

**G E N O V A**

**Annual Report /**

2019







## Genova – the personal property company

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January–December 2019

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- Rental income amounted to SEK 180.6m (127.7).
- Net operating income amounted to SEK 129.9m (92.2).
- Income from property management amounted to SEK 42.9m (21.6), of which income from property management attributable to ordinary shareholders was SEK 6.2m (-9.9), corresponding to SEK 0.11 (-0.20) per ordinary share.
- Net income after tax amounted to SEK 540.4m (263.9), corresponding to SEK 9.05 (4.22) per ordinary share.
- Long-term net asset value attributable to ordinary shareholders amounted to SEK 1,457.0m (804.4), corresponding to SEK 23.71 (16.09) per ordinary share.
- The Board proposes that a dividend of SEK 10.50 (10.50) per preference share be distributed quarterly and that no dividend be paid on ordinary shares.

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Handelsmannen 1, Norrtälje









**New Brunna –  
a sustainable  
and modern  
garden city**

Between a residential area and an industrial site in the Brunna district of Upplands-Bro, Genova has acquired an 11-hectare property that will soon become a vibrant neighbourhood. Genova's vision has evolved from the municipality's ambitions and intentions for Brunna, and the citizen dialogue we conducted in autumn 2018. Urban development is a complex process in which diverse interests, conditions and preferences must be boiled down to a single goal that is acceptable to the municipality and its residents, as well as Genova. Based on this process, we have agreed that the site should be developed into a small-scale mixed-use city, close to services, retail, green spaces and transport links. A neighbourhood that breathes community and safety, where the built environment is characterised by variation in terms of scale, types of housing and forms of tenure, creating social diversity.



# Genova in brief

Genova is a personal property company that owns, manages and develops properties with a long-term, sustainable and highly committed approach. We are focused on commercial, community service and residential properties in Greater Stockholm and the Uppsala Region.

Genova's large portfolio of own residential building rights ensures the Group's long-term growth and continued stable growth of the investment property portfolio, regardless of economic conditions. We are active across the entire value chain – from acquisitions, urban and project development to letting and property management.

Our mission is to combine stable cash flows from the investment property portfolio with cost-efficient project development of mainly community service properties and rental apartments for our own long-term management.

Sustainable, safe and attractive urban environments evolve where Genova develops and invests. We see a direct link between good architecture, sustainability and profitability. New construction is carried out efficiently, with wood as our building material of choice, in close collaboration with well-established construction companies.

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#### Property value

SEK 4,420<sub>m</sub>

31 December 2019

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#### Residential building rights

5,406

31 December 2019

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#### Loan-to-value ratio

60 %

31 December 2019

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#### Long-term net asset value

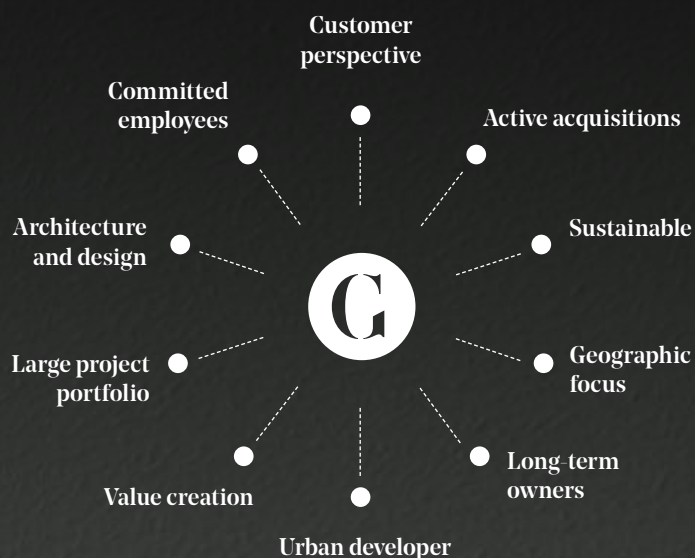
SEK 1,975<sub>m</sub>

31 December 2019

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# Genova's cornerstones



## Customer perspective

We are a personal property company, always close to our tenants. By trying to understand our customers and see things from their perspective, we build better and more long-term relationships.

## Active acquisitions

We are active in the acquisition market where we seek properties with stable cash flows and development potential, always with the starting point of finding opportunities for value growth.

## Sustainable

Sustainability is our compass and we take responsibility as a property owner and urban developer. Key components are green financing, environmental certification of properties, wood as our preferred choice of building material and social initiatives.

## Geographic focus

We are based and mainly growing in Greater Stockholm and Uppsala, which are expansive regions with a major demand for residential units. Good relationships with municipalities and local operators create conditions for further acquisitions and project opportunities.

## Long term owners

We mainly develop rental apartments and community service properties for our own long-term management. Ownership with an eternal perspective motivates long-term investments and creates scope for sustainable urban development.

## Urban developer

We invest in projects where the city is evolving with a holistic approach to urban development. Genova helps to create sustainable and attractive environments where people want to live, work and visit.

## Value creation

We create value through both active property management and project development. We do this by increasing letting, development and investment in properties and projects with attractive residential units and premises.

## Large project portfolio

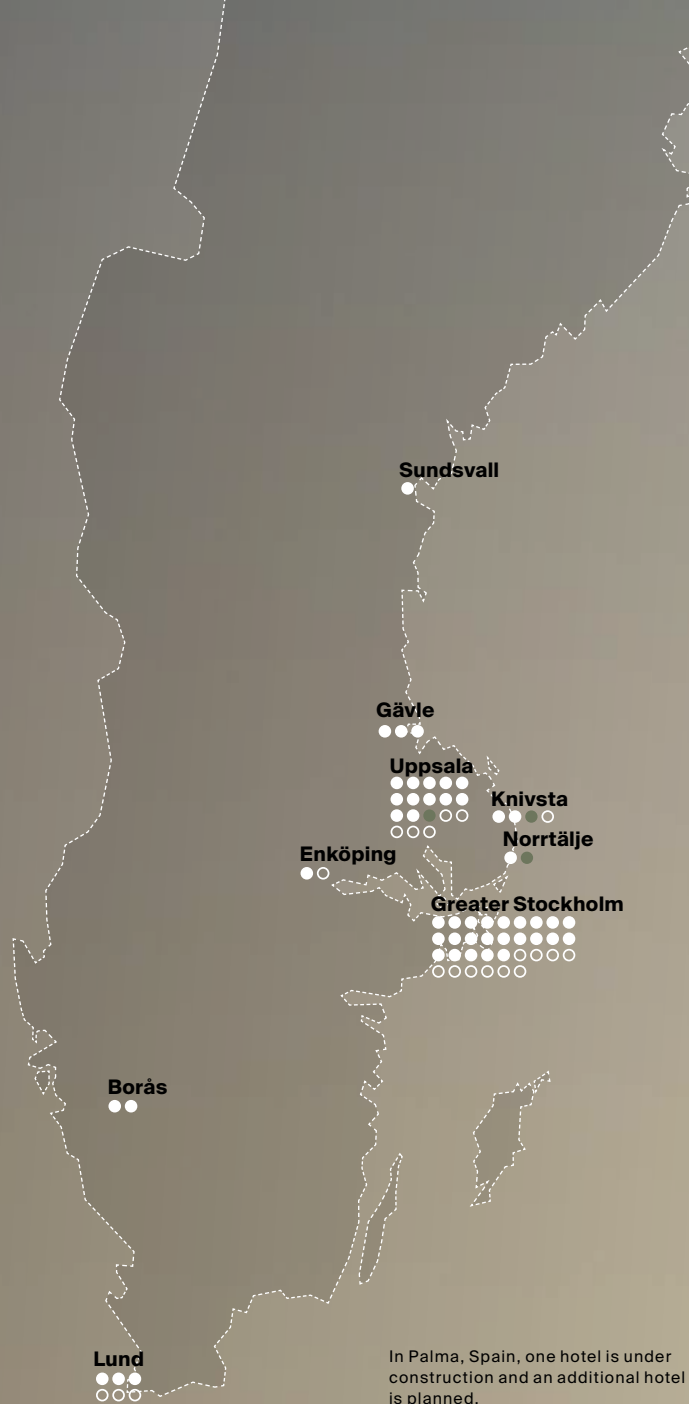
We ensure production and growth through our own large project portfolio, mainly generated from existing properties. Cash flows from our property portfolio provide a stable foundation for financing acquisitions and projects.

## Architecture and design

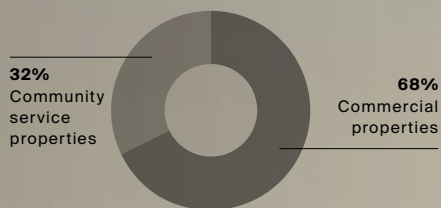
We have a passion for design and architecture. We see a direct link between design, architecture, sustainability and profitability. Quality, design and architecture are aligned with Genova's long-term ownership perspective.

## Committed employees

By being responsive and committed, want we to help improve job satisfaction and quality of life in a more sustainable society. Employees are Genova's most valuable asset and our most important ambassadors.



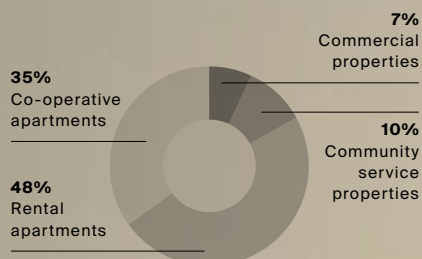
## Investment properties



Total property value SEK 3,661m

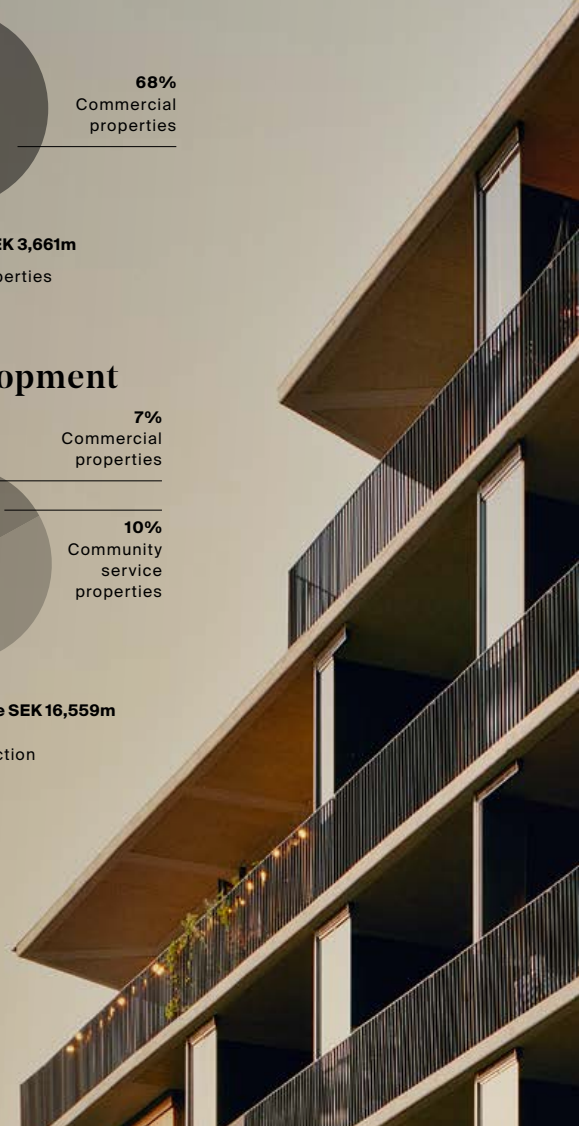
● Investment properties

## Project development



Total property/project value SEK 16,559m

● Ongoing construction  
○ Planned projects



## GENOVA | HISTORY

### 2006

- Genova Property Group was founded by Micael Bile.
- Gävlesund Fastigheter was acquired, with properties in Sundsvall, Gävle and Mjölby.

### 2007-2013

- Genova grew through acquisitions and project development.
- The geographic focus of the operations was Greater Stockholm and Uppsala.
- Andreas Eneskjöld joined the company as partner and Board member.

### 2014

- New organisation was formed with Andreas Eneskjöld as CEO and Michael Moschewitz as new CFO.
- The credit portfolio was refinanced.
- Lillsätra in Sättra, Knarrarnäs in Kista and Viby 19:3 in Kungsängen were acquired, totalling 32 ksqm.

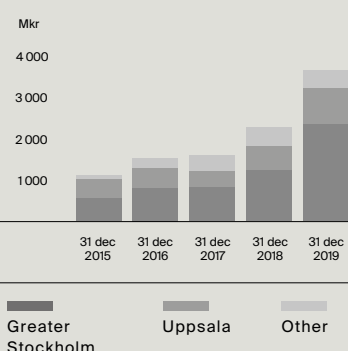
### 2015

- A number of properties in Uppsala, Lidingö and Nacka were acquired, totalling SEK 170m.
- Dedicated efforts to reduce vacancies and increase cash flow.
- Successful sale of 79 co-operative apartments.
- 1,800,000 preference shares issued and listed on Nasdaq First North Growth Market Premier.



# Our main markets are Greater Stockholm and Uppsala – expansive regions with high demand for both residential units and community service properties.

## Value of investment properties per geography



## Key metrics

	2019	2018
Rental income, SEKm	180.6	127.7
Net operating income, SEKm	129.9	92.2
Income from property management, SEKm	42.9	21.6
Income from property management per ordinary share, SEK	0.11	-0.20
Residential units under construction, no. <sup>1</sup>	527	235
Residential units completed, no.	133	135
Net investments, SEKm	1,141.2	624.0
Loan-to-value ratio, %	60.4	61.8
Equity/assets ratio, %	35.0	35.6
Interest-coverage ratio <sup>2</sup>	1.8	1.9
Long-term net asset value, SEKm	1,975.3	1,200.5
Long-term net asset value attributable to ordinary shareholders, SEKm	1,457.0	804.4
Long-term net asset value attributable to ordinary shareholders, SEK per ordinary share	23.71	16.09

1) Including 35 hotel rooms.

2) Excluding non-recurring costs.

## 2016

- Eight properties, mainly commercial, acquired in Borås, Enköping, Norrtälje and Nacka for a total value of approximately SEK 500m.
- The Saltsjölundens co-operative apartment project in Salt-sjöbaden was completed.
- An additional 1,200,000 preference shares were issued and listed on Nasdaq First North Growth Market Premier.

## 2017

- Nine properties were acquired at a total value of approximately SEK 300m in Lund, Huddinge, Knivsta and Gävle.
- Construction of the Botanikern residential project in Uppsala commenced.
- New organisation was formed. Michael Moschewitz appointed new CEO and Edvard Schéele became CFO.
- First corporate bond of SEK 300m issued, and listed on Nasdaq Stockholm.

## 2018

- The Balneum co-operative apartment project in Stockholm was completed and accession began.
- Nine properties were acquired at a total value of approximately SEK 900m.
- Signed agreements to let approximately 30,000 sqm, with a total contract value of approximately SEK 550m.
- Construction of residential units, a retirement home and a preschool commenced in Alsike, Knivsta.

## 2019

- 18 properties acquired at a total value of approximately SEK 1bn.
- A partnership with K2A was initiated and 30% of the shares in a company that owns Viby 19:3 in Upplands-Bro, with a property value of SEK 325m, were divested.
- The Botanikern co-operative apartment project in Uppsala was completed.
- Construction of the Handelsmannen 1 project in Norrtälje commenced, with residential units, a retirement home and a preschool.

**“Genova’s long-term and  
profitable growth will  
continue.”**





# CEO statement

2019 was an important year of growth for Genova. We completed several major transactions and increased the pace of our project development, which currently consists of mainly rental apartments and community service properties for our own long-term management. At the same time, efforts to integrate a sustainable perspective even more clearly throughout our operations continued. We see good opportunities for continued long-term and profitable growth for Genova, in accordance with our financial and operational targets. Due to our business model and broad tenant mix, our current assessment is that the COVID-19 pandemic will have a limited impact on the company, but we are also following the situation closely.

## Several key acquisitions

During the year, the investment property portfolio increased just over 60% to nearly SEK 3.7bn with rental income exceeding SEK 180m, while income from property management rose to approximately SEK 43m. I consider this high level of acquisition activity, including both portfolios and individual properties, as a proof of our strong capacity to execute value-generating transactions that suit Genova.

## Fast-paced project development

Genova has gradually steered its project activities toward the development of properties under own long-term ownership. In line with this, our major focus in 2019 was on the new construction of rental units, community service and commercial properties in Greater Stockholm and the Uppsala Region. We now have a substantial project portfolio with a lettable area of approximately 340,000 sqm, allocated across approximately 5,400 residential units. One of Genova's largest ongoing projects is located in Knivsta, between Uppsala and Stockholm, where we are building a retirement home and a preschool with long-term rental agreements, and rental apartments scheduled for accession from the first quarter of 2020.

At the end of the year, we turned the first sod in Norrtälje following enactment of a new zoning plan for our

Handelsmannen 1 project, also with a retirement home, preschool and rental apartments.

## New targets for the next step

Genova's long-term and profitable growth will continue, and we believe we are well-positioned for this. We see continued favourable potential for adding cash flow-generating properties in our market to our investment property portfolio. We are also seeing a continued stable commercial market and high demand for new residential and community service properties. This benefits Genova, which has an extensive project portfolio in expansive areas and good access to financing. During the year, we refinanced and extended our interest-bearing liabilities of approximately SEK 1.9bn until 2023 and 2024.

In the light of this, Genova's Board adopted new financial and operational targets. According to these targets, Genova shall achieve at least 20% annual growth in long-term net asset value and income from property management per ordinary share, including any value distributions, over a business cycle. These are ambitious and inspiring targets, and I believe we have the tools to achieve them – the right team, a solid balance sheet, strong earnings and a portfolio of highly attractive projects. In 2020, we will continue to work, according to plan, towards a Main Market listing.

## Impact of COVID-19

Regarding the possible effects of the COVID-19 pandemic, we are following the situation carefully and continuously analysing the risks for our operations. We are working to protect the health and safety of our employees, tenants and suppliers, and following the recommendations issued by public authorities. Our current assessment is that the pandemic will have a limited impact on the company, due to our diverse tenant mix. A significant share of our rental income is derived from tenants who are not considered to be affected by the pandemic to any great extent, such as publicly funded operations and supermarkets. More than 70% of Genova's ongoing and planned project development consists of rental apartments and community service properties in Greater Stockholm and the Uppsala Region, representing a low risk of exposure. Genova's finances are strong, liquidity is high and we have access to extra capital should it be required.

Finally, I would like to thank all of our employees, partners and shareholders for your efforts to develop Genova.

Michael Moschewitz  
CEO

# 2019 in brief

2019 was a year of growth for Genova. We completed acquisitions of investment properties at a value of approximately SEK 1bn. The Botanikern co-operative apartment project in Uppsala was completed during the year, with accession of the final stage. Construction of the Handelsmannen 1 project in Norrtälje commenced, where we are creating a new block with rental apartments and community service properties in a central location. At the same time, we continued to develop our production processes and integrate sustainability more clearly into all parts of our operations.

## 4 quarters – significant events during the year

Q1

- Extended rental agreements with a five-year term and an annual rental value of SEK 3.6m.
- Construction of Genova's first rental unit project commenced, with 35 rental apartments in Knivsta.
- Accessed properties in Nacka and Skarpnäck acquired in December 2018 at a value of SEK 175m.

Q2

- Agreement to acquire seven properties in Stockholm, Uppsala and Norrtälje at a value of SEK 650m and annual rental income of SEK 42m.
- Construction of one of Genova's two planned hotels in Palma commenced. The completed hotel will have 35 rooms and be operated by the Nobis Group with a 20-year rental agreement.

Q3

- A partnership with K2A was initiated, whereby part of the Viby 19:3 property in Upplands-Bro was divested to them at an underlying property value of SEK 325m. The aim is that the partners will jointly develop the property and create a new district.
- Agreement signed to acquire three strategically located properties in Stockholm and Uppsala at a value of SEK 80m and an annual rental value of SEK 5m.

Q4

- Acquisition of two properties with a strategic location in Brunna, Upplands-Bro, at a value of SEK 45m and a new 10-year rental agreement.
- Construction of the Handelsmannen 1 project in Norrtälje started, with one retirement home and one preschool and approximately 275 rental apartments.
- Completion of the Botanikern co-operative apartment project in Rosendal, Uppsala when all stages became occupied.

Initiated a process to investigate the conditions for listing the company's ordinary shares on Nasdaq Stockholm's Main Market in 2020.

Increased earnings from the property management portfolio due to acquisitions and successful letting contributed to strengthen Genova's results.





