyj liquidity and planned CAPEX programs.

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	Q4/2023 1 Oct – 31 Dec 2023	Q4/2022 1 Oct – 31 Dec 2022	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Revenue	4	1 424	952	4 781	3 802
Changes in fair value of investment property	5	-3 548	347	-4180	-218
Personnel expenses		-86	-83	-324	-299
Operating expenses		-129	-99	-486	-410
Operating result		-2 340	1 118	-208	2 875
Interest expenses		-1 189	-861	-4 375	-2 972
Result before taxes		-3 529	257	-4 583	-97
Change in deferred tax		705	-51	916	19
Result for the period		-2 824	206	-3 667	-78
Total comprehensive income for the period		-2 824	206	-3 667	-78

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Investment property	5	58 876	62 195
Total non-current assets		58 876	62 195
Current assets			
Receivables from related parties	7	187	70
Other receivables		74	66
Cash and cash equivalents		1 143	859
Total current assets		1 404	995
Total assets		60 280	63 190

EUR thousand	Note	31 Dec 2023	31 Dec 2022
Equity and liabilities			
Share capital		80	80
Reserve for invested unrestricted equity		6 638	6 638
Retained earnings		-7 824	-4 156
Total equity		-1 107	2 562
Liabilities			
Non-current liabilities			
Lease liabilities	2, 5	697	624
Deferred income tax liabilities		7 709	8 626
Total non-current liabilities		8 406	9 250
Current liabilities			
Borrowings	6	49 965	50 212
Lease liabilities	2, 5	6	8
Trade and other payables		264	193
Payables to related parties	7	2 012	404
Accrued expenses		733	562
Total current liabilities		52 980	51 379
Total liabilities		61 386	60 629
Total equity and liabilities		60 280	63 190

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	-283	-283
Equity at 30 Sep, 2022	80	6 638	-4 363	2 355
Equity at 1 Oct, 2022	80	6 638	-4 363	2 355
Result for the period	0	0	206	206
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	-843	-843
Equity at 30 Sep, 2023	80	6 638	-5 000	1 719
Equity at 1 Oct, 2023	80	6 638	-5 000	1 719
Result for the period	0	0	-2 824	-2 824
Equity at 31 Dec, 2023	80	6 638	-7 824	-1 107

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from operating activities			
Result before tax		-4 583	-97
Adjustments for			
Change in fair value of investment property	5	4 180	218
Interest expenses on borrowings		4 375	2 972
Change of working capital			
Change in trade and other receivables		-125	-49
Change in trade and other payables		1 688	334
Net cash flows from operating activities		5 535	3 378
Cash used in investing activities			
Capital Expenditure	5	-780	-652
Net cash flows used in investing activities		-780	-652
Cash flows used in financing activities			
Lease liability repayments		-53	-49
Financing costs paid		-516	-
Interest paid		-3 902	-2 494
Net cash flows used in financing activities		-4 471	-2 543
Cash and cash equivalents at the beginning of period		859	676
Change in cash and cash equivalents		284	183
Cash and cash equivalents at the end of period		1 143	859

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 December 31, 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 31 Dec 2023		Value 31 Dec 2022	
	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (M€)	49.8	8.3	52.6	8.9
Yield/NOI II	7.75 %/8.05 %	8.70 %/8.96 %	7.35 %/7.68 %	7.90 %/8.40 %
Net yearly income	EUR 4.1 million	EUR 2.3 million (includes also the old part)	EUR 4.1 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.

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	Q4/2023 1 Oct – 31 Dec 2023	Q4/2022 1 Oct – 31 Dec 2022	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Rental income from operating leases with related party	1 265	884	4 408	3 534
Service income from related parties	159	68	372	268
	1 424	952	4 781	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 58.9 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	61 760
Additions	566
Changes in Fair Value	-566
Fair Value at September 30, 2022	**61 760**

EUR thousand	Spa hotels
Fair value at October 1, 2022	61 760
Additions	86
Changes in Fair Value	348
Fair Value at December 31, 2022	**62 195**

EUR thousand	Spa hotels
Fair value at January 1, 2023	62 195
Additions	631
Changes in Fair Value	-550
Fair Value at September 30, 2023	**62 276**

EUR thousand	Spa hotels
Fair value at October 1, 2023	62 276
Additions	149
Changes in Fair Value	-3 548
Fair Value at December 31, 2023	**58 876**

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	31 Dec 2023	31 Dec 2022
Current:		
Senior secured bond	49 965	50 212
Total	49 965	50 212

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 the new written procedure initiated on 15 January 2024 and closed on 7 February 2024, a total majority of the holders of the Bonds gave their consent to certain amendments to the Terms and Conditions including an extension to the maturity date of the Bonds to 13 May 2024. The contractual interest is 4.85 % plus 3-month Euribor. The effective interest rate is 5.41 %.

The Company has engaged advisors and is in progress of negotiating terms and conditions in advanced stage. The current high yield and commercial real estate market conditions are clearly challenging, but the management expresses cautious optimism for a positive outcome during the extended period. Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 10 %). The company is expecting to conclude a redemption offer that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement.

