SUNBORN FINANCE

FINANCIAL STATEMENTS 2023
SUNBORN FINANCE OYJ
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sunborn

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REPORT OF BOARD OF DIRECTORS 2023

Key Figures (IFRS) - Sunborn Finance Oyj

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Revenue	4 781	3 802
EBITDA	3 972	3 093
Operating profit[1]	-208	2 875
Investment property (Spa hotels)	58 876	62 195
Total Equity[2]	-5 107	2 562
Borrowings	54 965	50 212

Key Figures (FAS) - Operator Sunborn Saga Oy

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Revenue	26 520	25 467
EBITDA before rent and group admin	5 602	4 602

General

Sunborn Finance Oyj ("the Company") was established 1 November, 2017 through a partial demerger of Sunborn Oy. The Company's operations consist of acting as a lessor of the spa hotels and providing property, facility and IT related services. During the financial year, Sunborn Finance had on average four employees. The Company operates only in Finland.

Sunborn Finance Oyj 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 Operator"). 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 center, rehabilitation facilities, restaurants, bars, cafes and lounges. Significant renovation was made in both spa hotels during recent years and renovations continue.

Financial summary 1 January - 31 December 2023

Sunborn Finance revenue consists of fixed lease income from the operator and other services income. Lease income 2023 increased to EUR 4.408 million (2022 EUR 3.534 million) to support increase in borrowing costs. Other revenues relate to IT and facility services income. Operational costs were in line with previous year, but interest expenses have increased significantly.

[1] Reflects reduction in property valuations as per IFRS
[2] Equity position as per IFRS, not FAS

According to December 2023 valuation reports, the value of the Spa hotels is at Naantali Spa EUR 49.8 million and at Ruissalo Spa EUR 25.0 million (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 both operating result and investment property.

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 neighboring 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.

Notable events during and after the end of the reporting period

As at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million with interest 4.85 % +3 months Euribor. The bonds mature on 9 February 2023 and in a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the bond holders gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. 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 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 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 amended terms and conditions of the bond include a call premium of 10 % of the nominal value at maturity, which is recorded in the parent company financial statements. As a result, the parent company's equity has fallen negative. The board has taken actions to correct the situation and expects the solution to be a redemption offer with adjusted call premium, which would reflect the availability and terms of the refinancing that is currently being negotiated and agreed upon. The aim of the negotiations is to ensure the Company's refinancing and the sufficiency of the liquidity in the future. Although the bond and the call premium has not yet matured for payment, the call premium has recorded in accordance with the principle of prudence in accounting and the negativity of equity has been entered into the Trade register on 30 April 2024. The company continues to operate and to pursue refinancing solution and is likely also to negotiate with bondholders for a redemption and adjusted call premium in line with available refinancing solutions under negotiations.

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 planned to be a part of 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.

Estimated future development

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 May 13, 2024. The Company has engaged advisors and is currently negotiating a refinancing before the maturity date. The current high yield and commercial real estate market conditions are clearly challenging. The strategy for refinancing has involved negotiating a senior loan syndicate, which presently has commitments covering 50 % or more of the outstanding bond due for repayment. The remaining portions of the syndicate loan for refinancing of outstanding bond and premiums are pending approval from the lenders.

In the event that the Company fails to secure the necessary approvals for complete refinancing, it has developed fallback strategies involving among other solutions a partial refinancing using a committed bilateral loan facility combined with a proposed amendment and possible extension of the remaining bond amount to ensure continued operations of the company and refinancing solution acceptable to the bondholders under the circumstances.

The Company’s advisors are facilitating discussions to garner support for this plan. From preliminary discussions, management anticipates to find bond investor support for the plan in prevailing market conditions, especially with the assurance of an immediate minimum repayment of EUR 25 million or possibly more.

The company has not committed to a binding loan offer on refinancing by the date of approval of the financial statements, the adequacy of funding is an essential factor of uncertainty, which can give significant reason to doubt the Company's and the Group´s ability to continue its operations. If the company is unable to secure refinancing and the assumption of continuity of operations therefore no longer applies, the situation may require assets to be valued at the recoverable amount and possible additional liabilities to be recorded.

Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 10 %). However, the company is expecting to conclude a redemption offer with adjusted call premium that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement.

The Company´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 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 review 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 wars in Ukraine and Israel-Gaza are not estimated to have a direct impact on the company's operations.

Company’s shares

Total number of Company´s shares is 400 and the Company has two classes of shares. A-shares have 20 votes per share and B-shares have one vote per share, otherwise the terms are the same. Shares have no nominal value.

Corporate Governance

Sunborn Finance Oyj's ownership, corporate structure, operational activities and related party transactions are described in notes to the financial statements.

The governance of Sunborn Finance Oyj is based on the Finnish Limited Liability Companies Act and Sunborn Finance Oyj's articles of association. The Company's shares are not listed for public trading. Sunborn Finance Oyj has issued a secured bond that is listed by NASDAQ Helsinki Oy, and the Company complies with its rules and regulations for listed bonds, the Securities Markets Act as well as the Financial Supervisory Authority's regulations.