# New targets provide a direction

Genova's overall objective is to create value for the company's shareholders. Value creation is measured over a business cycle as growth in both long-term net asset value and income from property management per ordinary share. The targets were determined by Genova's Board of Directors in February 2020.

**Our guiding star is to create attractive and sustainable living and working environments for people and businesses.**



## Financial targets

### Long-term net asset value

Achieve an average annual growth of at least 20% in long-term net asset value per ordinary share (including any value distributions to ordinary shareholders) over a business cycle.

>20 %

Target

47 %

31 Dec 2019

### Income from property management

Achieve an average annual growth of at least 20% in income from property management per ordinary share over a business cycle.

>20 %

Target

99 %

Full-year 2019

The goal is to create growth in net asset value and income from property management, while maintaining a continued stable and strong financial position with balanced financial risk-taking, meaning that:

### Equity/assets ratio

Over time, the equity/assets ratio shall be at least 35%.

>35 %

Target

35 %

31 Dec 2019

### Loan-to-value ratio

Over time, the loan-to-value ratio shall not exceed 65%.

<65 %

Target

60 %

31 Dec 2019

### Interest-coverage ratio

Over time, the interest-coverage ratio shall be higher than 2.0.

>2.0

Target

1.8

31 Dec 2019

## Operational targets

### Rental income

Rental income from residential and community service properties shall account for at least 60% of Genova's total rental income by the end of 2024.

>60 %

Target

28 %

31 Dec 2019

### Ongoing construction

Ongoing construction of own-produced residential units shall amount to at least 750 residential units per year from 2021.

750

Target

527<sup>1</sup>

31 Dec 2019

1) Including 35 hotel rooms.

## Dividend policy

Genova's overall objective is to create value for the company's shareholders. In the coming years, this is deemed best achieved by reinvesting cash flows in operations to create further growth through investments in new construction, existing properties and property acquisitions, which could lead to either small or no dividends at all on ordinary shares. In the long-term, the dividend on ordinary shares shall be at least 50% of income from property management attributable to ordinary shares. Dividends on preference shares shall be paid in accordance with the provisions of the Articles of Association.

# Business model for long-term and sustainable value growth

The aim of our value-creating business model is to develop and create value in our investment property portfolio. We achieve this by refurbishing existing properties, developing building rights, developing projects in prime locations and executing strategic transactions.

## Mission

To acquire, manage and develop modern and attractive commercial properties and residential units – with a long-term approach, sustainability and commitment as our compass.

## Our business model is based on our mission

Genova's operations combines property management with project development for long-term ownership. This strategy means that Genova is active across the entire chain of property investments – from acquisitions to management and project development.

We acquire and develop properties, and build new residential units and premises, based on the needs of our tenants, customers and society. The properties are developed and managed with a long-term, profitable and sustainable approach, with the goal of creating value growth. Stable cash flows from existing investment properties create opportunities to continue developing the business by investing in acquisitions and project development. With strong liquidity and our own cost-efficient construction, we can acquire properties and carry out project development with our own building rights, at our own pace and in line with market needs. We primarily develop rental apartments and community service properties for our own long-term management, which motivates long-term investments and creates scope for sustainable urban development. Our main markets are Greater Stockholm and Uppsala – expansive regions with high demand for both residential units and community service properties.

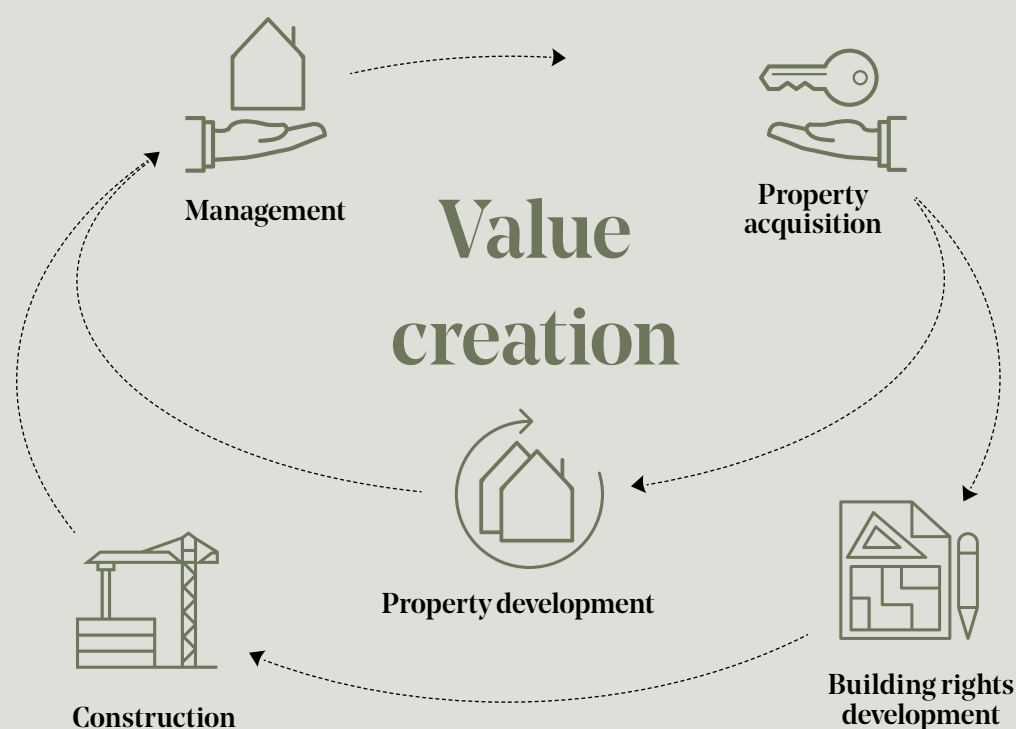
The way we work can be described in five possible steps that illustrate the entire process from acquisition to management. Refer also to the next page.

- Property acquisition
- Property development
- Building rights development
- Construction
- Management

## We identify the development potential

Identifying a property's development potential on the basis of its unique conditions is a key element of Genova's business model. We work in a structured manner to, for example, increase the occupancy rate or change the tenant composition, and invest in the refurbishment of premises and improvement of the outdoor environment to increase the attractiveness of the properties. Similarly, we are always evaluating opportunities to develop building rights by building on the acquired property's vacant land. As such, Genova primarily develops its own building rights on sites where we already own an investment property. Own-developed residential building rights mean that we are not equally exposed to the overall price trend for building rights, which creates conditions for higher margins and lower risk. In addition, a let investment property also contributes to cash-flow generation during the zoning process right up to construction start.





### Property acquisition

Genova works pro-actively to identify interesting properties to add to its investment property portfolio. The starting point is that the property must be able to create some form of value growth.



Dröven 1



### Property development

Property development is always driven by the unique conditions of each property, with a focus on increasing cash flow. A specific business plan is created for each property and its opportunities.



Viby 19:3



### Building rights development

Genova develops building rights from existing properties and works pro-actively with municipalities to convert commercial space into residential units in new zoning plans. This entails operating cash flow from letting until construction start.



Kryddgården 6:3



### Construction

For new construction, Genova is focused on cost efficiency, high profitability, short construction times and long-term quality, combined with good architecture and design. All construction takes place with the aim of obtaining environmental certification.

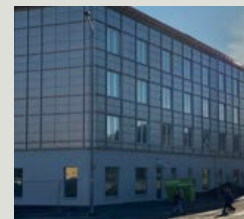


Botanikern



### Management

Genova maintains a long-term approach to its ownership with a focus on secure, cost-efficient and value-creating property management. Cash flows from the investment properties help to finance additional investments.



Knivsta Vrå

# The investment property portfolio

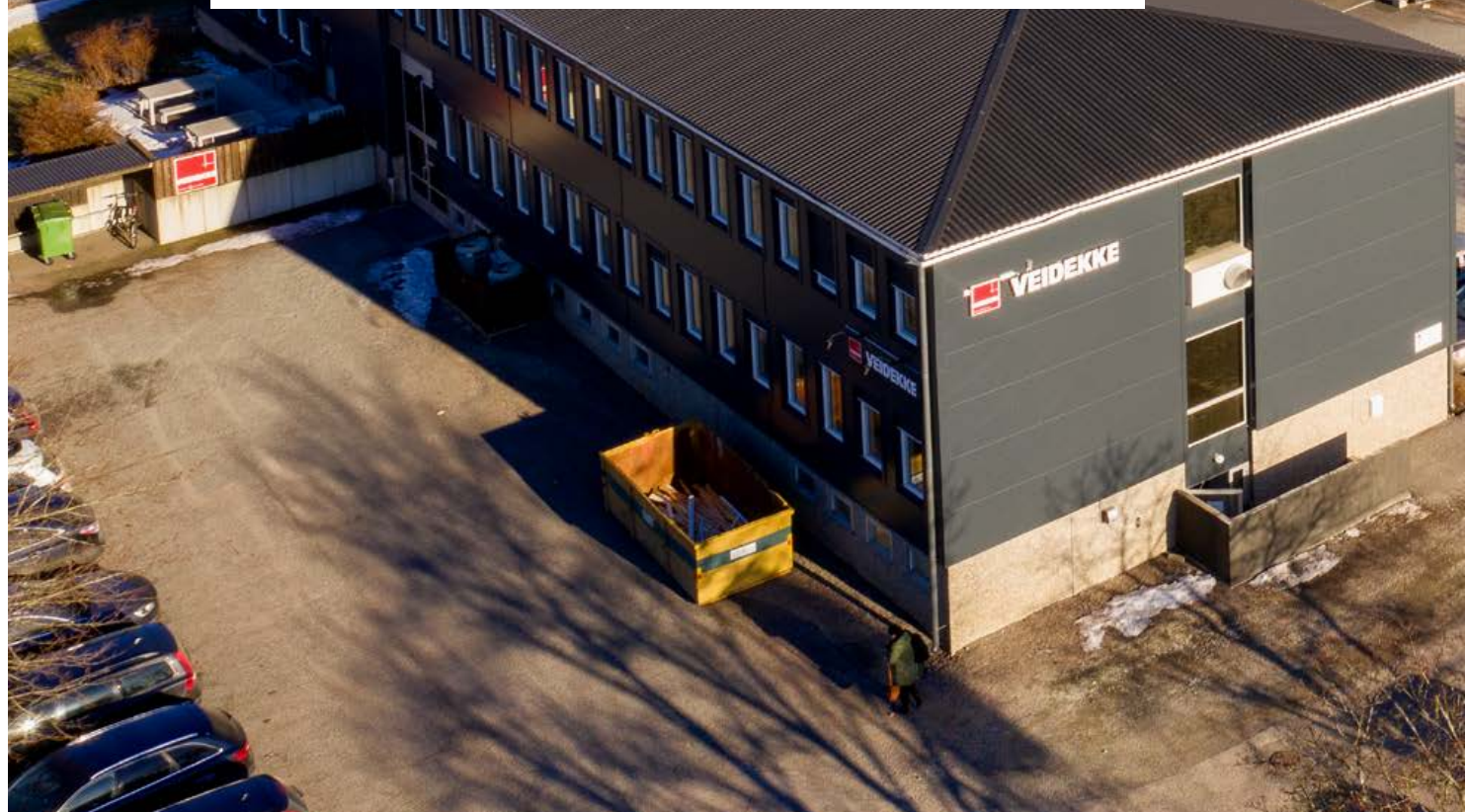
Genova owns, manages and develops properties – primarily commercial, community service and residential properties. We are based and mainly growing in Greater Stockholm and Uppsala, which are expansive regions with high demand for residential units and a strong commercial property market. On the following pages, we describe Genova's investment property portfolio, comprising investment properties and project development, and how we work in, and develop, these areas.

p.26

**Investment properties**

p.36

**Project development**





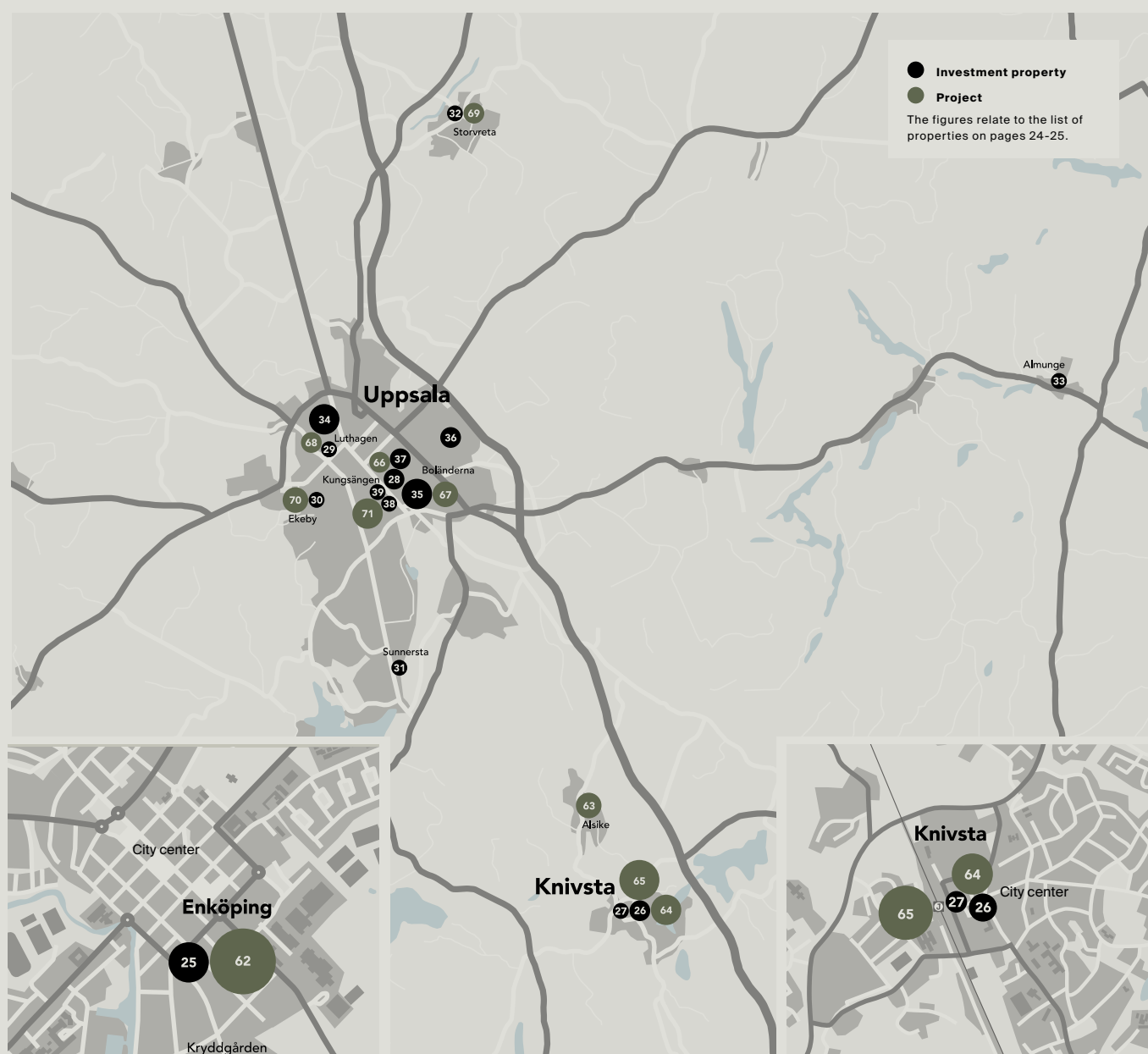


## Key metrics

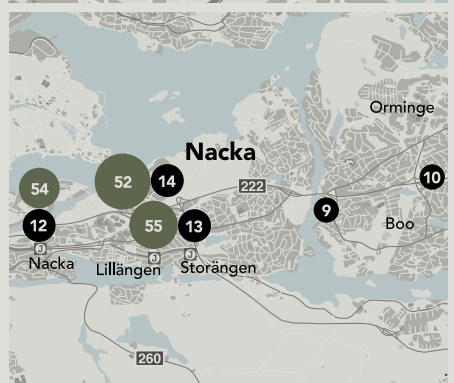
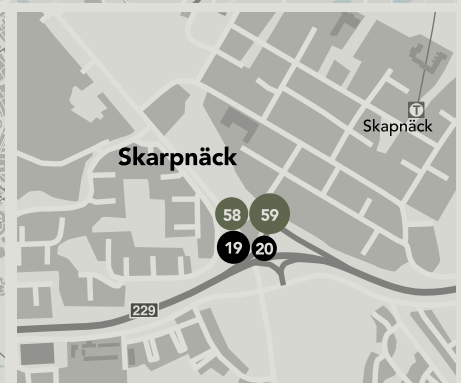
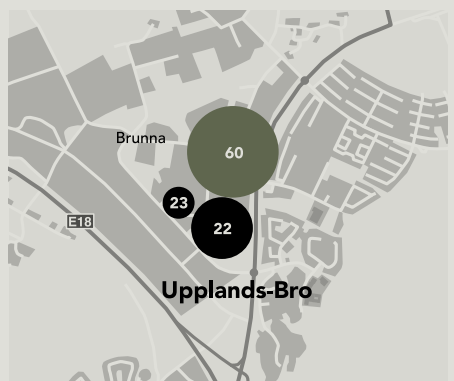
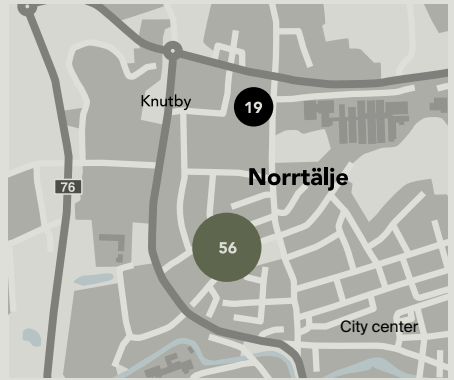
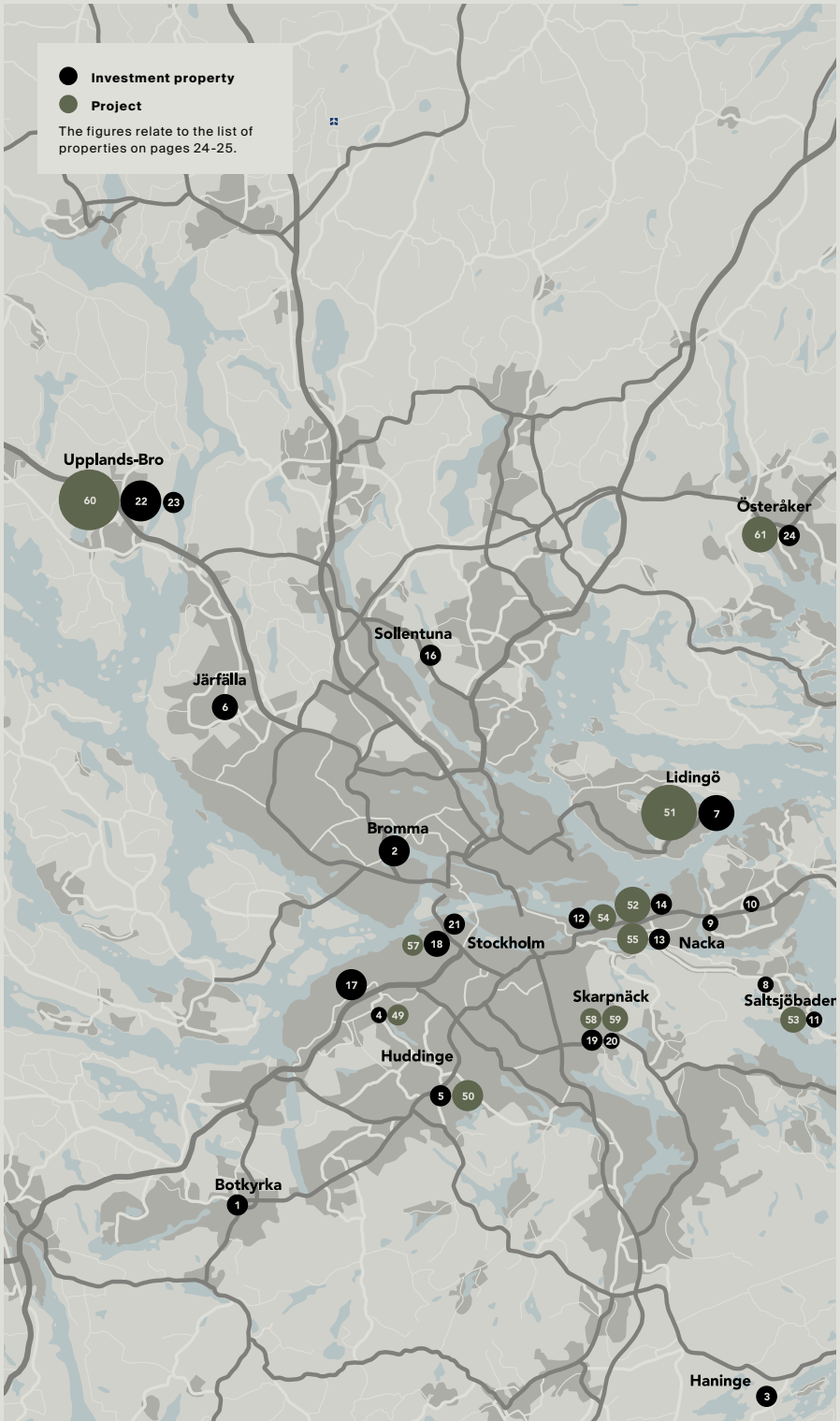
SEKm	2019	2018	2017	2016	2015
<b>Key metrics, properties</b>					
Residential units under construction, no.	527	235	270	217	215
Residential units completed, no.	133	135	–	29	–
Total no. of building rights	5,406	4,984	5,218	3,635	1,976
Lettable area, commercial properties, ksqm	131.7	118.5	104.0	97.7	68.3
Lettable area, community service properties, ksqm	38.5	17.5	11.8	11.8	11.8
Total lettable area, ksqm	170.2	136.0	115.8	109.4	80.1
Economic occupancy rate, %	97.8%	94.0%	90.0%	92.0%	91.0%
NOI margin, %	71.9%	72.2%	72.9%	70.5%	68.8%
Net investments, SEKm	1,141.2	624.0	170.0	362.1	190.7

# Genova's properties and projects

These maps show Genova's investment properties and projects in our main markets – Greater Stockholm and the Uppsala Region. Our entire investment property portfolio is described in the list of properties on pages 24–25.