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 paid 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 Oct - 31 Dec 2023			1 Oct - 31 Dec 2022		
EUR thousand	Rental income from the operating lease	Service income	Management fee	Rental income from the operating lease	Service income	Management fee
Sunborn Saga Oy	1 265	32	-	884	21	-
Other related parties	-	127	-14	-	47	-13
Total	1 265	159	-14	884	68	-13

	1 Jan - 31 Dec 2023			31 Dec 2023	
EUR thousand	Rental income from the operating lease	Service income	Management fee	Receivable	Payable
Sunborn Saga Oy	4 408	97	-	19	2 011
Other related parties	-	275	-55	168	1
Total	4 408	372	-55	187	2 012

	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

In the new written procedure initiated on 15 January 2024 and closed on 7 February 2024, a total majority of the holders of the Bonds gave their consent to certain amendments to the Terms and Conditions including an extension to the maturity date of the Bonds to 13 May 2024.

The Company has engaged advisors and is in progress of negotiating terms and conditions in advanced stage. The current high yield and commercial real estate market conditions are clearly challenging, but the management expresses cautious optimism for a positive outcome during the extended period. Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 10 %). The company is expecting to conclude a redemption offer that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement.

Appendix 1 SUNBORN SAGA (FAS)

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

		1 Jan – 31 Dec 2023		1 Jan – 31 Dec 2022
TURNOVER		26 520		25 467
Other income from business operations		1 284		1 367
Materials and services				
Purchases during the financial period	-3 990		-4 256	
Change in inventories	-12		4	
External services	-1 567	-5 569	-1 429	-5 680
Personnel expenses				
Wages and salaries	-7 326		-7 345	
Mandatory pension costs	-1 213		-1 237	
Other social security costs	-279	-8 818	-273	-8 855
Other operating charges		-7 741		-7 696
Rents paid to Sunborn Finance Oy		-4 408		-3 534
Administrative expenses paid to Sunborn Oy		-700		-666
		========		========
EBITDA		569		401
Depreciation				
Depreciation according to the plan		-494		-562
Financial income and expenses				
Interest income and financial income	16		1	
Interest expenses and financial expenses	-61	-44	-83	-82
		======		========
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		30		-243
Adjustment items				
Group contribution received(+) / paid(-)		5		379
Income taxes		0		0
		======		=========
RESULT FOR THE PERIOD		36		136

SUNBORN SAGA OY
BALANCE SHEET, 1 000 EUR

ASSETS	31 Dec 2023		31 Dec 2022	
FIXED ASSETS				
Intangible assets				
Intangible rights	86		129	
Other capitalised long term expenditure	350	436	451	580
Tangible assets				
Machinery and equipment	886		897	
Advance payments	10	896	12	910
Investments				
Other shares and similar rights of ownership		0		0
CURRENT ASSETS				
Inventories				
Raw materials and supplies	172		179	
Goods	173	345	178	357
Receivables				
Non-current receivables				
Receivables from group companies		5 561		7 169
Current receivables				
Receivables from group companies	119		47	
Accounts receivable	1 546		792	
Other receivables	1 990		308	
Prepaid expenses and accrued income	153	3 808	603	1 750
Cash and bank receivables		703		1 500
TOTAL ASSETS		11 750		12 266

LIABILITIES	31 Dec 2023		31 Dec 2022	
SHAREHOLDERS' EQUITY				
Share capital	3		3	
Reserve for invested non-restricted equity	100		100	
Retained earnings	377		241	
Profit/Loss for the period	41	521	136	479
LIABILITIES				
Non-current liabilities				
Borrowings	600		1 200	
Other liabilities	2 728	3 328	4 134	5 334
Current liabilities				
Debt to group companies	144		128	
Borrowings	600		600	
Advance payments	3 008		3 040	
Accounts payable	2 829		1 367	
Other liabilities	156		174	
Accrued liabilities and deferred income	1 164	7 901	1 145	6 453
TOTAL LIABILITIES		11 750		12 266

SUNBORN SAGA OY

CASH FLOW STATEMENT, tEUR

	1.1.–31.12.2023	1.1.–31.12.2022
Cash flow from operations		
Profit before adjustment items and taxes	30	-243
Depreciation and amortization	494	562
Income taxes	0	0
Change in current receivables	-2 058	-404
Change in inventories	12	-4
Change in current non-interest-bearing liabilities	1 448	71
Other adjustments	5	1
Cash flow from operations (A)	-68	-16
Investing activities		
Change in tangible and intangible assets	**-337**	-548
Cash flow used in investing activities (B)	**-337**	-548
Financing activities		
Change in non-current receivables	1 607	-220
Change in long-term borrowings	-2 005	-1 179
Group contribution	5	379
Cash flow from financing activities (C)	-392	-1 021
Change in cash and cash equivalents (A+B+C)	-797	-1 585
Cash and cash equivalents at beginning of period	1 500	3 085
Cash and cash equivalents at end of period	703	1 500