The Annual General Meeting is the highest decision-making body in Sunborn Finance Oyj, deciding on matters laid down in the Finnish Limited Liability Companies Act. The AGM is held once a year, in June at the latest, on a date determined by the Company's Board of Directors.

The Board of Directors of Sunborn Finance Oyj consists of three ordinary members, elected by the AGM for one year at a time. The Board of Directors decides on significant matters concerning the Company strategy, investments and finance. In the reporting period the Board had one meeting.

Members of the Board of Directors in 2023 were Ritva Niemi, Pekka Niemi and Hans Niemi. The Board of Directors did not receive remuneration for board membership. Sunborn Finance Oyj has no committees.

Sunborn Finance Oyj's Board of Directors appoints the Chief Executive Officer. The CEO Hans Niemi is responsible for the Company's management, financial performance and organizing business operations and administration according to legislation as well as instructions and orders issued by the Board.

The Annual General Meeting elects the authorized public accountants until further notice. Sunborn Finance Oyj auditors are PricewaterhouseCoopers Oy with Kalle Laaksonen, APA, as principal auditor since 2017.

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that the funds are carried forward to retained earnings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Revenue	5, 13	4 781	3 802
Changes in fair value of investment property	9	-4 180	-218
Personnel expenses	6	-324	-299
Operating expenses	6	-486	-410
Operating result		-208	2 875
Interest expenses and financial expenses	7	-9 375	-2 972
Result before taxes		-9 583	-97
Change in deferred tax	8	1 916	19
Result for the period		-7 667	-78
Total comprehensive income for the period		-7 667	-78
Result attributable to			
Shareholders of the Parent company		-7 667	-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	9	58 876	62 195
Total non-current assets		58 876	62 195
Current assets			
Receivables from related party	13	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	11	80	80
Reserve for invested unrestricted equity		6 638	6 638
Retained earnings		-11 824	-4 156
Total equity		-5 107	2 562
Liabilities			
Non-current liabilities			
Lease liabilities	2	697	624
Deferred tax liabilities	10	6 709	8 626
Total non-current liabilities		7 406	9 250
Current liabilities			
Borrowings	12	54 965	50 212
Lease liabilities	2	6	8
Trade and other payables		264	193
Payables to related parties	13	2 012	404
Accrued expenses		733	562
Total current liabilities		57 980	51 379
Total liabilities		65 386	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	-78	-78
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	-7 667	-7 667
Equity at 31 Dec, 2023	**80**	**6 638**	**-11 824**	**-5 107**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Cash flows from operating activities			
Profit before tax		-9 583	-97
Adjustments for			
Change in fair value of investment property	9	4 180	218
Interest expenses	7	9 375	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			
Additions to investment properties	9	-780	-652
Net cash flows used in investing activities		-780	-652
Cash flows used in financing activities			
Lease liability repayments		-53	-49
Financial expenses 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 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 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", "operator"), 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.

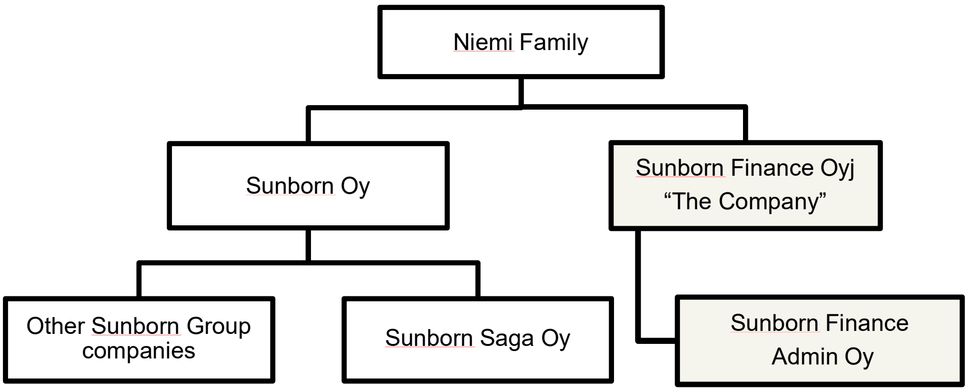
Sunborn Finance is owned by the Niemi Family. The Niemi Family also controls the Sunborn Group, Sunborn Oy being the parent company of the Group. Sunborn Group's focus is on the development of luxury spa and yacht hotels, restaurants and other high-quality property in the hospitality sector. Sunborn Group currently has operations in Finland, UK, Gibraltar and Denmark, 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.

Sunborn Finance Oyj owns a dormant subsidiary for administrative purposes and is the parent company of the group ("Group"). The consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

These financial statements have been published in accordance with the European Single Electronic Format (ESEF) reporting requirements. The ESEF financial statements have not been audited.

These financial statements were approved for publication at the Sunborn Finance Oyj board meeting on April 23, 2024. According to the Finnish Companies Act, the annual general meeting can change or reject the financial statements.

Sunborn Finance ownership structure in 2023:



2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements of the Group have been prepared on going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per December 31, 2023.