## Investment properties

Investment properties										Property category	Form of tenure	Year of acquisition	Year of construction/refurbishment	No. of residential units	Land area	Lettable area, sqm									
Property No.	Property designation	Address	Municipality	Office	Ware-house/ logistics	Light industry	Retail	Residential	Education							Retire-ment homes	Co-opera-tive apart-ments	Other	Total						
Greater Stockholm																									
1	Elverket 1	Doktorsvägen 3	Botkyrka	C	O	2019	1965	-	7,189	3,314	-	-	-	-	-	-	-	-	-	3,314					
2	Magneten 19	Johannesfredsvägen 9-11	Bromma	CS	O	2019	1954	-	5,928	2,795	893	-	135	-	5,800	-	-	-	-	9,623					
3	Stegsholm 3:5	Gålovägen 30	Haninge	CS	O	2019	-	-	34,516	-	-	-	-	-	-	-	-	-	2,450	2,450					
4	Odal mannen 1	Rödhavevägen 24	Huddinge	C	O	2018	1955	-	2,403	-	-	-	400	-	-	-	-	-	-	400					
5	Brynjan 5	Vikingavägen 1	Huddinge	C	O	2017	1965	-	4,194	754	1,800	-	-	-	-	-	-	-	-	2,554					
6	Veddesta 5:12	Bruttovägen 5	Järfälla	C	O	2018	2018	-	5,953	-	-	-	-	-	-	-	-	-	5,600	5,600					
7	Stapelbädden 3	Gåshagaleden 12	Lidingö	C	O	2015	1972/2006	-	47,875	-	-	11,581	-	-	-	-	-	-	265	11,846					
8	Tattby 2:22	Solsidevägen 5	Nacka	CS	G	2014	-	-	2,804	-	-	-	-	-	-	-	-	-	532	532					
9	Björknäs 1:978	Kvarnvägen 22	Nacka	CS	G	2014	-	-	3,444	-	-	-	-	-	-	-	-	-	498	498					
10	Lännersta 15:33	Telegramsvägen 101	Nacka	C	O	2013	1987	-	2,513	-	832	-	-	-	-	-	-	-	-	832					
11	Solsidan 52:1	Jaktvarvsvägen 5	Nacka	C	O	2015	1977	-	6,469	-	1,254	-	-	-	-	-	-	-	-	1,254					
12	Sicklaön 37:45	Kvarnholmsvägen 52	Nacka	C	O	2016	1987	-	3,936	1,540	-	807	-	-	-	-	-	-	452	2,799					
13	Sicklaön 386:6¹	Per Hallströms Väg 7	Nacka	C	O	2015	2003	-	6,017	-	-	-	1,100	-	-	-	-	-	550	1,650					
14	Sicklaön 393:4	Vikdalsvägen 50	Nacka	C	O	2018	1990	-	10,819	3,485	435	-	-	-	-	-	-	-	-	3,920					
15	Gördelmakaren 5	Baldersgatan 25	Norrtälje	C	O	2016	2017	-	15,997	-	-	-	5,208	-	-	-	-	-	-	5,208					
16	Sjöborren 5 & 6	Domherrevägen 19	Sollentuna	C	O	2018	2019	-	3,483	-	-	-	-	-	-	-	-	-	2,574	2,574					
17	Lillsätra 2	Stensättravägen 13	Stockholm	C	G	2014	1982/2016	-	16,231	8,840	2,486	-	-	-	-	-	-	-	-	11,326					
18	Instrumentet 2	Jakobsdalsvägen 17	Stockholm	CS	O	2018	2014	-	3,266	-	178	-	-	-	5,680	-	-	-	-	5,858					
19	Drevrn 1 & 3	Gråhundsvägen 82	Stockholm	C	O	2018	1973	-	5,729	1,215	19	-	2,745	-	-	-	-	-	-	3,979					
20	Drevrn 2	Gråhundsvägen 83	Stockholm	C	O	2019	1984/2019	-	3,497	1,200	-	-	-	-	-	-	-	-	-	1,200					
21	Nynäs 24	Lövholmsvägen 61	Stockholm	CS	O	2019	-	-	2,233	-	-	-	-	-	2,950	-	-	-	-	2,950					
22	Viby 19:3²	Energivägen 2	Upplands-Bro	C	O	2014	2018	-	111,073	-	-	-	13,388	-	-	-	-	-	1,787	15,175					
23	Viby 19:29 & 19:33	Effektvägen 10	Upplands-Bro	C	O	2019	1990	-	14,997	-	-	4,437	-	-	-	-	-	-	-	4,437					
24	Runö 7:84	Sågvägen 2	Österåker	C	O	2016	1980	-	10,235	3,296	-	-	250	-	-	-	-	-	877	4,423					
Total Greater Stockholm									330,801	26,439	7,897	16,825	23,226	-	14,430	-	-	-	15,585	104,402					
Uppsala																									
25	Kryddgården 6:3	Torggatan 17	Enköping	C	O	2016	1995	-	24,773	-	-	-	8,730	-	-	-	-	-	-	8,730					
26	Gredelby 21:1³	Apoteksvägen 3-7	Knivsta	C	O	2017	1998	-	11,109	363	38	-	1,505	-	-	-	-	-	953	2,858					
27	Särsta 12:1³	Centralvägen 12	Knivsta	C	O	2017	-	-	1,867	-	-	-	-	-	-	-	-	-	447	447					
28	Boländerna 9:11	Knivstagatan 7	Uppsala	C	O	2015	1979/2002	-	5,253	-	3,335	-	-	-	-	-	-	-	-	3,335					
29	Luthagen 27:12	Ringgatan 31	Uppsala	C	O	2012	1976	-	966	-	-	-	763	-	-	-	-	-	-	763					
30	Flogsta 39:1	Köpenhamngsgatan 2-4	Uppsala	C	O	2012	1988	-	2,730	-	-	-	610	-	-	-	-	-	-	610					
31	Sunnersta 155:2	Sunnerstavägen 40	Uppsala	C	O	2012	1970	-	3,091	-	-	-	633	-	-	-	-	-	175	808					
32	Storvreta 3:80	Ärentunavägen 10	Uppsala	C	O	2012	1984	-	3,328	-	-	-	1,012	-	-	-	-	-	-	1,012					
33	Almunge-Lövsta 1:48	Lilla Väsby Lövsta	Uppsala	C	O	2012	1977	-	4,579	-	-	-	500	-	-	-	-	-	175	675					
34	Luthagen 13:2	Seminariegatan 1	Uppsala	CS	O	2009	1916/2011	-	10,097	3,644	-	-	-	-	7,068	-	-	-	73	10,785					
35	Boländerna 21:4	Verkstadsgatan 10-14	Uppsala	C	O	2018	-	-	34,012	4,147	2,485	170	470	-	-	-	-	-	2,796	10,068					
36	Årsta 83:1	Palmbladsgatan 8-10	Uppsala	CS	O	2019	-	-	7,167	-	-	-	-	-	-	-	-	-	3,700	3,700					
37	Boländerna 8:12	Bergsbrunnagatan 9-11	Uppsala	CS	O	2019	-	-	3,624	400	-	-	-	-	1,502	-	-	-	200	2,102					
38	Kungsängen 32:6	Mältargatan 19A	Uppsala	C	O	2019	-	-	2,317	-	-	-	-	-	-	-	-	-	858	858					
39	Kungsängen 32:8	Mältargatan 17	Uppsala	C	O	2019	1997	-	4,317	1,350	-	-	-	-	-	-	-	-	-	1,350					
Total Uppsala									119,230	9,904	5,858	170	14,223	-	8,570	-	-	-	9,377	48,101					
Other																									
40	Gulmäran 7⁴)	Enedalsgatan 10	Borås	C	O	2016	1975	-	39,138	115	337	-	6,269	-	-	-	-	-	3,361	10,082					
41	Gulmäran 8⁴)	Neumansgatan 7	Borås	C	O	2018	1973	-	9,964	-	-	-	1,530	-	-	-	-	-	765	2,295					
42	Sörby Urfjäll 23:7	Rälsgratan 12	Gävle	C	O	2006	1976	-	15,578	-	-	-	3,492	-	-	-	-	-	-	3,492					
43	Mackmyra 20:18	Valbovägen 318A-B	Gävle	C	O	2018	2000	-	10,624	-	-	-	-	-	-	-	-	-	3,605	3,605					
44	Mackmyra 20:19	Valbovägen 322	Gävle	C	O	2018	2000	-	4,362	-	-	-	1,171	-	-	-	-	-	-	1,171					
45	Nordanvinden 3	Nordanväg 5-9	Lund	C	O	2017	1966	-	9,067	-	-	-	1,996	-	-	-	-	-	595	2,591					
46	Gustavshem 6	Gustavshemsvägen 1	Lund	C	O	2017	-	-	4,099	220	-	-	673	-	-	-	-	-	3,710	4,603					
47	Rivan 1	Odlarevägen 5	Lund	C	O	2017	1988	-	2,997	1,484	-	-	-	-	-	-	-	-	-	1,484					
48	Nacksta 5:77	Bergsgatan 120	Sundsvall	C	O	2006	2002	-	20,077	-	-	-	5,680	-	-	-	-	-	-	5,680					
Total Other									115,906	1,819	337	-	20,811	-	-	-	-	-	12,036	35,003					
Total properties under management									565,937	38,162	14,092	16,995	58,260	-	23,000	-	-	-	36,997	187,505					

## Projects<sup>6</sup>

Projects<sup>6</sup>

Property No.	Property designation <sup>5</sup>	Address	Municipality	Property category	Form of tenure	Year of acquisition	Project name	No. of residential units	Land area	Lettable area, sqm										Total
										Office	Ware-house/ logistics	Light industry	Retail	Residential	Edu- cation	Retire- ment homes	Co-opera- tive apart- ments	Other		
Greater Stockholm																				
49	Part of Odalmannen 1	Rödhakevägen 24	Huddinge	R	O	2018	Odalmannen	56	2,403	-	-	-	-	2,960	-	-	-	-	2,960	
50	Part of Brynjan 5	Vikingavägen 1	Huddinge	Co	O	2017	Brynjan 5	175	4,194	-	-	-	-	4,070	-	-	5,400	-	9,470	
51	Part of Stapelbädden 3	Gåshagaleden 12	Lidingö	R, Co	O	2015	Gåshaga	620	47,875	-	-	-	-	18,500	-	-	18,500	-	37,000	
52	Part of Sicklaön 393:4	Vikdalsvägen 50	Nacka	R	O	2018	Sydöstra Vikdalen	250	10,819	-	-	-	-	14,600	-	-	-	-	14,600	
53	Part of Solsidan 52:1	Jaktvarvsvägen 5	Nacka	Co	O	2015	Jaktvarvet	90	6,469	-	-	-	-	-	-	-	5,400	-	5,400	
54	Part of Sicklaön 37:45	Kvarnholmsvägen 52	Nacka	Co	O	2016	Gäddviken	100	3,936	-	-	-	-	-	-	-	6,840	-	6,840	
55	Part of Sicklaön 386:6	Per Hallströms Väg 7	Nacka	Co	O	2015	Skvaltán	175	6,017	-	-	-	-	-	-	-	9,625	-	9,625	
56	Handelsmannen 1	Diamantgatan 7-9	Norrtälje	R	O	2016	Handelsmannen 1	355	15,568	-	-	-	-	13,257	1,296	6,021	-	-	20,574	
57	Part of Instrumentet 2	Jakobsdalsvägen 17	Stockholm	Co	O	2018	Örmsberg	120	3,266	-	-	-	-	-	-	-	6,300	-	6,300	
58	Part of Drevern 1 & 3	Gråhundsvägen 82-83	Stockholm	R	O	2018	Drevern 1	50	9,226	-	-	-	-	3,850	-	-	-	-	3,850	
59	Dvärgspetsen 1	Gråhundsvägen 9	Stockholm	R	O	2018	Dvärgspetsen 1	100	4,184	-	-	-	-	6,160	-	-	-	-	6,160	
60	Part of Viby 19:3	Energivägen 2	Upplands-Bro	R	O	2014	Viby	910	111,073	-	-	-	6,300	36,000	1,300	7,440	10,700	-	61,740	
61	Part of Runö 7:84	Sågvägen 2	Österåker	Co	O	2016	Runö	200	10,235	-	-	-	-	2,890	-	-	8,660	-	11,550	
Total Greater Stockholm								3,201	235,265	-	-	-	6,300	102,287	2,596	13,461	71,425	-	196,069	
Uppsala																				
62	Part of Kryddgården 6:3	Torggatan 17	Enköping	R	O	2016	Kryddgården 6:3	480	24,773	-	-	-	3,600	14,630	1,395	6,045	5,390	-	31,060	
63	Vrå 1:392	Brunnbypvägen 48	Knivsta	CS	O	2015	Knivsta Vrå 1:392	89	6,049	-	-	-	-	1,587	692	4,414	-	-	6,693	
64	Part of Gredelby 21:1, Särsta 12:1	Apoteksvägen 3-7, Centralvägen 12	Knivsta	R	O	2017	Segerdal	150	12,976	-	-	-	1,000	7,450	-	-	-	-	8,450	
65	Västra Knivsta <sup>7</sup>	-	Knivsta	R	-	-	Västra Knivsta	250	-	-	-	-	-	15,400	-	-	-	-	15,400	
66	Fålhagen 43:17	Liljegatan 1	Uppsala	Co	O	2012	Liljegatan 1	48	2,944	-	-	-	-	-	-	-	4,835	-	4,835	
67	Part of Boländerna 21:4	Verkstadsgatan 10-14	Uppsala	C	O	2018	Boländerna 21:4	97	34,012	2,500	-	-	-	-	-	-	-	5,000	7,500	
68	Luthagen 27:12	Jumkilsgatan 1	Uppsala	Co	O	2012	Luthagen	45	966	-	-	-	680	-	-	-	1,500	-	2,180	
69	Part of Storröta 3:80	Ärentunavägen 10	Uppsala	R	O	2012	Storröta	80	3,328	-	-	-	800	3,900	-	-	-	-	4,700	
70	Part of Flogsta 39:1	Köpenhamngsgatan 2-4	Uppsala	Co	O	2012	Ekeby	91	2,730	-	-	-	900	2,160	-	-	2,460	-	5,520	
71	Part of Kungsängen 32:6 & 32:8	Mältargatan 17-19	Uppsala	R	O	2019	Kungsängen	175	6,634	-	-	-	-	10,000	-	-	-	-	10,000	
Total Uppsala								1,505	94,412	2,500	-	-	6,980	55,127	2,087	10,459	14,185	5,000	96,338	
Other																				
72	Part of Gulmäran 7 & 8	Enedalsgatan 10, Neumansgatan 7	Borås	R	O	2016, 2018	Gulmäran 7, 8	315	49,102	-	-	-	-	15,400	465	4,185	-	-	20,050	
73	Part of Nordanvinden 3	Nordenväg 5-9	Lund	R	O	2017	Klostergården	180	9,067	-	-	-	-	5,100	730	4,200	-	-	10,030	
74	Part of Rivan 1	Odlarevägen 5	Lund	R	O	2017	Rivan	50	2,997	-	-	-	-	3,465	-	-	-	-	3,465	
75	Part of Gustavshem 6	Gustavshemsvägen 1	Lund	R	O	2017	Västerbo	80	4,099	-	-	-	-	4,620	-	-	-	-	4,620	
76	Conception	Carrer Concepcio 34	Palma	C	O	2016	Hotell Nobis	35	857	-	-	-	-	-	-	-	-	2,300	2,300	
77	Can Oliver	Carrer Caputixines 9	Palma	C	O	2016	Hotell Can Oliver	40	1,086	-	-	-	-	-	-	-	-	3,300	3,300	
Total Other								700	67,208	-	-	-	-	28,585	1,195	8,385	-	5,600	43,765	
Total Projects								5,406	396,885	2,500	-	-	-	13,280	185,999	5,878	32,305	85,610	10,600	336,172

Ownership rights is the the form of tenure for all properties except for Tattby 2:22, Björk 1:978 and Lillsätra 2, which are ground leases

1) Sicklaön 386:6 is 50/50 owned by Genova and Fastator. The lettable area refers to Genova's stake.

2) Viby 19:3 is 70/30 owned by Genova and K2A. The lettable area refers to the total lettable area.

3) Gredelby 21:1 and Särsta 12:1 are 50/50 owned by Genova and Redito. The lettable area refers to Genova's stake.

4) Gulmäran 7 and 8 are 50/50 owned by Genova and Järngrinden. The lettable area refers to Genova's stake.

5) 'Part of' is used for properties that are currently investment properties.

6) For all jointly owned projects, the number of residential units and the area corresponding to Genova's financial stake is presented.

7) Through an option, Genova has obtained a land-use agreement for the construction of about 250 new residential units in Västra Knivsta. The option provides a basis for future negotiations and is not tied to any specific property.

C Commercial properties

CS Community service properties

R Rental apartments

Co Co-operative apartments

O Ownership rights

G Ground lease



# Investment properties

Genova acquires and develops properties for the company's own long term management. Ownership with an eternal perspective motivates long term investments and creates scope for sustainable urban development.



# Properties for long-term ownership

Genova's investment property portfolio largely comprises commercial properties (retail stores, office buildings and warehouses) and community service properties. Genova also owns properties with ongoing planning for future rental apartments combined with community service properties, mostly in new districts, and we also run several development projects in various phases.

As ongoing construction projects are gradually completed, residential and community service properties will account for a higher share of the investment property portfolio. Our investment properties are generating stable cash flows that, with continuous refurbishment and development of

existing building rights, will secure our long-term growth.

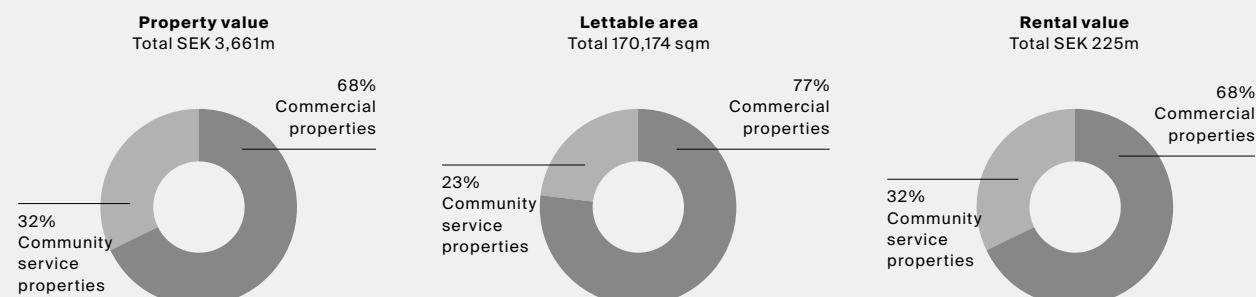
## A growing investment property portfolio

Genova's investment property portfolio largely comprises commercial properties (retail stores, office buildings and

warehouses) and community service properties. The properties are mainly located in our main markets of Greater Stockholm and Uppsala, which are both expansive regions with high demand for residential units and a strong commercial property market.