International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards. There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

The investment properties are measured at fair value. Measurement bases for other items are disclosed in connection with relevant accounting policies.

Preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The consolidated 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 and liquidity risk

As at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million with interest 4.85 % +3 months Euribor. The bonds mature on 9 February 2023 and in a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the bond holders gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. 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's management has evaluated the ongoing ability of the Company to continue its operations into the foreseeable future. When assessing the continuity of operations, the company's management has considered the forecasts related to the company's business operations and cash flow and the related risks. The company's current liquid assets are not enough to cover the payment of 50 million euros of the bond at maturity. In response to the maturity, the Company has enlisted financial advisors to assist in securing refinancing under the challenging conditions of the current finance and commercial real estate markets.

The strategy for refinancing involves negotiating a senior loan syndicate, which presently has commitments covering 50 % or more of the outstanding bond due for repayment. The remaining portions of the syndicate loan for refinancing of outstanding bond and premiums are pending approval from the lenders.

In the event that the Company fails to secure the necessary approvals for complete refinancing, it has developed fallback strategies involving among other solutions a partial refinancing using a committed bilateral loan facility combined with a proposed amendment and possible extension of the remaining bond amount to ensure continued operations of the company and refinancing solution acceptable to the bondholders under the circumstances.

The Company’s advisors are actively facilitating discussions with key bond investors to garner support for this plan. From preliminary discussions, management anticipates that the bond investors will likely support the plan in prevailing market conditions, especially with the assurance of an immediate minimum repayment of EUR 25 million or possibly more.

The company has not committed to a binding loan offer on refinancing by the date of approval of the financial statements, the adequacy of funding is a material factor of uncertainty, which can give significant reason to doubt the Company's and the Group´s ability to continue its operations. If the company is unable to secure refinancing and the assumption of continuity of operations therefore no longer applies, the situation may require assets to be valued at the recoverable amount and possible additional liabilities to be recorded.

Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 10 %). However, the company is expecting to conclude a redemption offer with adjusted call premium that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement.

Leases

Sunborn Finance as Lessor

The Group leases the Naantali Spa and Ruissalo Spa hotels to Sunborn Saga, which is a related party of the Group. The 10-year lease contract is treated as operating leases, and the lease income from these contracts is recognised as income on a straight-line basis over the lease term. The respective leased assets are shown as Investment Property on the balance sheet and measured at fair value.

Sunborn Finance as Lessee

The Group leases the land area for Naantali Spa hotel from the city of Naantali under a lease contract, which ends in 2055, and the water area under a contract which ends in 2035. The contracts are classified as operating leases because the significant portion of the risks and rewards of ownership remain with the city of Naantali. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

These liabilities are measured initially at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. Due to the similar characteristics of these two leases, the Group used a single discount rate of 6.34 % to discount the future cash flows, based on management estimation. The associated right of use asset is presented as investment property and is at 1 January 2019 initially recognised at the amount equal to the lease liability. Subsequently, the right of use assets are measured as part of the investment property at fair value in accordance with the Group’s accounting policy for investment property. The land use right is subleased to Sunborn Saga and under operating lease. The lease payments are classified in cash flow statement as lease liability repayments and interest expenses in cash flows used in financing activities.

Investment property

Owned property that is held to earn rental are classified as investment property. The Group presents as investment property its investment in spa hotels (Naantali and Ruissalo Spas). The spa hotels are leased out to Sunborn Saga (related party) that operates the spa hotels.

Investment property is measured initially at its cost. Directly attributable transaction costs are included in the initial measurement. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at fair value. Valuations are performed as of the financial reporting date by professional, external valuators who hold recognised and relevant professional qualifications. These valuations form the basis for the carrying amounts in the financial statements. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. The current use of the investment property equates to the highest and best use.

Changes in fair values are recognized in the income statement. Investment properties are derecognized when they have been disposed.

Revenue recognition

Lease income generated from operating leases is recognised as revenue on a straight line basis over the lease term. Revenue from providing services property management and IT support services is recognised over time in the accounting period in which the services are rendered. The customers for such services receive and use benefits simultaneously.

Employee benefit expenses

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Financial assets at amortised cost

The Group classifies all its financial assets as at amortised cost. The Group's financial assets comprise lease receivables and are held within a business model whose objective is to collect the contractual cash flows, and the financial assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

Receivables are included in current assets and recognised initially at fair value. They are subsequently carried at amortised cost less provision for impairment. Receivables are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset or the group of financial assets in question.

Impairment of financial assets at amortised cost

The Group uses expected loss model to assess the impairment of the financial assets. The Group's receivables comprise lease receivables from Sunborn Saga. The Group has assessed that the impairment calculated under the expected loss model is not material.

Financial liabilities

Financial liabilities of the Group consist of borrowings and accounts payable. Financial liabilities are recognised initially at fair value, net of transaction costs incurred. A financial liability is derecognized when it is extinguished – that is when the obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings

Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as interest expense over the period of the borrowings using the effective interest method.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable are measured at amortised cost.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Finland, the country where the group entities operate and generate taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Group's revenue is mainly generated from owning and leasing the Spa hotels. The chief operating decision maker is determined as the Board of Directors of the Company who monitor the result of the Group at group level based on revenue less operating expenses and fair value changes of investment property. The Group operates and all its assets are in Finland.