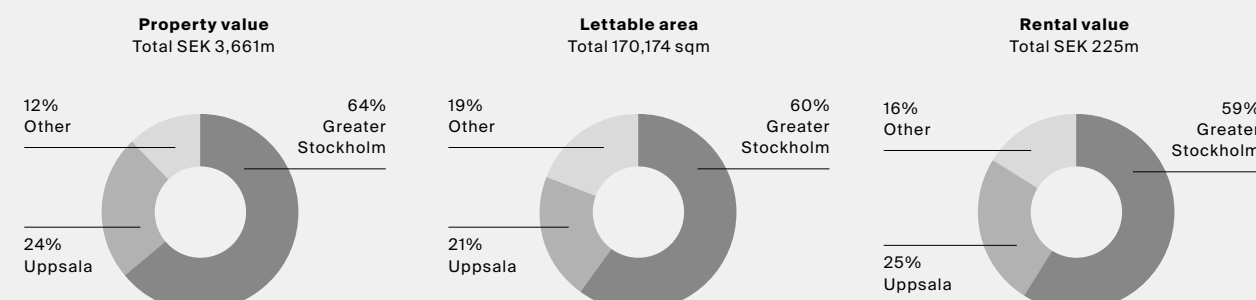
### Investment properties per property category

31 December 2019



### Investment properties per geography

31 December 2019





## The investment property portfolio

31 December 2019

	No. of properties	Lettable area, sqm	Property value		Rental value		Occu-pancy rate, %	Contracted annual rent <sup>1</sup> , SEKm	Property costs		Net operating income	
			SEKm	SEK/sqm	SEKm	SEK/sqm			SEKm	SEK/sqm	SEKm	SEK/sqm
Per property category												
Commercial properties	34	131,676	2,481	18,839	153	1,165	97.1	149	-41	-310	108	821
Community service properties	9	38,498	1,181	30,669	72	1,872	99.2	72	-11	-274	61	1,583
Total per property category	43	170,174	3,661	21,515	225	1,325	97.8	220	-51	-302	169	993
Per geography												
Greater Stockholm	23	102,752	2,343	22,805	134	1,300	97.5	130	-30	-289	101	979
Uppsala	12	36,066	872	24,170	55	1,532	97.9	54	-13	-348	42	1,151
Other	8	31,356	446	14,233	37	1,168	98.6	36	-9	-291	27	860
Total per geography	43	170,174	3,661	21,515	225	1,325	97.8	220	-51	-302	169	993
Projects under construction			452									
Planned projects			307									
Total as per the balance sheet			4,420									
Acquired, not yet accessed properties and near-term completed constructions <sup>2</sup>	5	18,119	239		27	1,502	100.0	27	-5	-285	22	1,217
Total	48	188,293	4,659		253	1,342	98.0	248	-57	-300	191	1,015
In addition:												
Properties owned through joint ventures			248									

1) Not including rental discounts of SEK 4.4m.

2) Ongoing construction that will generate rental income within 12 months.

The above summary pertains to the properties owned by Genova at the end of the period, with the addition of acquired but not accessed properties and near-term completed constructions. The table reflects income from, and costs of, the properties as if they had been owned throughout the entire period.

## Structure of rental agreements

31 December 2019

	No. of rental agreements	Area Ksqm	Contracted annual rent, SEKm	Percentage %
Commercial properties, term				
2020	125	6	10	5
2021	57	25	31	14
2022	26	23	34	15
2023	20	11	13	6
2024	14	26	30	13
>2024	34	71	102	46
<b>Commercial properties</b>	<b>276</b>	<b>162</b>	<b>220</b>	<b>100</b>
Parking spaces and other	3	-	-	-
<b>Total</b>	<b>279</b>	<b>162</b>	<b>220</b>	<b>100</b>
Vacant		8	5	
<b>Total</b>		<b>170</b>	<b>225</b>	

## 10 largest tenants

31 December 2019

Tenants	Contracted annual rent, SEKm	% of total portfolio
HOOM Home & Hotel AB	17	7.7
City of Stockholm, Education Administration	14	6.5
Coop Sverige Fastigheter AB	13	6.1
Stiftelsen Uppsala Musikklasser	13	5.9
Yrkesplugget i Sverige AB	10	4.4
Scanreco AB	9	3.9
AmiSgo AB	6	2.8
Uppsala Municipality	6	2.7
Dagab Inköp och Logistik AB	5	2.2
IF Friskis & Svettis	4	2.0
<b>Total</b>	<b>98</b>	<b>44.3</b>
<b>Weighted average remaining term</b>		<b>6.9 years</b>



Genova also owns properties with ongoing planning for future rental apartments combined with community service properties, mostly in new districts, and we also have several development projects in various phases. As ongoing construction projects are completed, residential and community service properties will account for a higher share of the investment property portfolio. Our investment properties are generating stable cash flows that, with continuous refurbishment and development of existing building rights, will secure our long-term growth.

### The acquisition process

Genova works continuously to identify properties that will contribute to the achievement of our financial targets. Possible acquisition candidates include cash flow-generating properties, fully or partly let, and vacant buildings with

development and letting potential. Genova's aim is that the acquired properties will eventually provide opportunities to create building rights for new construction projects in the future. If we see opportunities for developing residential units and community service properties, an active process to prepare new zoning plans is initiated in partnership with the municipalities.

The category of properties we are seeking can often be found outside city centres, but still attractively located in terms of public transport and transportation. Through renovation and active management, the properties can be converted into attractive premises for more, or new, tenants. Genova maintains continuous contact with brokers and consultants in relation to new business opportunities, and actively seeks potential acquisition targets.

### Development 2019

In 2019, Genova's investment property portfolio continued to grow through investments in the existing portfolio, new property acquisitions and project development. Both rental value and total property value increased. At year-end, the investment property portfolio comprised 43 properties with a total lettable area of about 170,000 sqm, mainly in Greater Stockholm and the Uppsala Region, with a market value of approximately SEK 3.7bn. The total property value, taking accessed properties, properties under construction and joint ventures into account, was approximately SEK 4.4bn. Properties in Greater Stockholm and the Uppsala Region account for approximately 88% of the property value and 81% of the total lettable area.

### Property acquisitions

During the year, Genova acquired and accessed properties with an underlying property value of SEK 1bn.

In January, the Sicklaön 393:4, Drevärn 1, 3 and Dvärgspetsen 1 properties in Nacka and Skarpnäck were accessed. The properties were acquired in December 2018 at an underlying value of SEK 175m. The property in Nacka comprises approximately 4,000 sqm of office space and 11,000 sqm of land in a residential location that will be highly attractive

#### Key metrics, property value

	31 Dec 2019	31 Dec 2018
Rental value, SEK/sqm	1,325	1,213
Economic occupancy rate, %	98	94
Property costs, SEK/sqm	302	268
Net operating income, SEK/sqm	993	877
NOI margin, %	72	72
Investment property value, SEK/sqm	21,515	16,696
Lettable area, sqm	170,174	136,015
No. of properties	43	32





in the future. The properties in Skarpnäck contain approximately 4,000 sqm of retail and office space and just over 10,000 sqm of land with Hemköp as the largest tenant.

In June, the Sjöborren 5 & 6 properties in Sollentuna were accessed. The properties were acquired in December 2018 at an underlying property value of SEK 92.5m.

In August, six of the seven community service properties in Greater Stockholm and Uppsala that were acquired in June 2019, with an underlying property value of SEK 650m, were accessed.

In September, an agreement was signed to acquire three strategically located properties in Stockholm and Uppsala at an underlying property value of SEK 80m before deduction of deferred tax. The Dreven 2 property was acquired in Stockholm, and the Kungsängen 32:6 and 32:8 properties were acquired in Uppsala. The total lettable area was approximately 3,600 sqm with a site area of approximately 10,000 sqm. Major tenants include GraphMatch AB and L&T FM AB, and the annual rental value is approximately SEK 5m with an average rental duration of

approximately seven years. The accession date was 31 October 2019.

In December, Genova entered into an agreement to acquire the Viby 19:29 and 19:33 properties in Upplands-Bro at an underlying property value of SEK 45m. The properties contain workshops, offices and warehouse units in a strategic location in Brunna, with a total lettable area of approximately 4,400 sqm and 15,000 sqm of land. In connection with the acquisition, a new 10-year rental agreement was signed with an existing tenant, Microprecision AB, with an annual rental value of approximately SEK 3.6m.

After year-end, in January 2020, an agreement was signed to acquire part of the Vaksala-Norrby 1:2 and 1:3 properties in Uppsala at an underlying property value of SEK 31.5m. A new office building and carport will be built on these properties and upon completion, will be fully let to Renta AB, which offers rental equipment and tools for construction contracts. The rental term is seven years, with an annual rental value of approximately SEK 2.1m, and the let area is approximately 2,200 sqm. Accession is scheduled for December 2020.

## Divestments and reclassifications

In 2019, Genova divested the Målaren 4 property in Skänninge at an underlying property value of SEK 7m, which corresponded to the book value.

In September, a partnership commenced with the green property company K2A. Genova concluded an agreement to divest 30% of the shares in the company that owns the Viby 19:3 property in Upplands-Bro. The sale was transacted at an underlying property value of SEK 325m, which exceeded the book value by approximately SEK 157m. In the fourth quarter, an earn-out of SEK 25m was paid. In 2014, Genova acquired the Viby 19:3 property with a lettable area of approximately 15,000 sqm occupied by a Coop Forum store, and 110,000 sqm of land. In 2017, Coop vacated the property, which is now essentially fully let to such tenants as Riddermarks Bil, Pop-Up Padel and Tolga Food.

In December, demolition of the vacant building on the Handelsmannen 1 property commenced, where construction has now started. The book value was reclassified to properties under construction.

## Lettings

In addition to acquisitions, Genova was also focused on new lettings and renegotiations in the existing investment property portfolio in order to increase letting and create value. Genova signed several new rental agreements in Greater Stockholm and Uppsala.

In January, the rental agreement with tenant Micab for approximately 8,500 sqm in the Gåshaga Gård 11 property was extended. The rental agreement has a five-year term and an annual rental value of SEK 3.6m.

In September, a new rental agreement was signed with Gåshaga Marina & Marinmontage AB for approximately 3,000 sqm in the Stapelbädden 3 property in Gåshaga, Lidingö. The rental agreement has a seven-year term and an annual rental value of approximately SEK 1.9m.

In November, the rental agreement with Sthlm Norr Fysio & Gym AB for approximately 800 sqm in the Runö 7:84 property was expanded and extended. The rental agreement has an eight-year term and an annual rental value of approximately SEK 0.9m.

After year-end, in January 2020, a rental agreement for approximately 2,400 sqm was signed in the Boländerna 21:4 property in Uppsala. The tenant, Hoom Home & Hotel Uppsala AB, signed a 20-year rental agreement for a new, 97-room, extended stay hotel with an annual rental value of approximately SEK 4.8m. The new hotel will be constructed in Genova's existing property and start-up is scheduled for the second quarter of 2020.

## Tenants and rental agreement structure

At year-end, Genova had approximately 275 tenants with an average remaining rental duration of seven years. The three largest tenants were HOOM Home & Hotel AB, the City of Stockholm Education Administration and Coop Sverige, which together accounted for approximately 20% of rental income.

At the end of the period, the proportion of community service properties in the portfolio was approximately 32% of the book value of the properties, and 28% of the rental income.

## Earnings capacity

The table shows Genova's current earnings capacity on a 12-month basis. The earnings capacity is based on the investment properties owned by Genova at the end of the period. It is important to note that the current earnings capacity is not a forecast for the next 12 months. Earnings capacity does not, for example, include an assessment of occupancy, vacancy or interest-rate changes. Genova's earnings are also impacted by changes in the value of investment properties. Earnings are also affected by tax. Genova's current earning capacity does not account for any of the above factors. Rental income is based on contracted income at the end of the period. Decreasing rental discounts of SEK 4.4m have not been deducted from the rental value. Property costs reflect the past 12-month outcome for properties owned throughout the entire period. Properties acquired and projects completed have been adjusted to an annual rate. Administrative expenses pertain to costs attributable to property management, and are based on estimated costs for the next

12-month period, excluding any non-recurring costs. Net financial items have been calculated on the basis of current net interest-bearing debt. No interest is received on cash and cash equivalents and interest on interest-bearing debt has been calculated using the average interest rate at the end of the period.

### Estimated earnings capacity of investment properties

SEKm	
Rental value <sup>1</sup>	225
Vacancy rate	-5
<b>Rental income</b>	<b>220</b>
Operating costs	-38
Maintenance costs	-8
Property tax	-6
<b>Total property costs</b>	<b>-51</b>
<b>Net operating income</b>	<b>169</b>
Central administration property management	-12
Genova's share of income from property management through joint ventures	6
Net financial items	-70
<b>Income from property management</b>	<b>93</b>

1) Not including rental discounts of SEK 4.4m.

### Annual property costs per sqm

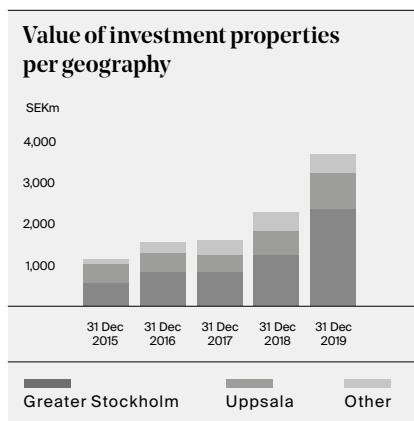
SEK/sqm	Commercial properties	Community service properties	Total
Operation	209.9	252.7	219.6
Maintenance	58.1	20.5	49.6
Property tax	41.9	1.3	32.7
<b>Total</b>	<b>309.9</b>	<b>274.4</b>	<b>301.9</b>



# Personal property management

Genova's management is characterised by close relationships with tenants. Successful property ownership requires active management and an understanding of our customers' business, our tenants' needs and the overall role of our properties.

## 5 cornerstones of our property management



### LONG-TERM APPROACH

Genova builds, acquires and develops properties for people and companies based on the needs of tenants, customers and society. The properties are developed and managed with a profitable and sustainable approach, which creates value growth. Genova is currently running projects to develop residential care facilities and rental apartments and will also, therefore, increasingly serve as a residential landlord. The aim is to be a personal landlord with efficient management that meets tenant needs. We strive to achieve long-term value-creation in everything that we do.

### EXPERIENCE

With our extensive knowledge and accumulated experience of property management and construction of both residential units and premises, we have the capacity to be both personal in our customer relationships and cost-efficient in property management. We manage approximately 170,000 sqm, divided between commercial space, office and store premises and community service properties.

### COMMITMENT

Genova aims to offer secure, efficient and personal property management. The fact that we are personally responsible for the management of our properties ensures high and even quality. It means that we can solve problems fast and effectively, while also being perceived as responsive and accessible. Every property has a dedicated property manager, enabling us to offer a high level of service and create long-term relationships. It enables a high level of service and close collaboration with the company's tenants.

### A RELIABLE BUSINESS PARTNER

For us, it is important to build long-term relationships with our customers and we want them to feel that their office premises, and thereby their relationship with us as their landlord, contributes to their business. The ability to act professionally, listen to our customer's needs and offer a product that is adapted thereafter, is key. An important part of property management is to contribute to the development of both the premises and the surrounding environment to create the best possible conditions for our customer's operations.

### SUSTAINABILITY

We want to contribute to the sustainability efforts of our customers by creating the right conditions in our properties. Before gaining accession to new premises, for example, they are adapted to the customer's needs. During this process, we optimise the use of resources and strive to ensure that the materials and solutions used are sustainable and have a long aesthetic life.

# From vacant to fully let

Genova acquires properties to own, develop and create value over time. One example of this long-term perspective is Gördelmakaren 5 in central Norrtälje. The property was acquired vacant in 2016, but after a successful letting process and renovation is now fully let.

The Gördelmakaren 5 property, which previously housed a Coop department store, is located in the Knutby Torg retail park in Norrtälje together with chain stores including Blomsterlandet, Willys and Rusta, with close proximity to the Town Hall, emerging residential areas and good public transport. Genova is particularly interested in properties with development potential, and saw how new tenants could bring new life to the property.

“We could acquire the property at an affordable price in an area we believe in. Premises that were old and vacant but had potential. This is very typical of the way Genova works and we have an organisation with both experience and resources to drive the type of development process that is required. We usually say that Genova excels in gentrification,” says Henrik Sandström, Head of Properties at Genova.

The aim was to identify new commercial tenants for the premises and efforts to find potential companies commenced immediately through the company’s own property management organisation and external consultants. With the considerable area of just over 5,000 sqm, a possible scenario was to divide the premises between several tenants, which is also positive from a risk perspective.

These efforts led to a rental agreement with the Dollarstore chain for most of the property. Following extensive renovation and adaptation of the premises to Dollarstore’s needs, the chain store moved into the property in spring 2018. In autumn 2019, Genova signed a rental agreement for the remaining area with Sportringen, a sports chain that is planning to open in Easter this year.

“Efforts are in full swing to adapt the premises to the new Sportringen store and we are working closely with both

the tenant and their own interior design contractor. The building will also be opened up towards the square, with a new entrance and shop windows. By the end of the project, we will have renovated the whole building, with new electricity, heating, ventilation and lighting. The premises will be more attractive and modern for the tenant and in excellent management condition for us,” says Mikael Malmgren, property manager at Genova.

Both tenants have signed long-term rental agreements with Genova, creating ideal conditions for long-term collaboration and management, and stable cash flows moving forward.

“We have received two new long-term tenants, increased the rental value from zero to SEK 4.7m and more than doubled the property value, which obviously feels fantastic,” says Henrik Sandström.

## The Gördelmakaren 5 property

<b>Location</b>	Retail park in central Norrtälje
<b>Lettable area</b>	5,053 sqm
<b>Rental value</b>	SEK 4.7m
<b>Tenants</b>	Dollarstore and Sportringen
<b>Occupancy rate</b>	Fully let





# Care for the tenant

By offering a high level of service and long-term business acumen, we strive to be a good partner to our tenants. Our aim is to be the most personal property company with the best customer offering.

## 3 cornerstones of our work with tenants

### Genova's tenants

Genova's investment property portfolio is generally characterised by tenants with a long time horizon for their activities in the premises. A large proportion of our tenants operate in the public sector and the grocery trade. At year-end, the average term for the rental agreements in Genova's investment property portfolio was about seven years, allocated between about 275 tenants. Our tenants include both private and public sector operators: municipal care providers, authorities, trade unions, regions, leading companies in the defence industry, trading companies, well-established car showrooms and the Uppsala Music Classes Foundation. Genova's share of tenants in rental apartments will grow as ongoing construction projects are completed.