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. 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.

	Value 31 Dec 2023		Value 31 Dec 2022	
Input	Naantali	Ruissalo	Naantali	Ruissalo
Fair value (mEUR)	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 2023: EUR 0.74 million (2022: EUR 0.65 million).

4. Financial risk management

The Group´s financial risks related to business are interest rate risk, credit risk, liquidity risk and refinancing risk. Financial risk management carried out by the management of the Group aims to protect the Group against unfavourable developments in the financial markets and ensure the performance. The management reviews financial risks on regular basis to manage the financial risk position and decide on necessary actions.

Interest rate risk

The interest rate of the Company's borrowings during the periods presented is bound to 3-month Euribor. The nominal value of the bonds is EUR 50.0 million in total and they carry interest at rate of 8.82 % as at December 31, 2023 consisting of margin of 4.85 % plus 3-month Euribor at 3.97 %. Cash and cash equivalents do not carry significant interest.

If the Euribor had increased 100 basis points higher or lower during the periods presented, that would have had EUR 0.5 million impact on the interest expense or interest income. The management of the Company monitors changes in the interest rate level and its possible impact on future cash outflows. The need for any hedging activity is assessed continuously.

Credit risk

Credit risk is the risk that the other party to the Group's financial assets will cause a financial loss for the Company by failing to discharge an obligation. The Group's financial assets consist mainly of lease receivables from Sunborn Saga. Sunborn Saga is a long term lessor of the Spa hotels and the Group has historically not generated any credit losses from the lease receivables. The Group has assessed that the impairment loss calculated under the expected loss model is not material.

Cash and cash equivalents are held in reputable Nordic banks, whose credit ratings are strong. While cash and cash equivalents are also subject to the same impairment requirements as other receivables, the management has assessed that the impairment loss for them is immaterial.

Liquidity risk and refinancing risk

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the Group's business needs or high extra costs are incurred for arranging them. Refinancing risk is the risk that refinancing of the existing borrowings and/or rising new funding will not be available or is available at high price.

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of adequate funding. In the long run the principal source of liquidity is expected to be the cash flow generated by the lease agreement. The Company's liquidity position is monitored by the management of the Company.

The business related to the Spa hotels is estimated to be profitable and the non-cancellable lease term in accordance with the lease agreement between Sunborn Saga and Sunborn Finance is for 10 years at inception of the contract at November 1, 2017. Since the companies are under the same ownership, it is unlikely that the contract would not be extended after the expiration date.

As at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million to certain qualified institutional investors to finance all existing debt. 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 %. See more in note 12 Borrowings.

The Company has engaged advisors and is currently negotiating a refinancing before the maturity date. The current high yield and commercial real estate market conditions are clearly challenging. As there are no binding decisions on refinancing by the date of approval of the financial statements, the sufficiency of funding is an essential factor of uncertainty.

A summary table with maturity of the financial liabilities is presented below. The amounts disclosed in the tables below are the contractual undiscounted cash flows including the interest payments. The interest payments are calculated based on the interest rate level at the balance sheet dates.

31 Dec 2023

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	53	106	106	1 311	1 577
Senior secured bond	55 000	-	-	-	55 000
Senior secured bond, interest payments	2 232	-	-	-	2 232
Payables to related parties	2 012	-	-	-	2 012
Trade and other payable	264	-	-	-	264
Total	59 561	106	106	1 311	**61 084**

31 Dec 2022

EUR thousand	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Lease liabilities	47	94	94	936	1 171
Senior secured bond	50 250	-	-	-	50 250
Senior secured bond, interest payments	3 369	842	-	-	4 212
Payables to related parties	404	-	-	-	404
Trade and other payable	193	-	-	-	193
Total	54 263	936	94	936	**56 229**

Capital management

Capital of the Group as monitored by the management consists of borrowings and equity as shown in the balance sheet.

Capital management is based on the evaluation of essential risks concerning the Company. In accordance with the terms of the bond, the Company is not allowed to raise external debt without permission.

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 hotel calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company. The Company has not breached the covenant. Other covenants are disclosed in note 12.

5. 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	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Rental income from operating leases with related party	4 408	3 534
Service income from related parties	372	268
Total	4 781	3 802

6. Personnel and operating expenses

Personnel expenses relate to the personnel costs for the four employees providing property management and IT support services.

Personnel expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Salaries	271	252
Social security costs	6	5
Pension costs	46	42
Total	324	299

Operating expenses are presented in the table below:

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Property tax	223	204
Insurance	84	76
Professional services	63	25
Administrative expenses	116	105
Total	486	410

Auditors' fees:

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Statutory fees	19	13

7. Finance expenses

Finance expenses consist of interest expenses as presented in the table below:

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Finance expenses:		
Interest expenses on borrowings	-4 332	-2 932
Call premium	-5 000	-
Interest expenses on lease liability	-44	-39
Total	-9 375	-2 972

8. Income tax expense

The effective tax rate in 2023 and 2022 was 20 %.