#### GOOD SENSE OF DIRECTION

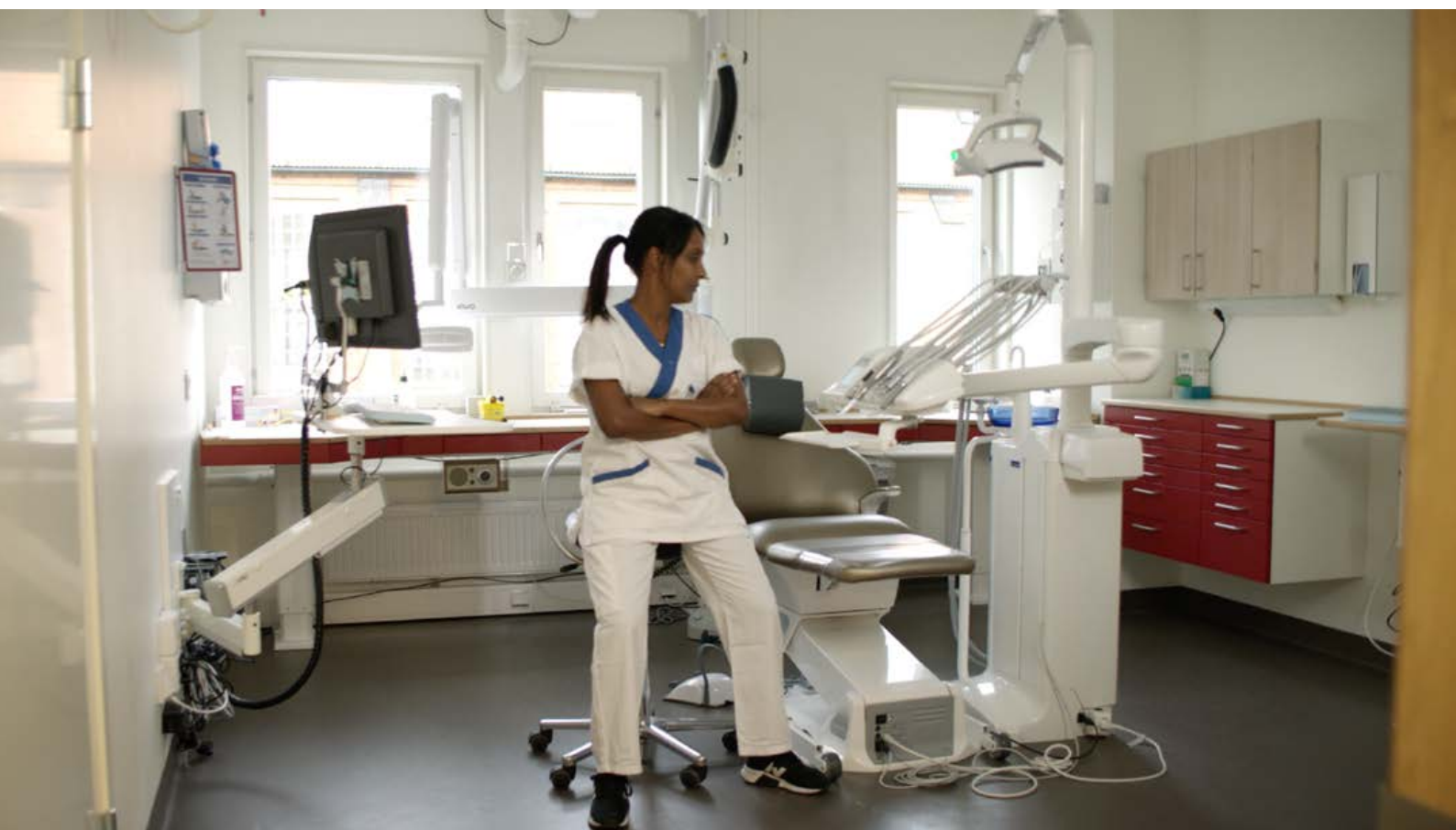
A property or premise affects the perception of a brand. The choice of location, type of property, architecture and interior design send a message to visitors. Our aim is to have the most attractive customer offering and that Genova is the first choice for customers due to our high level of service and business acumen. Genova has about 275 tenants and at year-end, our three largest customers accounted for approximately 20% of our rental income. Our contract portfolio is spread across a range of industries, customer sizes and types of tenants, reducing the risk of vacancies and rental losses.

#### CUSTOMER SATISFACTION

Creating loyal and satisfied customers contributes to both profitability and a strong brand. Genova works in a structured and continuous manner with customer care. Initiatives include in-house workshops and a Satisfied Customer Index (CSI), an important tool for measuring customer satisfaction and ensuring quality management. The CSI score also provides a basis for improvements that can create even higher customer satisfaction. The CSI score is calculated every second year. The most recent measurement was carried out in spring 2018 and generated a very positive image of Genova's work. We outperformed sector indexes in all sub-segments of the survey. For example, all of the customers surveyed would recommend Genova as a landlord to other companies. The survey provides valuable information about how our customers perceive us. For example, we receive very positive feedback about our service, but customers would also like to know more about our sustainability initiatives.

#### GREEN RENTAL AGREEMENTS

We see a growing willingness and ambition among our tenants to work together with Genova to achieve a more sustainable society. We therefore offer green rental agreements, which means that the tenant, together with Genova, creates a specific action plan with measures that can help to improve the environment.







# Project development

Sustainability. A carefully designed environment. Quality and function. These are key to creating attractive residential units and premises, or well-functioning blocks. Genova will contribute to the city through responsible development and high-quality construction and by supporting initiatives that create value for the places where we operate.







# Value-creating development

Genova develops properties for long-term management as part of profitable and sustainable growth. New construction projects usually proceed from building rights created from existing properties and mainly comprise the development of rental apartments, community services and commercial premises and small proportion of co-operative apartments.

Project development for rental apartments, community service properties and commercial premises accounts for a growing proportion of Genova's project development. We construct buildings for long-term ownership and property management as part of profitable and sustainable growth. Genova's project development also includes, to a lesser extent, the construction of co-operative

apartments. Thus, Genova is active across the entire chain of property investments – from acquisitions to property management, project development and construction, where the assignment often includes contributing to the development of new districts.

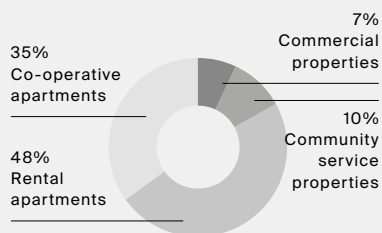
Genova's project portfolio is mainly focused on the creation of building rights from the company's own invest-

ment properties using existing cash flow. We work together with municipalities to enable the conversion of these properties from mainly commercial space to residential units or community services. A few acquisitions and granted land-use agreements have also been added to the project portfolio. As of 31 December 2019, Genova's project portfolio comprised nearly 340,000 sqm of

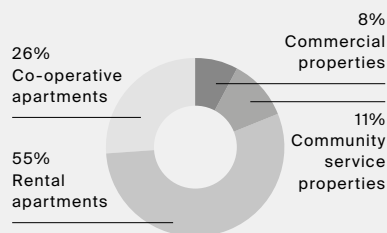
## Project development per property category

31 December 2019

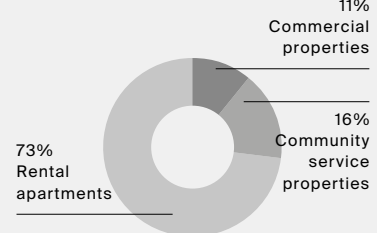
**Property/Project value**  
Total SEK 16,559m



**Lettable area**  
Total 336,172 sqm



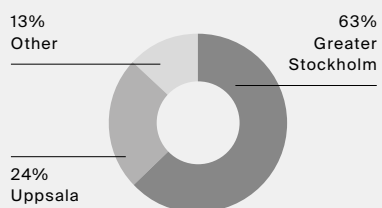
**Rental value**  
Total SEK 517m



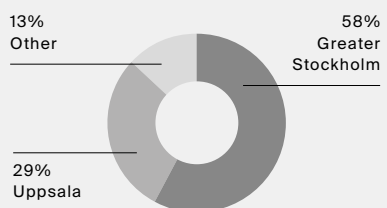
## Project development per geography

31 December 2019

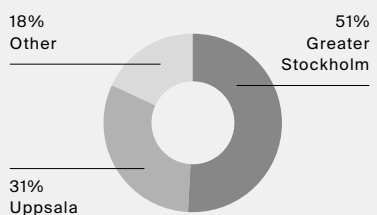
**Property/Project value**  
Total SEK 16,559m



**Lettable area**  
Total 336,172 sqm



**Rental value**  
Total SEK 517m



lettable area allocated between approximately 5,400 residential units, of which rental apartments and community service properties that Genova is planning to develop for own long-term management accounted for 70%, and co-operative apartments and commercial properties for 30%. 87% of the building rights are located in Greater Stockholm and the Uppsala Region.

### Long-term and sustainable project development

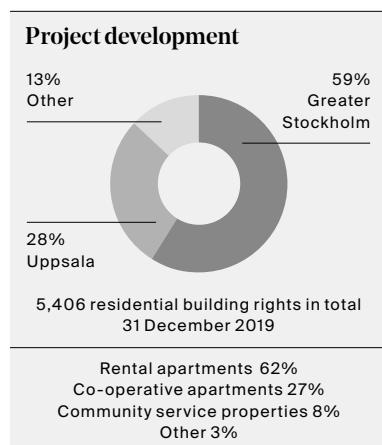
Sustainability is a key issue for Genova and we work pro-actively to fulfil our responsibilities as a property owner and urban developer. With a focus on sustainability, wood is Genova's building material of choice, which enables us to reduce our carbon

footprint and thereby our greenhouse gas emissions. Wood is a renewable and resource-efficient material that stores and delays CO<sub>2</sub> emissions, while wood-framed buildings offer a more comfortable indoor climate and reduce overall noise. Building with wood is also faster, reduces noise at the building site and requires less construction traffic. Our long-term target is that all newly constructed properties in our portfolio will be environmentally certified in order to meet customer requirements, reduce greenhouse gas emissions and risk, increase value and receive more favourable loan terms.

### Project portfolio

Genova's project portfolio is mainly focused on the creation of building

rights from the company's own investment properties using existing cash flow. A few acquisitions and granted land-use agreements have also been added to the project portfolio. At the end of 2019, Genova's project portfolio comprised nearly 340,000 sqm of lettable area allocated between approximately 5,400 residential units, of which rental apartments and community service properties that Genova is planning to develop for own long-term management accounted for 70%, and co-operative apartments and commercial properties for 30%. 81% of the building rights are located in Greater Stockholm and the Uppsala Region.





## Ongoing construction

31 December 2019

Project	Municipality	Category	Construction start	Scheduled completion	No. of residential units	Lettable area, sqm		Property value <sup>1</sup>		Rental value		Investment, SEKm		Book value, SEKm
						Residential units	Premises	SEKm	SEK/sqm	SEKm	SEK/sqm	Estimated	Accumulated	
Liljegatan 1 <sup>2</sup>	Uppsala	Co-operative apartments	Q3 2018	Q3 2020	48	4,352	483	336	69,590	-	-	276	230	-
Knivsta Vrå 1:392	Knivsta	Community service properties	Q3 2018	Q1 2020	54	4,414	692	219	42,832	10	1,880	209	206	215
Knivsta Vrå 1:392	Knivsta	Rental apartments	Q2 2019	Q2 2020	35	1,587	-	71	44,928	3	1,890	71	45	45
Hotell Nobis	Palma	Commercial prop.	Q3 2019	Q2 2021	35	2,300	-	253	110,000	7	3,250	119	61	86
Handelsmannen 1	Norrköping	Community service properties	Q4 2019	Q4 2021	80	6,021	1,296	337	46,057	16	2,132	251	30	37
Handelsmannen 1	Norrköping	Rental apartments	Q4 2019	Q4 2021 / Q2 2022 <sup>3</sup>	275	13,257	-	571	43,072	29	2,150	486	55	68
<b>Total ongoing construction</b>					<b>527</b>	<b>31,931</b>	<b>2,471</b>	<b>1,787</b>	<b>51,958</b>	<b>64</b>	<b>2,170</b>	<b>1,412</b>	<b>627</b>	<b>452</b>

1) Refers to fair value of the completed investment.

2) Of the total project profit, SEK 47m has been recognised in revenue.

3) Approximately 35% of the residential units are scheduled for completion in Q4 2021 in a first stage.

## Planned projects

31 December 2019

Project	No. of residen- tial units	Lettable area, sqm		Property value¹		Rental value		Investment, SEKm		Book value, SEKm
		Residen- tial units	Premises	SEKm	SEK/sqm	SEKm	SEK/sqm	Esti- mated	Accum- ulated	
Per category										
Rental apartments	3,042	171,155	–	7,257	42,398	348	2,035	5,781	12	78
Community service properties	290	21,870	3,890	1,077	41,817	55	2,131	803	3	6
Commercial properties²	137	5,800	18,280	934	38,781	50	2,076	716	133	139
Co-operative apartments	1,410	80,775	–	5,504	68,136	–	–	3,924	21	84
Total per category	4,879	279,600	22,170	14,772	48,949	453	2,050	11,223	169	307
Per geography – Own management										
Greater Stockholm	1,621	96,470	7,600	4,535	43,580	220	2,113	3,602	5	64
Uppsala	1,183	62,085	13,375	2,889	38,282	147	1,966	2,350	25	30
Other	665	40,270	1,195	1,844	44,461	86	2,070	1,347	118	128
Total per geography	3,469	198,825	22,170	9,268	41,936	453	2,050	7,299	148	223
Per geography – Co-operative apartments										
Greater Stockholm	1,225	71,425	–	5,023	70,331	–	–	3,548	15	73
Uppsala	185	9,350	–	480	51,367	–	–	376	6	11
Total per geography	1,410	80,775	–	5,504	68,136	–	–	3,924	21	84
Per geography – Own management and co-operative apartments										
Greater Stockholm	2,846	167,895	7,600	9,559	54,468	220	2,113	7,150	20	138
Uppsala	1,368	71,435	13,375	3,369	39,724	147	1,966	2,726	31	41
Other	665	40,270	1,195	1,844	44,461	86	2,070	1,347	118	128
Total own management and co-operative apartments per geography	4,879	279,600	22,170	14,772	48,949	453	2,050	11,223	169	307

1) Refers to fair value of the completed investment.

2) Where the number and lettable area of residential units specified in the 'Commercial properties' category refers to hotel development.

The table only shows the number of residential units, area, property and rental value, investment amount and book value that correspond to Genova's financial share in jointly owned properties.

Information about ongoing construction and planned projects in the Annual Report is based on assessments of size, focus and scope, and when projects are scheduled for start-up and completion. The information is also based on assessments of future project costs and rental value. These assessments and assumptions should not be considered a forecast. Assessments and assumptions entail uncertainties in regard to the implementation, design, size, timetables, project costs and future rental value of

projects. The information about ongoing construction and planned projects is regularly reviewed and assessments and assumptions are adjusted as ongoing construction is completed or added, and circumstances change. For projects not yet started, financing has not been arranged, which means that financing for planned projects represents an uncertainty.

## Projects

31 December 2019

31 December 2019							Phase					
Project specification	Municipality	Category¹	Estimated construction start	Estimated completion	No. of residential units	Lettable area, sqm	Planning consultation	Start-up Memo	Planning programme	Planning consultation	Publication	Zoning approved
WHOLLY OWNED PROJECTS												
Ongoing construction												
Liljegatan 1	Uppsala	Co-operative apartments	Q3 2018	Q3 2020	48	4,835	•	•	•	•	•	•
Knivsta Vrå 1:392	Knivsta	Community service prop.	Q3 2018	Q1 2020	54	5,106	•	•	•	•	•	•
		Rental apartments	Q2 2019	Q2 2020	35	1,587	•	•	•	•	•	•
Hotell Nobis	Palma	Commercial prop.	Q3 2019	Q2 2021	35	2,300	•	•	•	•	•	•
Handelsmannen 1	Norrtälje	Community service prop.	Q4 2019	Q4 2021	80	7,317	•	•	•	•	•	•
		Rental apartments	Q4 2019	Q4 2021 /Q2 2022²	275	13,257	•	•	•	•	•	•
					527	34,402						
Planned projects												
Hotell Can Oliver	Palma	Commercial prop.	2020	2021	40	3,300	•	•	•	•	•	•
Boländerna 21:4	Uppsala	Commercial prop.	2020	2021	97	7,500	•	•	•	•	•	•
Luthagen	Uppsala	Commercial prop.	2020	2022		680	•	•	•	•	•	•
		Co-operative apartments	2020	2022	45	1,500	•	•	•	•	•	•
Klostergården	Lund	Rental apartments	2021	2023	120	5,100	•	•	•	•		
		Community service prop.	2021	2023	60	4,930	•	•	•	•		
Ekeby	Uppsala	Rental apartments	2021	2023	51	2,160	•	•	•	•		
		Commercial prop.	2021	2023		900	•	•	•	•		
		Co-operative apartments	2021	2023	40	2,460	•	•	•	•		
Sydöstra Vikdalen	Nacka	Rental apartments	2021	2023	250	14,600	•	•	•	•		
Storvreta	Uppsala	Rental apartments	2021	2023	80	3,900	•	•				
		Commercial prop.	2021	2023		800	•	•				
Odal mannen	Huddinge	Rental apartments	2022	2024	56	2,960	•	•	•	•		
Jaktvarvet	Nacka	Co-operative apartments	2022	2024	90	5,400	•	•	•	•		
Kryddgården 6:3	Enköping	Rental apartments	2022	2024	300	14,630	•	•	•	•		
		Co-operative apartments	2022	2024	100	5,390	•	•	•	•		
		Community service prop.	2022	2024	80	7,440	•	•	•	•		
		Commercial prop.	2022	2024		3,600	•	•	•	•		
Västra Knivsta	Knivsta	Rental apartments	2022	2024	250	15,400	•	•	•			
Brynjan 5	Huddinge	Rental apartments	2023	2024	75	4,070	•	•				
		Co-operative apartments	2023	2024	100	5,400	•	•				
Gäddviken	Nacka	Co-operative apartments	2023	2025	100	6,840	•	•	•	•		
Örnsberg	Stockholm	Co-operative apartments	2023	2025	120	6,300	•	•	•			
Runö	Österåker	Rental apartments	2023	2025	50	2,890	•					
		Co-operative apartments	2023	2025	150	8,660	•					
Drevern 1	Stockholm	Rental apartments	2024	2026	50	3,850	•	•				
Dvärgspetsen 1	Stockholm	Rental apartments	2024	2026	100	6,160	•	•				
Gåshaga	Lidingö	Rental apartments	2025	2027	340	18,500	•					
		Co-operative apartments	2025	2027	280	18,500	•					
Rivan	Lund	Rental apartments	2025	2027	50	3,465	•					
Västerbo	Lund	Rental apartments	2025	2027	80	4,620	•	•	•			
Kungsängen	Uppsala	Rental apartments	2025	2027	175	10,000	•					
Total					3,329	201,905						
JOINTLY OWNED PROJECTS (Refers to Genova's stake³)												
Planned projects												
Segerdal³	Knivsta	Rental apartments	2020	2022	150	7,450	•	•	•	•	•	
		Commercial prop.	2020	2022		1,000	•	•	•	•	•	
Gulmårn 7, 8⁴	Borås	Community service prop.	2021	2024	70	4,650	•	•	•			
		Rental apartments	2021	2024	245	15,400	•	•	•			
Viby⁵	Upplands-bro	Rental apartments	2021	2028	620	36,000	•	•	•	•		
		Co-operative apartments	2021	2028	210	10,700	•	•	•	•		
		Community service prop.	2021	2028	80	8,740	•	•	•	•		
		Commercial prop.	2024	2026		6,300	•	•	•	•		
Skvaltån⁶	Nacka	Co-operative apartments	2024	2026	175	9,625	•					
Total					1,550	99,865						
Total					5,406	336,172						

1) Where the number of residential units specified in the 'Commercial properties' category refers to hotel development.

2) Approximately 35% of the residential units are scheduled for completion in Q4 2021 in a first stage.

3) Segerdal is 50/50 owned by Genova and Redito.

4) Gulmårn is 50/50 owned by Genova and Järngrinden.

5) Viby is 70/30 owned by Genova and K2A.

6) Skvaltån is 50/50 owned by Genova and Fastator.

7) The table only shows the number of residential units and area that correspond to Genova's financial stake in jointly owned properties.



## Ongoing construction

As of year-end, Genova had 527 residential units under construction, of which 35 were hotel rooms. The value of the ongoing construction was SEK 452m. The projects mainly pertain to projects in Knivsta (assisted living facility, pre-school and rental apartments), Palma, Mallorca, (hotel) and Norrtälje that were started-up in the fourth quarter of 2019. When these projects are completed, they will remain owned and managed by Genova. All ongoing construction is scheduled for completion by 2022, although most is scheduled for completion in 2021. The number of residential units under construction also includes the Liljegatan 1 co-operative apartment project in Uppsala, comprising 48 residential units that are scheduled for completion in the third quarter of 2020.

## Building rights portfolio

Genova uses an estimated surplus value to illustrate the value of the company's building rights portfolio in Sweden. The surplus value is calculated using an externally estimated market value of the unused building rights. This could be relevant if Genova was unable to meet its business plan and elected to develop the building rights instead of divesting them.

As of 31 December 2019, CBRE's market evaluation of the expected unused building rights in Sweden included in Planned projects was just over SEK 2.2bn. As of 31 December 2019, the existing buildings in these properties, which in some cases will need to be demolished when using the planned unused building rights and Planned projects, had a book value of approximately SEK 1.2bn.

After the publication of the year-end report, Genova adjusted the calculation method for calculating surplus value. Using the adjusted calculation method, the surplus value as of 31 December 2019 was approximately SEK 980m. After 31 December 2019, Genova received a Start-up Memo for an additional 13,000 sqm gross floor area in Drevern 1, Drevern 2 and Dvärgspetsen 1 in Stockholm.

Based on these additional building rights and CBRE's market value assessment as of 31 December 2019 alone, Genova deems that the surplus value of the expected unused building rights in Sweden will rise to approximately SEK 1,150m.

## Planned projects

Planned projects comprise a total of approximately 4,900 expected building rights allocated between nearly 280,000 sqm, of which just over 70% is planned for long-term management with a focus on Greater Stockholm and Uppsala.

## Development during and after the year

In December 2019, Genova commenced construction of the Handelsmannen 1 project in Norrtälje, strategically located beside the Town Hall, and close to public transport. This project of nearly 21,000 sqm of lettable area includes two blocks featuring a retirement home with 80 apartments, one preschool with 125 places and approximately 275 rental apartments. Both the retirement home and preschool have been let to Norlandia under a 15-year rental agreement. The project will be constructed in wood, carry the Nordic Swan Ecolabel, and be financed with a green loan from SBAB. Accession is scheduled for 2021/2022.

In November, the Municipal Executive Board of Knivsta appointed Genova as one of four anchor property developers for Västra Knivsta. The contract includes an option to negotiate a land-use agreement with the municipality for residential development on the programme site for Västra Knivsta. The land-use agreement comprises approximately 250 rental apartments. Other anchor property developers include Wallenstam and Bonava.

In the first quarter of 2020, the construction of an assisted living facility and a preschool in Knivsta, totalling approximately 5,000 sqm, will be completed. The areas have been let to Norlandia with 15-year and 20-year rental agreements, respectively. On the

other part of the same property, Genova is constructing 35 rental apartments with completion scheduled for the second quarter of 2020. When the units are completed, Genova will continue to own and manage all buildings. With the construction and completion of these rental apartments, Genova's operations have been broadened to include ownership and management of rental apartments.

In 2019, the construction of one of Genova's two planned hotels in Palma also commenced. The completed hotel will have 35 rooms and be operated by the Nobis Group with a 20-year rental agreement.

The Botanikern project in Uppsala was completed in the fourth quarter of 2019 when all stages were occupied. The Liljegatan 1 project is also under way in Uppsala, where Genova is constructing three buildings with a total of 48 co-operative apartments in the centrally located suburb of Fålhagen, with completion scheduled for the third quarter of 2020.

## Joint ventures

Genova owns 50% of the shares in three joint ventures, together with Fastator, Redito and Järngrinden. These joint ventures own four properties with a total property value of SEK 496m, of which Genova's share amounts to SEK 248m. Shares in joint ventures are recognised using the equity method. Approximately 640 building rights have been created for future residential development of the properties, which are currently let.

During the year, Genova and Järngrinden accessed the Borås Gulmåran 8 property, which was acquired in December 2018 at an underlying property value of SEK 29m. The property has a lettable area of approximately 2,600 sqm and approximately 10,000 sqm of land. Genova and Järngrinden already own the adjoining Borås Gulmåran 7 property. The plan is to continue managing the properties during the ongoing zoning process which is aimed at allowing residential development.





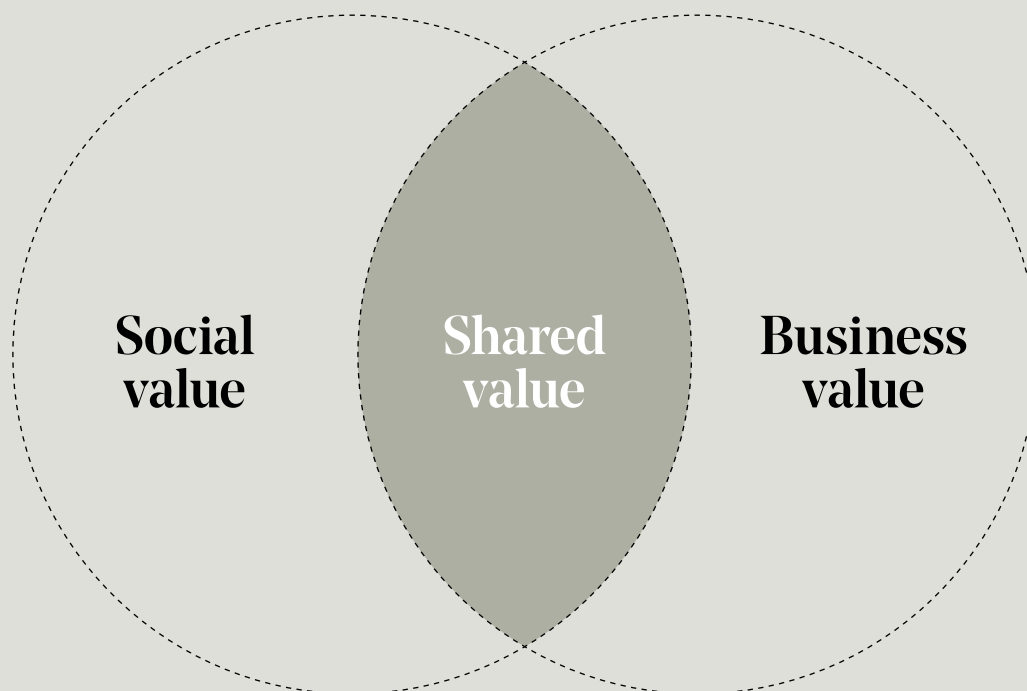
# Urban development from several perspectives

Genova works increasingly in partnership with municipalities to develop areas where a block or a district is to be built, or complemented with new buildings. Our aim is always to enhance the site's existing value and to create environments where people can thrive.



## Genova's most important conditions for sustainable urban development

1. Children and elderly people have a natural place in the city.
2. People are the focus for the homes, blocks and communities that we build and develop. The residential market shall meet the needs of individuals and provide them with the conditions to live a sustainable life.
3. When working with urban planning and development, we always proceed from local conditions to identify the sustainable features of that specific place.
4. We want to build sustainable communities where cycling and public transport are natural choices.
5. Cities should meet the needs of people and be open to change. That means a fair and healthy city where all people are able to live a good life.



## 6 steps of Genova's value-creating urban development process

### POLICY

We begin every process by engaging in timely dialogue with the relevant municipality to listen to their needs and preferences. We want to gain an understanding of the site's conditions and how we can work together with policy makers and the municipality's guidance documents to improve the overall area.

### DIALOGUE

Sustainable urban development also includes dialogue with the relevant parties, stakeholders, authorities and public administration. The aim of timely dialogue in urban development processes is often to gather knowledge from the people who use the site. To gain an understanding of what works at present, and what could be improved with development.

### EXPERTISE

We engage expertise to create the conditions and frameworks for the development we want to achieve. We choose knowledge support carefully and place high demands on our consultants. Our high ambitions for everything that we do makes demand on us, as well as the people we work with. The technical investigations and analyses are important for making the right choices.

### THE SITE'S CONDITIONS

All sites are unique. No two projects are the same. The reason for that is the geographic and physical conditions of the site, its surrounding environment and buildings. What functions are available? Is public transport available? Does the site have seafloor soil? Cultural heritage significance? Is it steep? And so forth. The unique qualities of the site are always more important than our own visions. We listen to them.

### VISION AND OBJECTIVES

Anything you want, you can do – as the saying goes. But it's not really that simple. However, as a vision, objective and direction, the concept is crucial for us. We incorporate it into the urban development process at an early stage.

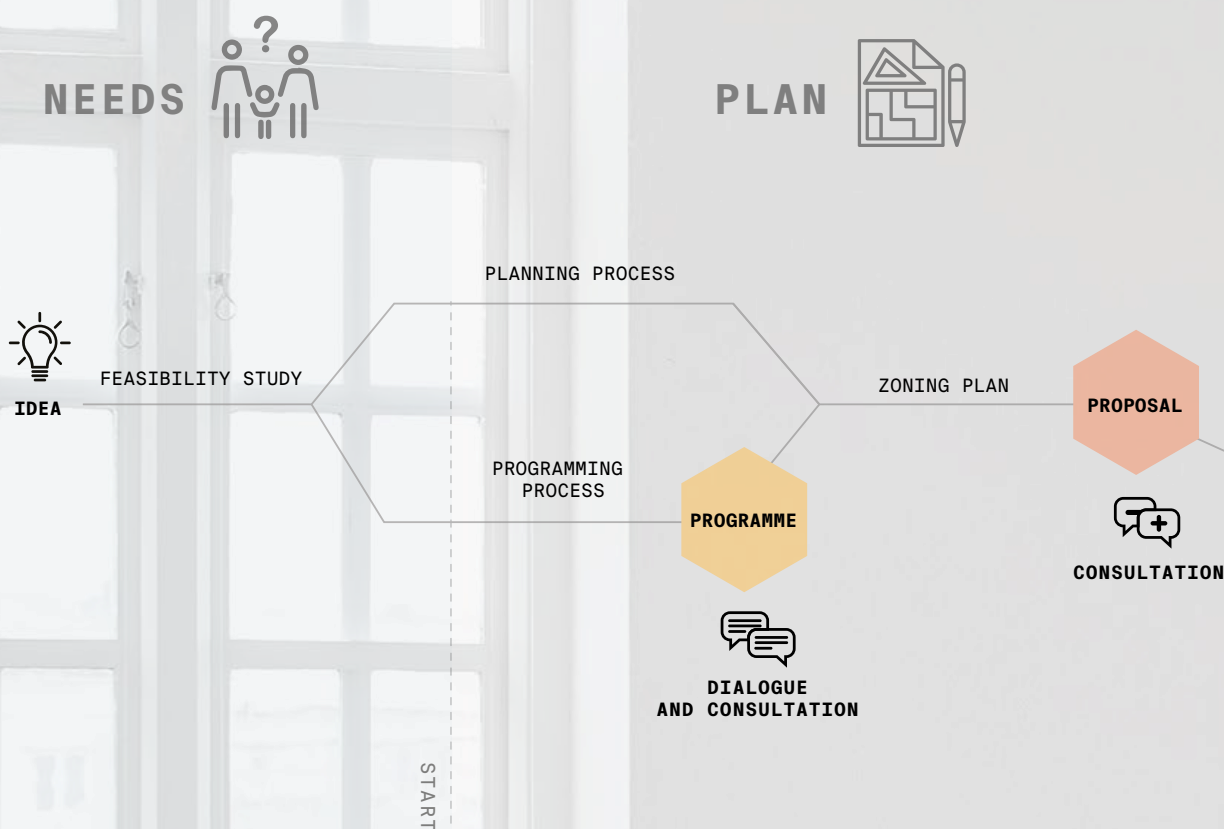
### BALANCE

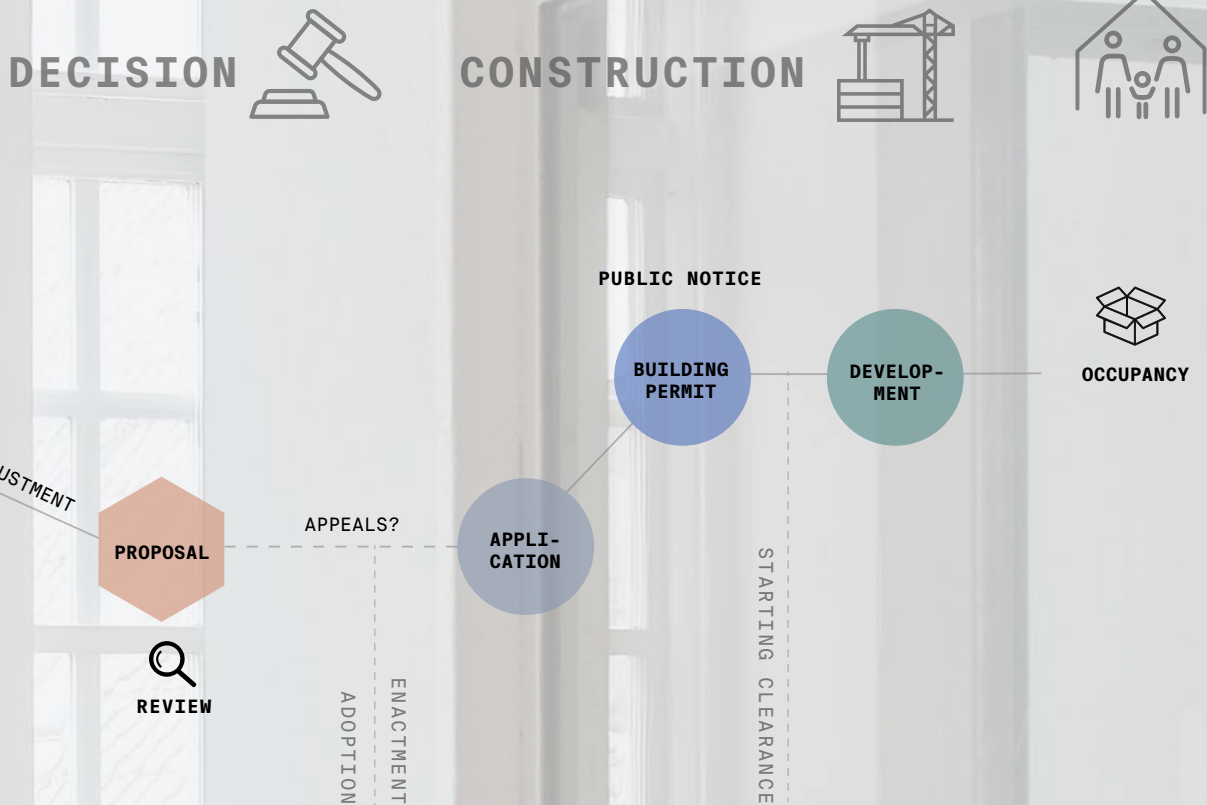
Urban planning involves balancing different interests against each other. Mainly general interests against those of individuals. But it also involves making smart choices, thinking long-term, thinking outside the box and not ruling out future scenarios. Finally, it involves weighing all parts against each other and combining compromises, conflicts and interests into a whole. Genova sees the big picture and often breaks the process down into small steps in order to maintain a holistic and long-term perspective as an urban and property developer.



## Zoning process

A zoning plan is required to expand or change the use of an area. Regardless of plans, all zoning plans are evaluated in a special zoning process before they are approved and become legally binding.





### Listen to the site

All sites are unique and no two projects are the same. In Genova's urban development projects, we always account for the geographic conditions of the site, its surrounding environment and buildings.



# A wooden city is evolving in Norrtälje

Inspired by Norrtälje's historical city centre, Genova is building multi-generational housing units with leafy courtyards. The wooden design makes the Handelsmannen block a natural part of Norrtälje's new annual ring.

**Norrtälje** has a long history of small-scale wooden architecture, which has been somewhat challenged by the strong growth of recent years. How can new construction be merged with cultural heritage, while also meeting modern day demands and challenges? On the outskirts of an industry and retail park, Genova is building the Handelsmannen block, which is part of a new district and a modern interpretation of the city's historical wooden architecture. The vision is multi-generation housing with a preschool, retirement home and multi-family apartments in an integrated landscape design. Life between the buildings is just as important as life inside the buildings.

"The municipality has produced a design programme for a large district, with a focus on playfulness and greenery. Since the Handelsmannen block is the first development of the new district, in many ways it will set the standard and level of ambition for the new district. The zoning plans are open to interpretation, allowing us to form the identity together with the municipality and our client," says Ola Jonsson from C.F. Møller Architects, the firm designing the project.

**The choice of material** was simple. Wood was chosen partly because it is Genova's building material of choice and Norrtälje's architectural heritage,

but also because the architect, Ola Jonsson, has a number of noteworthy wooden projects on his CV and is a member of a research team that is developing opportunities to construct multi-storey buildings with timber frames. His enthusiasm for the material is unmistakable.

"In addition to being a renewable and resource-efficient material that stores and delays CO2 emissions, research also shows that wood-framed houses offer health benefits in terms of the indoor climate and noise reduction. Building with wood is also faster, reduces noise at the building site, requires less construction traffic and less concrete foundation.

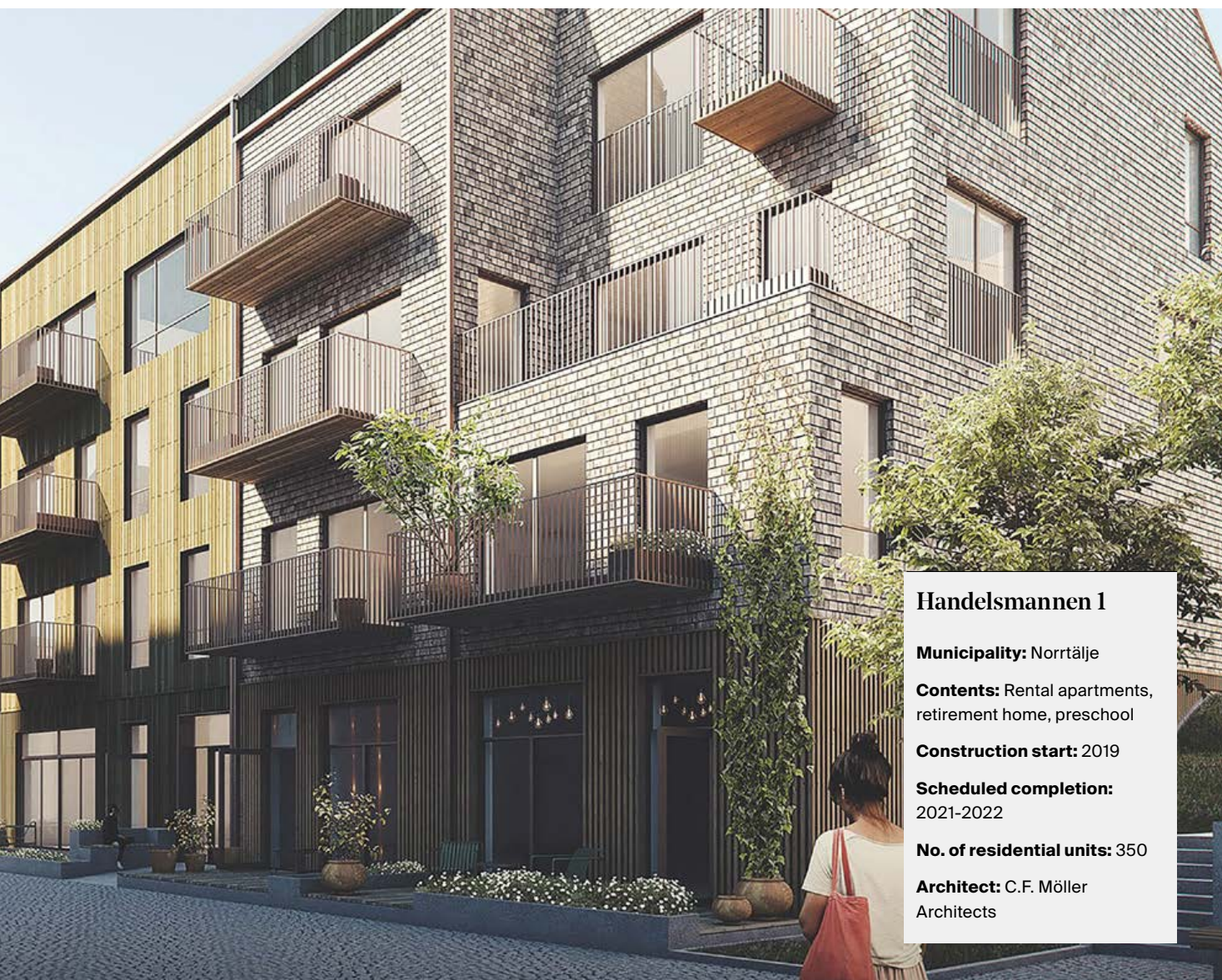
**At present**, the property mainly consists of hard surfaces, but the plan is to restore natural values and biological diversity. There will be shady green courtyards, forecourts and green spaces between the street and the buildings. The small-scaleness of the city has set the tone for the project, with pitched roofs to create life and identity.

"We work with innovation and are inspired by contemporary trends and the context of the site. It is essential for us to work with long-term property developers who are genuinely interested in urban development, and care about quality and sustainability down to the very last detail," says Ola Jonsson.





On the outskirts of an industry and retail park, we are planning to build a block that is a modern interpretation of the city's historical wooden architecture. The vision is multi-generation housing with a preschool, retirement home and multi-family apartments in an integrated landscape design. We will also be laying shady courtyards and pleasant green spaces.



## Handelsmannen 1

**Municipality:** Norrtälje

**Contents:** Rental apartments, retirement home, preschool

**Construction start:** 2019

**Scheduled completion:** 2021-2022

**No. of residential units:** 350

**Architect:** C.F. Möller Architects



# A customer and tenant focus

Every residential unit sold or rented is a vote of trust that Genova is dedicated to managing. Genova and the customer maintain regular contact both before and after a contract is signed. By working systematically with this ‘customer journey,’ we are creating conditions for long-term and positive relationships.

## 4 cornerstones of our customer journey

### SECURITY

Whether buying a new home or moving into a rental apartment, this is a big step for a customer and involves major changes. For newly constructed residential units, these purchase or rental agreements are signed in most cases before the unit actually exists and it is crucial that the customer’s expectations are met. We maintain close dialogue with our customers from start until occupancy, and thereafter through personal management. For those who buy co-operative apartments, Genova has produced a security package that follows the buyer throughout the entire process.