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Result before tax	-9 583	-97
Tax calculated using Finnish tax rate (20 %)	1 917	19
Tax recognized in profit loss	1 916	19

9. 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	61 759
Additions	652
Changes in Fair Value	-218
Fair value at December 31, 2022	**62 195**
Fair value at January 1, 2022	61 759
Fair value at December 31, 2022	62 195

EUR thousand	Spa hotels
Fair value at January 1, 2023	62 195
Additions	860
Changes in Fair Value	-4 180
Fair Value at December 31, 2023	**58 876**
Fair value at January 1, 2023	62 195
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.

Rental income and direct operating expenses related to the Spa hotels recognised in the comprehensive income statement are as follows:

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Rental income	4 408	3 534
Direct operating expenses from property that generated rental income	307	283

Naantali Spa is located on a land owned by the city of Naantali and leased to the Company under a long-term lease contract. Ruissalo Spa is located on a land that is leased by the Niemi Family from city of Turku.

10. Deferred tax liabilities

EUR thousand	Difference between fair value and tax value of investment property	Borrowings	Other	Total
Deferred tax assets:				
At January 1, 2022	-2 120	-325	-765	-3 211
Recognized in income statement	-103	-61	-160	-324
Book value at December 31, 2022	-2 223	-387	-925	-3 535
Deferred tax liabilities:				
At January 1, 2022	11 504	344	8	11 856
Recognized in income statement	303	-	2	305
Book value at December 31, 2022	11 807	344	10	12 161
Deferred tax assets and liabilities, net December 31, 2022	**9 583**	**-43**	**-915**	**8 626**
Deferred tax assets:				
At January 1, 2023	-2 223	-387	-925	-3 535
Recognized in income statement	-943	-1	-1 292	-2 235
Book value at December 31, 2023	-3 166	-387	-2 218	-5 771
Deferred tax liabilities:				
At January 1, 2023	11 807	344	10	12 161
Recognized in income statement	317	-	2	319
Book value at December 31, 2023	12 124	344	12	12 480
Deferred tax assets and liabilities, net December 31, 2023	**8 957**	**-43**	**-2 205**	**6 709**

Deferred tax assets and liabilities have been offset in the balance sheet.

11. Equity

Number of the shares has been 400 shares since the establishment of the Company and the Company has two classes of shares. A-shares have 20 votes per share and B-shares have one vote per share, otherwise the terms are the same. Shares have no nominal value. The Company has not distributed any dividend and the bond agreement sets restrictions for distribution of dividend.

The terms and conditions of the bond include a call premium of 10 % of the nominal value at maturity, which is recorded in the parent company financial statements. As a result, the parent company's equity is negative. The board has taken actions to correct the situation and expects the solution to be a redemption offer without the call premium, which would reflect the availability and terms of the refinancing that is currently being negotiated and agreed upon. The aim of the negotiations is to ensure the Company's refinancing and the sufficiency of the liquidity in the future. The negativity of equity has been entered into the Trade register on 30 April 2024.

12. Borrowings and trade and other payables

EUR thousand	31 Dec 2023	31 Dec 2022
Current:		
Senior secured bond	54 965	50 212
Total	**54 965**	**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 8th February, 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 %). However, 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 on the bonds

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

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

The bond terms include also a cash requirement covenant, which requires the Company to maintain the cash minimum of upcoming 3 months interest payment. The bond terms include an interest cover ratio covenant, which requires the Company to generate EBITDA minimum of 1.0 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. The Company has not breached the covenants.

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.

Changes in liabilities from financing activities:

EUR thousand	Borrowings due within 1 year	Borrowings due after 1 year	Total
Liabilities as at January 1, 2022	-	49 906	49 906
Amortisation using effective interest method	273	33	306
Other changes	49 938	-49 938	0
Liabilities as at December 31, 2022	50 212	0	50 212

Liabilities as at January 1, 2023	50 212	0	50 212
Amortisation using effective interest method	-247	0	-247
Call premium	5 000	0	5 000
Liabilities as at December 31, 2023	**54 965**	**0**	**54 965**

Trade payables and other payables

The line item Trade and other payables include mainly trade payables as at December 31, 2023 and December 31, 2022. For the payables to related parties, see Note 13 Related parties.

13. Related parties

Transactions with related parties

The Group is owned by Niemi Family. Group's related parties are entities under the 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 Group's transactions and outstanding balances with related parties at the end of the years presented:

	1 Jan – 31 Dec 2023			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	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 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 following represents the maturity analysis of the lease payments by Sunborn Saga under the lease contract:

EUR thousand	31 Dec 2023	31 Dec 2022
No later than 1 year	3 983	3 858
Later than 1 year and no later than 2 years	3 983	3 858
Later than 2 year and no later than 3 years	3 983	3 858
Later than 3 year and no later than 4 years	3 319	3 858
Later than 4 year and no later than 5 years	-	3 215
Later than 5 years	-	-
Total	**15 267**	**18 649**

Sunborn Saga has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is given in Note 12 Borrowings.