### VISUALISATION

The marketing of Genova’s projects always maintains a high level of ambition in terms of creativity and the visualisation of new residential units. A showroom and a display apartment are produced for each project. These are a concrete way to demonstrate the product before a purchase or rental decision, and then serve as a regular meeting place for customers who have already made their decision. Throughout the course of the project, this is where regular reconciliation meetings with customers are held to keep them up to date with the project.

### COMMUNICATION

Genova has always been driven by a deep desire to understand how people want to live. We were very early to catch on to the long-standing trend that people are increasingly interested in aspects of quality in their homes, such as design, architecture, craftsmanship and sustainability. After access, a digital platform is available for the residents to enable, for example, fault reporting and other contact between the customers and with Genova. The digital platform is continuously updated.

### AFTER MARKET AND MANAGEMENT

All customers have a contact person at Genova and customer service is a priority for the entire company. The property manager at Genova and their team are responsible for ensuring that we systematically and actively maintain contact with our customers – the people who buy or rent our residential units. To further strengthen our customer orientation and involve the entire organisation in these efforts, Genova has two highly experienced people who are responsible for quality and who follow projects from start to finish, together with sub-contractors and customers.







# Sustainable development

Sustainability is the compass for Genova's operations and we accept our responsibilities as a property owner and urban developer with a long-term perspective. For us, the concept of sustainability means to develop and work responsibly on the basis of environmental, social and financial aspects. Key components are wood as our building material of choice, environmental certification of properties, green financing and social initiatives. We are working to further strengthen Genova's sustainability performance, both strategically and operatively.





**In addition to being renewable and recyclable, wood has several other benefits as a building material.**

Genova participates actively in the development of using wood from Swedish forests for construction, based on our belief that wood is the best material for creating sustainable residential units. Not only is wood the only building material that is renewable, it also binds CO<sub>2</sub> and accounts for considerably lower CO<sub>2</sub> emissions over its life cycle than any other building material. But forests are growing much faster than we are building. In Sweden's well-managed and fast-growing forests, it doesn't take long to regenerate the wood that is needed to build a block of apartments. Building residential units in wood therefore makes it possible for us to offer attractive residential units while also reducing our carbon footprint.



# Sustainability is a key issue

Sustainability is a key issue for Genova and we work pro-actively to fulfil our responsibilities as a property owner and urban developer. We are committed to ensuring that the development of our properties also contributes to a more sustainable world, and regularly evaluate how we can reduce our carbon footprint.

Genova's sustainability strategy is based on our vision, mission and the company's values. A strategic approach makes it possible to manage sustainability-related business risks effectively, while also taking advantage of the opportunities that are created. Genova's brand shall symbolise long-term security for our customers, tenants, employees and other stakeholders. We see a direct link between good architecture, sustainability and profitability.

There are several ways to improve the sustainability performance of our properties. The starting point is to lower greenhouse gas emissions by reducing

the amount of energy used in our new production. But we also contribute to sustainable development in other ways. These include the objective that all of our new properties will be environmentally certified. In addition, we are working pro-actively to reduce waste generation. We mainly purchase renewable electricity, we are evaluating the installation of photovoltaic systems on roofs and so forth, in order to fulfil our responsibilities as a property owner and become an even more attractive landlord. These initiatives will lead to long-term and sustainable profitability.

## 3 dimensions

### Environmental sustainability

- With wood as our building material of choice, we are reducing our carbon footprint and thereby greenhouse gas emissions, compared with using concrete. Energy-efficient engineered wood products enable more efficient and environmentally friendly building processes.
- Newly constructed residential units are always built with the aim of obtaining at least SGBC Silver level certification or the Nordic Swan Ecolabel, and compliance with the BREEAM International New Construction standard for non-residential properties.
- Monitor energy consumption in the investment property portfolio and regularly evaluate opportunities to reduce energy consumption.
- Offer green rental agreements that include action plans with measures that can help to improve the environment.

### Economic sustainability

- Growth with strong and stable profitability since the company was founded in 2006. Long-term sustainable growth and high returns are creating value for Genova's stakeholders and enabling continued investment.
- Strive to increase the proportion of financing with green loans.
- Work pro-actively with responsible business relationships at all levels of the company's operations.
- Develop and build for various forms of tenure.
- Develop and build for own long-term management.

### Social sustainability

- As a property company with a long-term management perspective, we are able to influence and contribute social value creation in our zoning plan processes, together with municipalities, tenants and other stakeholders.
- Through work in early stages of the community planning process, we are helping to develop districts and the spaces between buildings into socially sustainable environments, also through measures to increase security.
- Apply the Swedish Property Industry's Code of Conduct for Suppliers, based on the Ten Principles of the UN Global Compact.
- Support Maskrosbarn (Dandelion Kids), an organisation that helps children and young people whose parents are ill or suffer from addiction.

# With a long-term approach as our compass

Our contribution to a more sustainable society is based on our long-term approach. Being a property owner with an eternal ownership perspective enables and motivates us to work with, and to influence, many dimensions of sustainability – including energy consumption, choice of materials, waste management, transportation and occupational health and safety – for our customers, employees and suppliers.

## The Sustainable Development Goals

Genova has identified five of the 17 SDGs that the company can contribute to achieving.

### Environmental:



Life on land

### Economic:



Decent work and economic growth



Responsible consumption and production

### Social:



Good health and well-being



Sustainable cities and communities

Our long-term goal is climate-neutral construction. The use of energy and materials combined account for the property industry's greatest environmental impact. By building with wood, we can reduce our carbon footprint and thereby our greenhouse gas emissions. When building new or developing existing properties, such as adapting premises for new tenants, we apply a sustainable approach. Ripping out material that is in good condition is a real waste of resources. It is important, therefore, to focus on flexibility and high-quality timeless materials from the start. However, Genova's new construction plays a critical role in our sustainability performance. Together with our partners, we try to build as much as possible in wood. Being a proactive and knowledgeable partner when it comes to sustainability creates clear business opportunities.

## Responsible business relationships

Genova purchases both services and materials at all levels of its operations. Genova's employee manual sets out the rules and guidelines for how we should act professionally and ethically in our contact with suppliers and contractors. In 2019, a whistleblowing function was introduced to further increase the ability to detect and take action in the event of suspected breaches of

Genova's Code of Conduct. No breaches of the Code were reported during the year. Genova also applies the Swedish Property Industry's Code of Conduct for Suppliers. The Code is based on the Ten Principles of the UN Global Compact. A structure for conducting supplier audits is currently being designed. Genova otherwise applies the UN Global Compact's principles and the precautionary approach at all levels of its operations. Our efforts to develop procurement processes will continue, in order to reduce risk.

## The UN Sustainable Development Goals (SDGs)

National and international standards are an obvious point of departure for Genova's sustainability agenda. The SDGs are guiding our work onwards. For Genova, the SDGs serve as a framework for understanding how the company's sustainability performance contributes to the rest of the world's efforts to achieve sustainable development and human rights. Genova has identified five of the 17 SDGs that the company can contribute to achieving. We are working to integrate the goals in a sustainability strategy and make them a natural part of our decision-making processes. The aim is to create a platform from which we, together with our partners, can effectively promote sustainable development.





## Organisation and guidelines

Current legislation and environmental requirements, together with Genova's Code of Conduct and sustainability policy, form the basis of our sustainability efforts, and involve employees and tenants as well as suppliers and contractors. There are also guidelines to ensure that Genova's employees have the expertise and experience that is required to contribute to the development of Genova's sustainability efforts. The Sustainability Policy is established by the Board and is subject to an annual review, where analyses of current stakeholder dialogue are taken into account. Genova's CEO is strategically responsible for the Group's sustainability performance and development, while the business units are operationally responsible for ensuring

compliance with the environmental and sustainability strategies and that they are applied in management and when making decisions about our new construction. During the year, steps were taken to more clearly integrate Genova's sustainability efforts into the organisation.

## Innovation is driving development

We are working to develop strategic partnerships with suppliers and other stakeholders around sustainable development in order to effectively contribute to the achievement of the SDGs and to meet the ever-increasing demands and expectations of our customers. We are convinced that partnerships with other operators lead to new ideas. We are working to identify new and sus-

tainable solutions and thereby helping to accelerate the pace of development in our area. By collaborating with experts, suppliers and other stakeholders in other industries, we can also develop products and technical solutions based on ideas from other areas of business. All technical developments are tested in our existing environments and solutions that work well are implemented in the properties. During the year, we commenced new, and strengthened existing, partnerships to find more sustainable solutions in our projects.



Genova develops and works sustainably on the basis of environmental, economic and social aspects.



## Our three dimensions

1

### Environmental sustainability

All ecosystems must be protected and able to develop. Nature must be able to regenerate the resources that are used.



3



### Social sustainability

A fair and equal society where people lead a good life and enjoy good health, with no unjust differences.



2

### Economic sustainability

The environment must not be damaged in order to promote economic growth. Consumption and production must be sustainable and resources used efficiently.





## Environmental sustainability

### Building in wood

With a focus on sustainability, wood is Genova's building material of choice, which enables us to reduce our carbon footprint and thereby our greenhouse gas emissions. Wood is a renewable and resource-efficient material that stores and delays CO<sub>2</sub> emissions, while wood-framed buildings offer a more comfortable indoor climate and reduce overall noise. Building with wood is also faster, reduces noise at the building site and requires less construction traffic. As well as environmental benefits, building with wood also has business benefits. In line with a greater emphasis on rental units, the focus may shift towards a higher degree of module production, with a continued high level of ambition in terms of architecture and design. Wood is a material that is well suited to prefabrication,

and can also be adapted and varied in terms of façades and design so that every building can have its own expression.

### Environmental certification of properties

Genova's long-term goal is that all newly constructed properties in our portfolio will be environmentally certified in order to meet customer requirements, reduce our greenhouse gas emissions, minimise risk, increase value and obtain more favourable loan terms. The certifications are a useful tool for creating long-term management and clear goals for improving the environmental performance of the properties. Genova's newly constructed residential units shall always be built with aim of obtaining at least SGBC Silver level certification or the Nordic Swan Ecolabel. For

commercial properties, we have chosen to comply with the BREEAM International New Construction standard.

In 2019, we commenced work on the Handelsmannen project in Norrtälje by building rental apartments and community service properties. The project is being built in wood with plans to meet the Nordic Swan Ecolabel criteria, and financing includes green loans.

### Energy consumption

Genova monitors energy consumption in the investment property portfolio and regularly evaluates opportunities to reduce energy consumption. Other measures include installation of motion sensor lighting, laying green spaces and flower beds, developing recycling rooms, increasing the proportion of bicycle parking and more efficient stormwater



## 9 facts about wood-framed buildings

Wood is Genova's building material of choice. Rational and energy-efficient engineered wood products enable more efficient and environmentally friendly buildings compared with concrete.

1. A wood-framed building can reduce CO2 emissions by 50% compared with a concrete building.
2. Industrial processes for wood-framed buildings can halve the construction time.
3. Wood-framed buildings are quieter, and the sound of sawing and hammering is not as loud as in concrete buildings.
4. A large wood-framed building weighs about one-third of a concrete building.
5. Wood is a natural material and does not contain any additives or toxic substances.
6. We use wood from forests growing in northern Sweden.
7. Trees grow fast.
8. Wood is a natural material that is part of the natural ecosystem and completely renewable.
9. The material is sustainable. Wooden houses built hundreds of years ago are still standing today.

management. Action plans are created for every project to ensure that the sustainability aspect is observed in planning and implementation. Extensions or minor adaptations are also carried out in our existing investment property portfolio, while initiatives requiring more investment are carried out in our newly constructed properties.

### Water and waste management

Water is a key issue all over the world. In Sweden, the challenge is mainly linked to urbanisation where the load on existing systems is continuously increasing. Genova is working to reduce water consumption through various initiatives, including installation of low-flow water appliances, such as toilets, sinks and shower heads. Resource wastage when adapting premises is a challenge, and a

frequent topic of discussion both internally and in the industry. For future new construction, Genova intends to sign framework agreements for waste management whereby waste contractors will be required to provide statistics for all projects. That will enable us to set targets to reduce the amount of waste we generate. Our recycling has become more efficient, which means that a large proportion can now be used for energy recovery instead of going to landfill. Our goal is to recycle as much waste as possible. Waste collections are also organised together with the supplier to minimise vehicle transport. That is helping to reduce our CO2 emissions.

### Charging infrastructure

The use of hybrid and electric cars is growing and we consider the installa-

tion of charging stations an obvious feature in new construction. Electricity supply is often limited in existing, older properties, which we are trying to solve by introducing a smart charging infrastructure that distributes the load more evenly; a system that measures the power output in the charging points and distributes the available power between the points.

### Green rental agreements

We see a growing willingness and ambition among our tenants to work together with Genova to achieve a more sustainable society. We therefore offer green rental agreements, which means that the tenant, together with Genova, creates a specific action plan with measures that can help to improve the environment.





## Economic sustainability

### Sustainable economy

Genova's overall objective is to generate growth and high returns in a long-term and sustainable manner. Good profitability is a prerequisite for being able to invest with full force in sustainability, which in turn can contribute to the company's profitability. Being a financially stable business partner promotes relationships with customers, tenants, suppliers and creditors, while a strong financial position is crucial for attracting and retaining talented employees. Genova has grown with strong and stable profitability since the company was founded in 2006. In 2019, Genova's income from property management per ordinary share doubled, and long-term net asset value per ordinary share rose 47%.

### Green financing

Genova is aiming to increase the proportion of projects with green financing. Green financing refers to loans from banks and credit institutions that want their lending to be sustainable and make a difference for the environment. For Genova as a property company, the equivalent requirement is to invest and build in accordance with established environmental standards – at least LEED (Gold), BREEAM (Very good), SGBC (Silver) or the Nordic Swan Ecolabel.

Genova's focus on wood and sustainability is well suited to the funding model. In 2019, Genova signed a green financing agreement for the Handelsmannen project in Norrtälje which is being built in wood with plans to meet the Nordic Swan Ecolabel criteria.

Green financing is helping to lift our sustainability efforts to a new level; the connection between sustainability and profitability becomes even clearer when it is possible to influence our costs by running projects and management with a sustainability focus. With green financing, the project is sustainable before it even starts. It confirms that we are working with sustainability in a long-term and serious manner.

## Social sustainability

### Sustainable urban development

Sustainable, safe and attractive urban environments evolve where Genova develops and invests. Genova develops the sites where we operate from a holistic perspective, with the aim of creating both growth opportunities and urban values. The activities place taking between the buildings is just as important as the actual buildings. Here, we work closely with the relevant municipality and expertise. To ensure quality and value for everyone, we use various methods such as the Social Value Creation Assessment and Child Impact Assessments.

Genova develops districts and blocks by creating sustainable and attractive environments where people want to live and work, with good access to public transport. Our aim is that the function and architecture of our properties will contribute to mixed, smart and circular cities, and to social development in general. Another ambition is to always

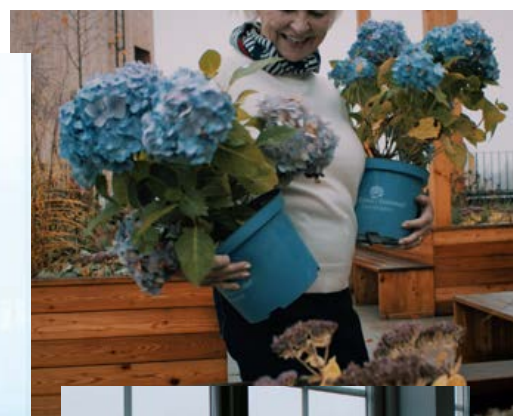
strive for a safe and secure society, which also contributes to attractive and accessible properties and environments. To further strengthen attractiveness and contribute to sustainable development, we are working to increase biodiversity. These initiatives include beehives on our roofs, flower beds and more access to green spaces.

### Sustainable architecture

A good city is long-lasting. We believe that buildings with high-quality architecture combined with flexibility, modern materials and innovative technical solutions both enrich the city and are more attractive to our customers. The design of an area shows whether it has been planned with a long-term perspective. The level of ambition for Genova's new construction and development of existing properties is high. We build with high architectural ambitions. We want our properties to make a positive contribution to the urban fabric, and the

buildings will create good conditions for our customers' varying needs. Good architecture with a long aesthetic life and a sustainable approach to production will lead to a more sustainable society, which is why architecture is such an important building block for us. We work according to the predicate that good architecture is a balance between form, function, finance and sustainability.

Genova works to follow up its customer service, ensures quality management and understands how we can continue to develop our sustainability performance. These efforts include in-house workshops and measuring customer satisfaction using a Satisfied Customer Index (CSI). Our CSI (Customer Satisfaction Index) score is measured every second year. The most recent measurement was carried out in spring 2018 and generated a very positive image of Genova's work. We outperformed sector indexes in all sub-segments of the survey.





# Genova's employees

Genova works to create a sustainable company culture where employees are recognised as critical assets for the company's success. A good workplace environment, personal skills development and a formal right to fair and equal treatment are some of Genova's basic principles.

## 5 cornerstones of our company culture

### RESPONSIBLE EMPLOYER

At Genova, employees are recognised as the company's most valuable asset and most important ambassadors. Genova works pro-actively to build and strengthen the brand, and strives to be an attractive and responsible employer. Genova offers favourable terms of employment and opportunities for more rewarding and stimulating work where innovation is promoted and high quality is vital. The company also works pro-actively to create a secure and sustainable workplace for its employees.

### SKILLS DEVELOPMENT

Genova promotes the personal growth of its employees and encourages them to present their own suggestions for development opportunities that will benefit both individuals and the company. Discussions are held during performance reviews, which largely deal with the employee's work situation and the goals in place for the next review. A tool to improve the implementation and follow-up the discussion has been introduced. A salary review is held once annually with all employees, where salary setting and adjustment principles are presented and explained.

### EQUALITY AND DIVERSITY

Genova's operations are characterised by the view that everyone has – and will be assured of – equal rights regardless of sex, ethnicity, religious affiliation, faith or sexual orientation. This is reflected in our day-to-day operations and recruitments. We want everyone to feel safe and secure in our environment. We work actively to prevent all forms of harassment. When recruiting, Genova strives to achieve a gender balance and workplace diversity. The ability for our employees to achieve a work-life balance is also important.

### OCCUPATIONAL HEALTH AND SAFETY (OHS) POLICY

Genova's overall objective is to create a good workplace environment for all employees. Risks of physical and mental illness must be reduced. One aim is that everyone, regardless of their position, should be offered opportunities to both influence and grow, and for teamwork and social contacts. All employees are responsible for health and safety in their day-to-day activities. It is vital that employees not only follow instructions and regulations, but are also observant and report any potential risks or threats in their workplace.