The Group has paid management fee to Sunborn Oy.

14. Events after the balance sheet date

The bonds mature on 9 February 2023 and in a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the bond holders gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. 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. As there are no binding decisions on refinancing by the date of approval of the financial statements, the sufficiency of funding is an essential factor of uncertainty, which can give significant reason to doubt the company's ability to continue its operations as a going concern.

The terms and conditions of the bond include a call premium of 10 % of the nominal value at maturity, which is recorded in the parent company financial statements. As a result, the parent company's equity is negative. The board has taken actions to correct the situation and expects the solution to be a redemption offer with adjusted call premium, which would reflect the availability and terms of the refinancing that is currently being negotiated and agreed upon. The aim of the negotiations is to ensure the Company's refinancing and the sufficiency of the liquidity in the future. The negativity of equity has been entered into the Trade register on 30 April 2024.

15. Change of the published Q4 financial statements

The amended terms and conditions of the bond include a repayment premium of 10 % of the nominal value at maturity. Although the bond and the repayment premium has not yet matured for payment, the repayment premium has recorded to final annual financial statements in contrast to the previously published Q4 financial statements. The financial debt was erroneously EUR 50.0 Million. The repayment premium was recorded in financial expenses EUR 5.0 Million, after which the debt is EUR 55.0 Million.

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

		1 Jan - 31 Dec 2023		1 Jan - 31 Dec 2022
TURNOVER		4 408 492,00		3 534 360,00
Other income from business operations		372 487,64		267 523,39
Personnel expenses				
Salaries	-271 001,17		-251 591,26	
Pension costs	-46 489,71		-42 132,78	
Social security costs	-6 254,13	-323 745,01	-4 938,17	-298 662,21
Depreciation and impairment				
Planned depreciation		-1 583 867,13		-1 514 652,56
Other operating charges		-538 694,94		-459 343,45
		============		============
EBITA		2 334 672,56		1 529 225,17
Financial income and expenses				
Interest income and financial income	71,41		33,08	
Interest expenses and financial expenses	-9 328 316,68	-9 328 245,27	-2 876 622,19	-2 876 589,11
		============		============
RESULT BEFORE ADJUSTMENT ITEMS AND TAXES		-6 993 572,71		-1 347 363,94
Adjustment items				
Increase(-) / decrease(+) in depreciation difference		533 920,96		296 915,41
Taxes		-950,27		0,00
		============		============
Result for the period		-6 460 602,02		-1 050 448,53

BALANCE SHEET OF THE PARENT COMPANY (FAS)

ASSETS		31 Dec 2023		31 Dec 2022
FIXED ASSETS				
Intangible assets				
Other capitalized long-term expenses		37 930,18		43 861,46
Tangible assets				
Land and water	320 511,17		320 511,17	
Buildings	59 036 715,60		59 389 987,09	
Machinary and equipment	2 297 224,13		2 788 329,50	
Construction in process	491 230,63	62 145 681,53	445 259,02	62 944 086,78
Investments				
Shares		3 500,00		3 500,00
CURRENT ASSETS				
Current receivables				
Accounts receivable	187 328,41		70 078,08	
Other receivables	65 850,14		65 850,14	
Prepaid expenses and accrued income	8 000,00	261 178,55	0,00	135 928,22
Cash and bank receivables		1 139 961,71		855 770,79
		============		============
TOTAL ASSETS		63 588 251,97		63 983 147,25

LIABILITIES		31 Dec 2023		31 Dec 2022
SHAREHOLDERS' EQUITY				
Share capital	80 000,00		80 000,00	
Reserve for invested non-restricted equity	6 638 188,33		6 638 188,33	
Retained earnings	-4 773 812,53		-3 723 364,00	
Profit for the period	-6 460 602,02	-4 516 226,22	-1 050 448,53	1 944 375,80
APPROPRIATIONS				
Accumulated depreciation difference		411 000,28		944 921,24
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		9 684 554,12		9 684 554,12
Current liabilities				
Bond	55 000 000,00		50 000 000,00	
Accounts payable	200 901,67		53 942,04	
Other liabilities	2 075 362,00		142 983,49	
Accrued liabilities and deferred income	732 660,12	58 008 923,79	1 212 370,56	51 409 296,09
		============		============
TOTAL LIABILITIES		63 588 251,97		63 983 147,25

CASH FLOW STATEMENT OF THE PARENT COMPANY (FAS)

	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022
Cash flows from/used in operating activities		
Profit before adjustment items and taxes	-6 993 572,71	-1 347 363,94
Depreciation and amortisation	1 583 867,13	1 514 652,56
Income taxes	-950,27	0,00
Finance costs	9 328 316,68	2 876 622,19
Change in trade and other receivables	-125 250,33	-48 858,89
Change in trade and other payables	1 689 005,48	334 030,22
Net cash flows from/used in operating activities (A)	5 481 415,98	3 329 082,14
Cash flows used in investing activities		
Capital Expenditure	-779 530,60	-651 604,32
Net cash flows used in investing activities (B)	-779 530,60	-651 604,32
Cash flows used in financing activities		
Finance costs paid	-516 000,00	0,00
Interest ja finance costs paid	-3 901 694,46	-2 494 074,97
Net cash flows used in financing activities (C)	-4 417 694,46	-2 494 074,97
Change in cash and cash equivalents (A+B+C)	284 190,92	183 402,85
Cash and cash equivalents at the beginning of period	855 770,79	672 367,94
Cash and cash equivalents at the end of period	1 139 961,71	855 770,79

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

ACCOUNTING PRINCIPLES

The accounting period of the company is a calendar year.

Valuation principles for fixed assets

Investment property was initially recognised at fair value as at 1 November, 2017 in accordance with Finnish Accounting Standards Chapter 5, Article 2. Subsequently, investment property is depreciated according to the predefined depreciation plan and valued at amortised cost. Planned depreciation is calculated according to the predefined depreciation plan as straight-line depreciation on the original acquisition cost of fixed assets.

Depreciation periods based on estimated economic working lives are as follows:

Other capitalized long-term expenses	10 years
Investment property	40 years
Machinery and equipment	8 - 10 years

Minor acquisitions (below EUR 850) are fully expensed during the financial year.

Deferred tax liability

Deferred tax liability, recognised under non-current liabilities in the financial statements, relates to revaluation of the investment property at fair value.

Going concern and liquidity risk

As at 9 February 2018 the Company issued senior secured bonds with nominal amount of EUR 50 million with interest 4.85 % +3 months Euribor. The bonds mature on 9 February 2023 and in a written procedure initiated on 2 December 2022 and closed on 9 January 2023, a requisite majority of the bond holders gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 9th February 2024. 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's management has evaluated the ongoing ability of the Company to continue its operations into the foreseeable future. When assessing the continuity of operations, the company's management has considered the forecasts related to the company's business operations and cash flow and the related risks. The company's current liquid assets are not enough to cover the payment of 50 million euros of the bond at maturity. In response to the maturity, the Company has enlisted financial advisors to assist in securing refinancing under the challenging conditions of the current finance and commercial real estate markets.

The strategy for refinancing involves negotiating a senior loan syndicate, which presently has commitments covering 50 % or more of the outstanding bond due for repayment. The remaining portions of the syndicate loan for refinancing of outstanding bond and premiums are pending approval from the lenders.

In the event that the Company fails to secure the necessary approvals for complete refinancing, it has developed a fallback strategies involving among other solutions a partial refinancing using a committed bilateral loan facility combined with a proposed amendment and possible extension of the remaining bond amount to ensure continued operations of the company and refinancing solution acceptable to the bondholders under the circumstances.

The Company’s advisors are actively facilitating discussions with key bond investors to garner support for this plan. From preliminary discussions, management anticipates bond investors support for the plan in prevailing market conditions, especially with the assurance of an immediate minimum repayment of EUR 25 million or possibly more.

The company has not committed to a binding loan offer on refinancing by the date of approval of the financial statements, the adequacy of funding is a material factor of uncertainty, which can give significant reason to doubt the Company's and the Group´s ability to continue its operations. If the company is unable to secure refinancing and the assumption of continuity of operations therefore no longer applies, the situation may require the above-described receivable and other assets to be valued at the recoverable amount and possible additional liabilities to be recorded.

Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to the call premium (currently 10 %). However, the company is expecting to conclude a redemption offer with adjusted call premium, that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement.

The war in Ukraine and in Israel-Gaza are not estimated to have a direct impact on the company's operations.

PERSONNEL	2023	2022
The average number of personnel during the financial period	4	4

DEPRECIATON AND DEPRECIATION DIFFERENCE

	Planned depreciation	Depreciation difference +/-	Total depreciation
Intangible assets	5 931,28	0,00	5 931,28
Tangible assets	1 577 935,85	-533 920,96	1 044 014,89
Total	1 583 867,13	-533 920,96	1 049 946,17

OTHER OPERATING EXPENSES

	2023	2022
Administrative expenses	76 233,82	79 892,72
Maintenance expenses	359 924,98	329 187,43
Other expenses	102 536,14	50 263,30
Total	538 694,94	459 343,45

FINANCIAL INCOME AND EXPENSES

	2023	2022
Financial income		
Interest income	71,41	33,08
Financial expenses		
Interest expenses	4 062 316,68	2 626 622,19
Other financial expenses	266 000,00	250 000,00
Total	4 328 316,68	2 876 622,19

AUDITOR'S FEES

	2023	2022
Pricewaterhousecoopers Oy		
Audit fees	18 852,69	12 963,00

CHANGES IN FIXED ASSETS

Intangible assets:	Other capitalised long-term expenses
Acquisition cost 1 Jan	64 756,18
Acquisition cost 31 Dec	64 756,18
Accumulated depreciation 1 Jan	-20 894,72
Depreciation during the financial year	-5 931,28
Accumulated depreciation 31 Dec	-26 826,00
Book value 31 Dec	37 930,18

Tangible assets:	Land and water	Buildings	Machinery and equipment	Construction in process
Acquisition cost 1 Jan	320 511,17	25 290 038,83	4 412 358,29	445 259,02
Revaluation, fair value	0,00	39 340 622,60	0,00	0,00
Additions	0,00	674 484,04	59 074,95	780 794,46
Disposals	0,00	0,00	0,00	-734 822,85
Acquisition cost 31 Dec	320 511,17	65 305 145,47	4 471 433,24	491 230,63
Accumulated depreciation 1 Jan	0,00	-5 240 674,34	-1 624 028,79	0,00
Depreciation during the financial year	0,00	-1 027 755,53	-550 180,32	0,00
Accumulated depreciation 31 Dec	0,00	-6 268 429,87	-2 174 209,11	0,00
Book value 31 Dec	320 511,17	59 036 715,60	2 297 224,13	491 230,63

INVESTMENTS

Shares in subsidiaries

Acquisition cost 1 Jan	3 500,00
Book value 31 Dec	3 500,00

Name	Number of shares	Holding %	Domicile
Sunborn Finance Admin Oy	1 000	100 %	Helsinki

Consolidated statements have been prepared according to IFRS.

SHAREHOLDERS' EQUITY

	2023	2022
Restricted equity		
Share capital	80 000,00	80 000,00
Share capital, 31 Dec	80 000,00	80 000,00
Non-restricted equity		
Reserve for invested non-restricted equity	6 638 188,33	6 638 188,33
Reserve for invested non-restricted equity, 31 Dec	6 638 188,33	6 638 188,33
Retained earnings	-4 773 812,53	-3 723 364,00
Result for the period	-6 460 602,02	-1 050 448,53
Non-restricted equity total	-4 596 226,22	1 864 375,80
Shareholders´ equity total	-4 516 226,22	1 944 375,80
Distributable assets, 31 Dec		
Reserve for invested non-restricted equity	6 638 188,33	6 638 188,33
Retained earnings	-4 773 812,53	-3 723 364,00
Profit for the period	-6 460 602,02	-1 050 448,53
Total	-4 596 226,22	1 864 375,80

The terms and conditions of the bond include a call premium of 10 % of the nominal value at maturity, which is recorded in the parent company financial statements. As a result, the parent company's equity is negative. The board has taken actions to correct the situation and expects the solution to be a redemption offer with adjusted call premium, which would reflect the availability and terms of the refinancing that is currently being negotiated and agreed upon. The aim of the negotiations is to ensure the Company's refinancing and the sufficiency of the liquidity in the future. The negativity of equity has been entered into the Trade register on 30 April 2024.

The number of company shares is 400. There are two classes of shares divided by voting rights, otherwise the terms are the same.

	Number of shares
A shares (20 votes per share)	24
B shares (1 vote per share)	376
Total	400

ACCRUED EXPENSES

	2023	2022
Interest accrual	636 711,11	476 088,89
Social security costs accrued	95 949,01	86 281,67
Other accrued expenses	0,00	650 000,00
Total	732 660,12	1 212 370,56

COLLATERALS AND CONTINGENT LIABILITIES

	2023	2022
Bonds	55 000 000,00	50 000 000,00
Mortgages	126 651 783,67	126 651 783,67
Floating charge	65 000 000,00	65 000 000,00

Company´s bank accounts have been pledged to secure the bond repayments, however the Company can use them by the terms of the bonds.

SIGNATURES FOR THE FINANCIAL STATEMENTS

SUNBORN FINANCE OYJ

Turku, April 23, 2024

__________________________ __________________________

Ritva Niemi	Pekka Niemi
Chairman of the Board	Board member

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Hans Niemi

Board member and Chief Executive Officer

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, the date of electronic signature

PricewaterhouseCoopersOy

Authorized Public Accountant Firm

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Kalle Laaksonen

Authorized Public Accountant

SUNBORN SAGA OY, INCOME STATEMENT (FAS)

EUR thousand		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 (FAS)

EUR thousand

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	382		241	
Profit/Loss for the period	36	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 (FAS)

EUR thousand	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 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

SIGNATURES **ALLEKIRJOITUKSET** **UNDERSKRIFTER** **SIGNATURER** **UNDERSKRIFTER**

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BankID / MobileID - cba37c1f-f19d-4c60-9bab-83ce0e387b7e - FI

Ritva Liisa Marjatta Niemi
53002cf4-43ae-4386-95ea-0c911269a255 - 2024-04-30 19:01:56 UTC +03:00
BankID / MobileID - 242b5d73-a03a-4f08-9ffc-730ccc468ff6 - FI

Pekka Juhani Niemi
05e314f8-9d59-4e7c-8028-cb6290380f76 - 2024-04-30 20:53:23 UTC +03:00
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authority to sign	asemavaltuutus	ställningsfullmakt	autoritet til å signere	myndighed til at underskrive
representative	nimenkirjoitusoikeus	firmateckningsrätt	representant	repræsentant
custodial	huoltaja/edunvalvoja	förvaltare	foresatte/verge	frihedsberøvende