### EMPLOYEE WELLNESS

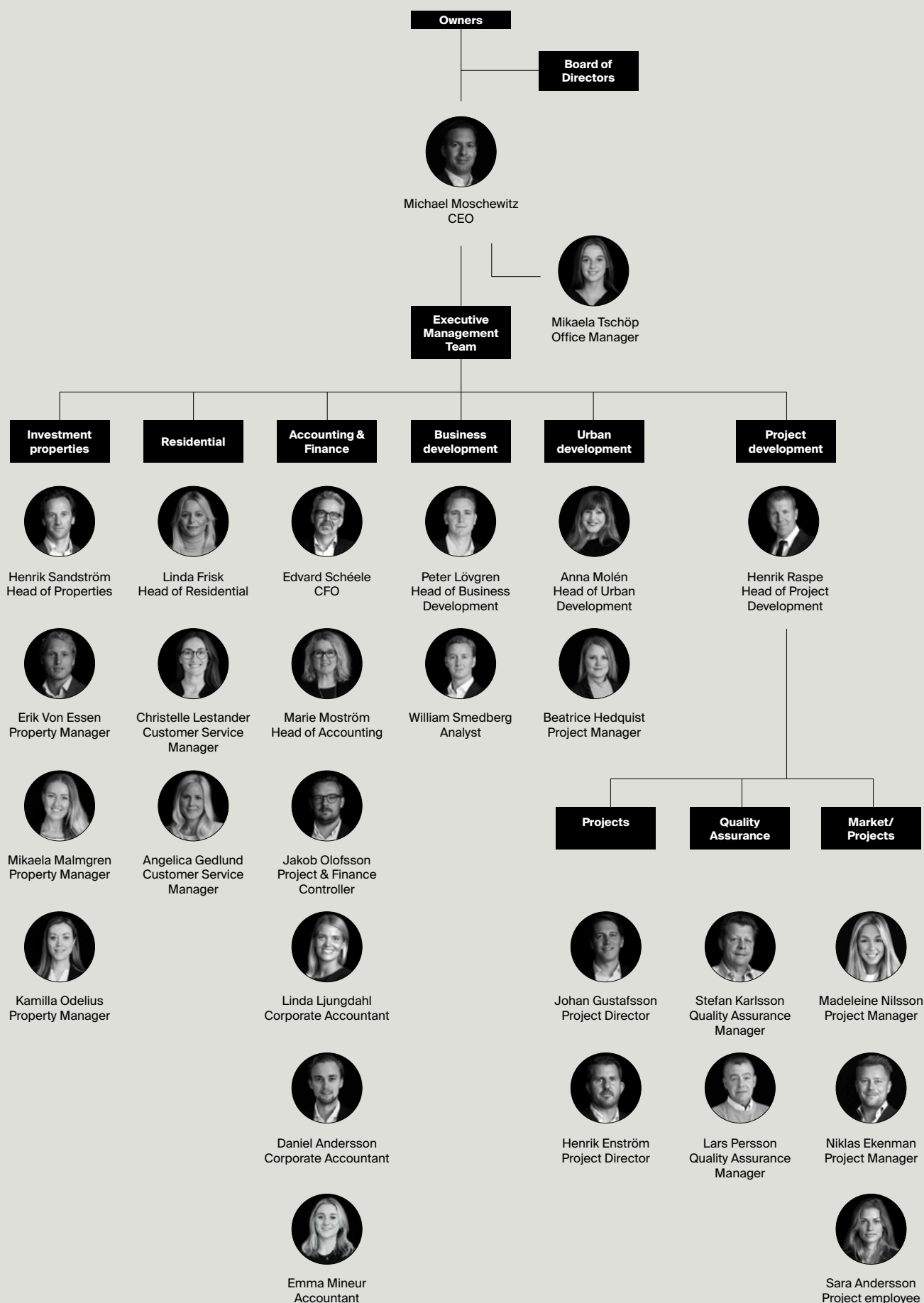
The company's joint aim is to reduce illness and absenteeism. The vision is that the company will encourage its employees to develop and feel healthy, strong and important, both professionally and privately. Genova works pro-actively to promote employee health and well-being, and offers all employees a physical fitness and wellness subsidy and joint physical fitness sessions. Physical fitness sessions are held once every week and the company provides lunch for all participants afterwards.

#### Responsible business

Pro-active efforts to create a culture where ethical business practises and anti-corruption are high on the agenda, and to help create sustainable urban environments.

#### Responsible employer

An attractive and responsible employer.





# Financing







# Financial stability enables flexibility

Strong earnings are a prerequisite for Genova's ability to follow its chosen strategy and achieve its objectives. Financial stability is important not only in the company's dialogue with the capital market, but also in relationships with its customers, tenants, suppliers and employees. Genova is financially stable and well-equipped for the future.

## Financing

Owning and developing properties is a capital-intensive pursuit and interest expense is Genova's largest cost item. Maintaining access to cost-efficient financing is therefore important. Financing is raised through either equity capital or by external borrowing. The distribution between these two methods is determined by balancing required rate of return against financial stability. In 2019, Genova continued to diversify its borrowings and issued corporate bonds with a total nominal amount of SEK 525m, which was planned to be used for the repurchase of existing 2017/2021 series bonds and in the operations. We also conducted a directed issue to diversify our investor base and to strengthen Genova's finan-

cial preparedness for investments in, and acquisitions of, properties.

## Refinancing of the debt portfolio

At the end of 2018, an extensive refinancing process began and in April and May 2019, Genova entered into new financing arrangements with Swedbank and Nordea for a total amount of approximately SEK 1,300m with five-year maturities. The aim was to secure long-term financing at advantageous terms. To create conditions for good financing opportunities, Genova has formed relationships with several counterparties, four big banks, but we are also active in the capital market through preference shares and bonds. Access to long-term and stable financing is paramount for a long-term and sustainable

business operation. Long-lasting and trusting relationships with creditors are therefore important for Genova. The company's creditors mainly comprise the largest Nordic banks, supplemented by borrowing in the Swedish capital market. Bank loans are secured by mortgaging our properties.

## Equity and net asset value

As of 31 December 2019, consolidated equity amounted to SEK 1,773.2m and the equity/assets ratio was 35%. Long-term net asset value was 1,975.3, up 65%. Long-term net asset value attributable to ordinary shareholders amounted to SEK 1,457.0m corresponding to SEK 23.71 per ordinary share.

### Credit-worthiness

Genova shall strive, over the long term, to be a Group with an Investment Grade credit rating (or the equivalent) in order to attract creditors, and to achieve the lowest possible borrowing cost.

### Diversification

Genova shall have a diversified loan portfolio and avoid dependence on both a single source of finance and a single counterparty. Furthermore, the maturities of various sources of finance and individual credit facilities should be spread over time.

### Strength

The Group's financial key metrics should be strong with a maximum loan-to-value ratio of 65%. The strength of the property portfolio is enhanced by the quality of our cash flow, and the composition of our debt and interest rate portfolio.

### Transparency

Genova shall encourage long-term relationships with banks and other creditors/investors, and aim to be transparent in order to increase the relevant parties' understanding of the Group's operations and thereby its credit exposure.

### Flexibility

Genova shall have flexible financing in order to support the company's development in relation to acquisitions, divestments and project development. Genova shall track and monitor developments in financial markets in order to act fast, and to match the needs of the business operations at the right time.

## Interest-bearing liabilities

As of 31 December 2019, the Group's interest-bearing liabilities attributable to investment properties and project properties were approximately SEK 2,776.9m, representing a loan-to-value ratio of about 60% adjusted for cash and cash equivalents. As of 31 December 2019, the average interest rate was approximately 2.2% (3.0 including the bond loan) and the equity/assets ratio was 35%.

As of 31 December 2019, the Group's total interest-bearing liabilities of SEK 2,119.5m to credit institutions were attributable to acquisition financing, refinancing of the Group's existing property portfolio and project financing. The Group's credit facilities contain customary loan guarantees and covenants, including the requirement that Genova and its subsidiaries meet certain financial key metrics, such as the loan-to-value ratio and interest coverage ratio.

In April, Genova entered into a new financing arrangement with Swedbank for a total amount of SEK 1,160m, including a revolving credit facility of SEK 160m. The arrangement has a five-year term. The financing will be used for Genova's existing investment properties. In May, Genova also entered into a new five-year financing arrangement with Nordea for a total of SEK 122m. This financing will also be used for Genova's existing investment properties. As of 31 December 2019, the average maturity was 3.6 years.

In November, SBAB granted total green financing of SEK 640m for the Handelsmannen 1 project in Norrtälje, where Genova has commenced the construction of a block featuring a retirement home, a preschool and approximately 275 rental apartments.

After the end of the period, Genova's revolving credit facility was increased by SEK 100m. After the period, the total undrawn portion of the revolving credit facility amounted to SEK 260m.

## Interest-rate derivatives

Genova strives for variable interest rates in all of its debt financing. Fixed-interest rate risk is hedged via derivatives, and an interest-rate cap is used to limit interest rate fluctuations. Since 2018, a four-year interest-rate cap agreement has limited the interest rate to 2% for a total amount of SEK 300m of the loan portfolio. In the second quarter of 2019, the interest-rate cap was adjusted and at the end of the period, the interest rate was limited to 2% for a total amount of SEK 600m with maturities until 2022 and 2023. At the end of the period, the Group had no other outstanding derivatives or interest-rate swaps, and all loans carried variable interest rates with three-month STIBOR as the reference base.

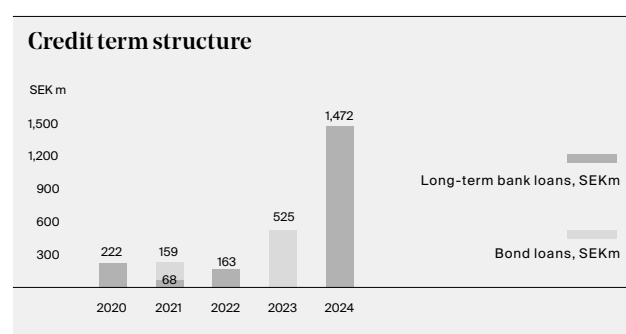
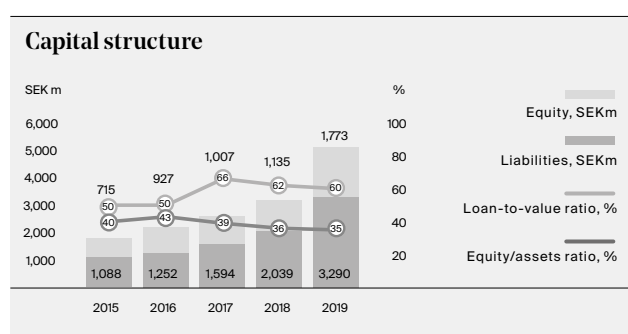
## Financing policy

The target for the Group's equity/assets ratio is a minimum of 35%. However,

Genova can allow the equity/assets ratio to be less than 35% with consideration for the medium-term outlook and the company's current risk profile in general. The overall objective of Genova's financing activities is to minimise interest-rate and credit risk. Genova's finance department is responsible for the company's financing activities on behalf of the CEO and the Board. The finance department determines frameworks for securing the Group's long and short-term capital procurement and the risks allowed.

Genova proceeds from the ambition that all properties or projects are run as separate companies, and that these are financed or secured individually by the respective company. This ambition also means that no loans shall be issued, and no collateral provided, between and for the individual companies. This minimises the risk that any problems in a specific company will have a negative impact on other companies in the Group. Genova's objective is that several different banks will be used to finance the Group's debt.

The goal is to achieve an even spread across the maturity spectrum, with an average fixed-rate period of at least two years. Loan maturities in a single year must not exceed 20% of total financing needs. An exception is made for financing adapted to the term of a specific project.





# Risk and risk management

Through its operations, Genova is exposed to various risks that could have a material effect on the company's future performance, earnings and financial position. Management analyses and updates the operational risks identified on a regular basis in order to manage these risks in a structured manner. This will minimise the risk of a negative impact on the Group and its operations. The risks that Genova is exposed to can be divided into market, operational and financial risk.

## Market risk

### Macroeconomic factors

#### Description

The property industry is highly sensitive to macroeconomic factors such as the overall economy, regional economic trends, employment rates, the production rate of new residential units and premises, changes in infrastructure, population growth, the population structure, inflation, interest rates and so forth.

#### Management

Genova follows these macroeconomic indicators closely and deems that the company, due to its business model and flexible and agile organisation, is well-equipped to adapt its operations to any changes in the market. With both cash flow-generating property management and residential construction, Genova can choose, in a weaker residential market, to defer residential projects or adapt planned residential projects to changing conditions by, for example, building properties with rental units for long-term ownership instead of producing co-operative apartments.

### Geographic risk

#### Description

The company is mainly active in Stockholm and the Uppsala Region and there is a risk that demand can decline in some of the company's geographic markets.

#### Management

Demand for premises and residential units has been high for some time in Genova's core markets of Stockholm and Uppsala, and Genova deems there are many factors to suggest that this rate of development will continue in the long term.

### Policy decisions

#### Description

Genova's operations could be affected by decisions made by state and local government. These decisions may be the result of external factors such as economic conditions, political composition and public opinion. The consequences of policy decisions could include the non-materialisation of planned projects, a need to modify time and cost-intensive zoning/project plans, and lead to lower contributions or higher costs.

#### Management

Genova continuously monitors developments in the areas in which the company operates by engaging in regular dialogue with policy-makers in the relevant municipalities, including public officials and politicians. Genova has diversified its project portfolio to reduce the company's dependence on single projects. The company has also identified and documented alternative plans for planned projects to enable adaptation to changed conditions.

**Dependence on laws, permits and decisions***Description*

Genova's operations are regulated and impacted by a wide range of laws and regulations, as well as various procedures and decisions related to these regulatory frameworks.

*Management*

Genova follows developments in relevant areas closely in order to adapt the company's operations to legal or regulatory changes at an early stage.

**The ability to sell properties and residential units***Description*

A minor part of Genova's operations comprises the development and sale of co-operative apartments and properties, which means that both the willingness and the ability to pay for these apartments and properties is significant for the company. The company is also responsible for the financial plans for development projects and guarantees rental income from unsold co-operative apartments for a certain period.

*Management*

The production of co-operative apartments accounts for a limited part of Genova's operations and production does not commence until most of the co-operative apartments in the first stage have been sold. Since Genova constructs new community service and commercial properties, rental agreements must be signed before production starts. Demand for the type of co-operative apartments offered by the Group is generally high, and Genova sees conditions for continued favourable sales of the co-operative apartments produced. In regard to project implementation, Genova has a well-established project process and an experienced organisation that drives development projects towards set targets and frameworks, which reduces the risk of deviation from project planning and creates the conditions for sales to proceed as planned.

## Operational risk

**Rental income***Description*

Genova's income could be adversely impacted by declining occupancy rates or rent levels. The company has some large tenants and there is a risk that these will not renew or extend their rental agreements when they expire, which could lead to lower rental income or higher vacancies in the long term. The company is dependent on tenants paying their agreed rent on time, which means there is a risk that tenants are unable to pay their rent or otherwise fulfil their obligations.

*Management*

Genova has a number of tenants in various sectors with a high degree of taxpayer-funded community services, who are deemed to have high creditworthiness, and for some major tenants, there are a wide range of rental agreements with varying rental terms. Tenants are analysed carefully in the letting process and monitored continuously. The conditions for new letting when a tenant leaves are considered generally favourable.

**Project risk***Description*

Some of Genova's operations comprise property development projects. The economic viability of property development projects is dependent on several factors, including the company's ability to recruit and retain essential expertise, to obtain the permits and regulatory approvals required, to procure construction contracts for project implementation on acceptable terms for the company, and other factors that could lead to delays or additional or unforeseen project costs. Genova's project development is also dependent on continuous supply and financing of new projects on acceptable terms, and that the projects adequately meet market demand.

*Management*

Genova has a well-established project process and an experienced organisation that drives development projects towards set targets and frameworks, and in collaboration with reputable partners, which reduces the risk of deviation from project planning. Genova minimises the risk of problems in a specific company having a negative impact on other companies in the Group via the principle that all properties or projects should be run in separate companies.



**Breach of contract by a contractor***Description*

In Genova's project development, there is a risk that engaged contractors are unable to comply with the agreed conditions regarding cost, time or quality. The risk is mainly related to financially unstable and unreliable contractor or sub-contractors. Genova may suffer due to inadequate documentation in the tendering procedure, unclear agreements or no agreements. The monitoring of ongoing projects could be defective. The consequences could be overdue or more expensive property projects, poorer quality deliveries than promised, legal procedures or a damaged brand.

*Management*

Genova works to reduce the risk of breach of contract by collaborating with only a few selected contractors and who are known by the company. Documented inspections of contractors are carried out, regular meetings are held throughout the course of projects, and budgets are monitored on a monthly basis. All properties and projects are run as separate companies to avoid any negative impact on the Group.

**Transaction risk***Description*

Property transactions are conducted within the framework of Genova's operations. All such transactions are associated with risk and uncertainty. Property acquisitions, for example, are associated with uncertainty in terms of tenant management, unforeseen costs for environmental remediation, refurbishment and technical problems, regulatory decisions and disputes related to the acquisition or condition of the property, which could also lead to delays or additional or unforeseen project costs. Moreover, one prerequisite for the company's acquisitions is the availability of suitable investment objects at reasonable prices.

*Management*

Genova has a well-established acquisition process and an experienced organisation drives efforts to identify and implement acquisitions that can meet set targets and frameworks. The sharp growth of recent years shows that Genova has the ability to identify and implement acquisitions at prices considered reasonable, even in a competitive market.

**Technical and environmental risk***Description*

Property management and property development projects, as well as property investments, are associated with technical risks such as design defects, other hidden faults or defects, damage and pollution. The occurrence of such technical problems could delay planned property development projects, or increase costs for upgrading and managing Genova's properties.

*Management*

Genova has well-established acquisition and project processes, which include assessments of any technical and environmental risks. Genova is working to increasingly integrate a sustainability perspective into both property management and residential construction, and to increase the level of experience and knowledge in this area within the organisation.

**Dependence on key individuals and other employees***Description*

Genova works to ensure the proper functioning of corporate governance, internal control and management of various parts of the operations through relevant procedures and guidance documents, appropriate administrative systems, skills development and access to reliable measurement and risk models. Genova and its operations are dependent on a number of key individuals who, in addition to the CEO Michael Moschewitz, are members of the company's Executive Management Team.

*Management*

Over the past three years, Genova has continuously strengthened its organisation with new and relevant expertise to ensure a proper functioning business operation, to reduce its dependence on key individuals and to manage a growing company.

# Financial risk

## Interest-rate risk

### Description

In addition to equity, Genova's operations are largely financed by loans from credit institutions, and interest expense is one of the company's largest cost items. The company is exposed to interest-rate risk, since interest rate fluctuations affect the company's interest expense.

### Management

Interest expense is a significant cost item for Genova and interest-rate risk is assessed continuously in all acquisition and project estimates. An interest-rate cap agreement has been signed for an amount of SEK 600m.

## Funding risk

### Description

Funding risk refers to the risk that financing cannot be obtained, or only obtained at unfavourable terms for the company. Genova's operations, especially property acquisitions, are largely financed by loans from external creditors, and interest expense is the company's largest cost item. Some of Genova's operations comprise property development projects, which may be delayed or impacted by unforeseen or additional costs.

### Management

Genova follows an established financing policy, and the overall objective of financing activities is to minimise interest-rate and credit risk. The risk of problems in a specific company having a negative impact on other companies in the Group is minimised by the principle that all properties or projects should be run in separate companies. With a stable financial position and diversified capital base, Genova deems that the company's ability to obtain financing on favourable terms will continue.

## Loan covenants

### Description

The Group's credit facilities contain customary loan guarantees and covenants, including the requirement that Genova and its subsidiaries meet certain financial key metrics, such as the loan-to-value ratio and interest coverage ratio. The financial key metrics in such agreements are adversely impacted, at least in the short term, when the company acquires properties through loans from external creditors. Should the company be unable to meet one or more of these loan covenants, this could result in the loans being terminated for immediate repayment or the realisation of collateral by the relevant credit institution.

### Management

Genova follows an established financing policy and financial targets to ensure that all loan covenants are met at every stage.

## Value changes in the company's properties

### Description

Genova's investment properties are measured at fair value on the balance sheet and the value changes are recognised in profit or loss. Property-specific deteriorations, such as lower rent levels and higher vacancy rates, and market-specific deteriorations, such as higher rate of return requirements, may cause the company to write down the fair value of its properties.

### Management

The vast majority of Genova's properties are located in markets deemed by the company to have stable demand for premises and residential units. The tenants are active in various sectors with a high degree of taxpayer-funded community services and deemed to have high creditworthiness, and for some major tenants, there are a wide range of rental agreements with varying rental terms. The market value of Genova's investment properties market is determined quarterly and external, independent property valuers also perform a review semi-annually.



# Shares and ownership structure

Genova Property Group has two classes of shares – ordinary shares that are unlisted, and preference shares that have been listed on Nasdaq First North Premier Growth Market since 15 December 2015.

At year-end, Genova had 1,543 preference shareholders. The closing price for the preference share on 30 December 2019 was SEK 132.00.

Each preference share entitles the owner to an annual dividend of SEK 10.50, which is paid out quarterly. The next payment date for the quarterly dividend on preference shares is 20 May 2020.

As of 31 December 2019, the total number of shares in Genova was 65,443,932, of which 61,443,932 were ordinary shares and 4,000,000 preference shares. Each ordinary share carries one vote, and each preference share carries one-tenth of a vote at the Annual General Meeting (AGM). At the AGM, every person with voting rights may vote for the total number of shares they own and represent, with no restriction on voting rights.

Each preference share entitles the owner to an annual dividend of SEK 10.50 which is paid out quarterly, whereby SEK 2.62 is paid out during the first and third quarters of the calendar year, and SEK 2.63 during the second and fourth quarters. The preference shares do not otherwise carry entitlement to a dividend.

## Directed issues

In June, supported by the AGM's authorisation of the Board at the AGM on 20 May 2019, Genova conducted a direct issue of 1,000,000 preference shares at a subscription price of SEK 124 per share. The new share issue had a diluting effect of approximately 33.3% of the number of preference shares and approximately

0.2% of the number of votes in the company, based on the total number of shares in Genova after the issue. The share capital increased by SEK 10,000 – from SEK 530,000 to SEK 540,000.

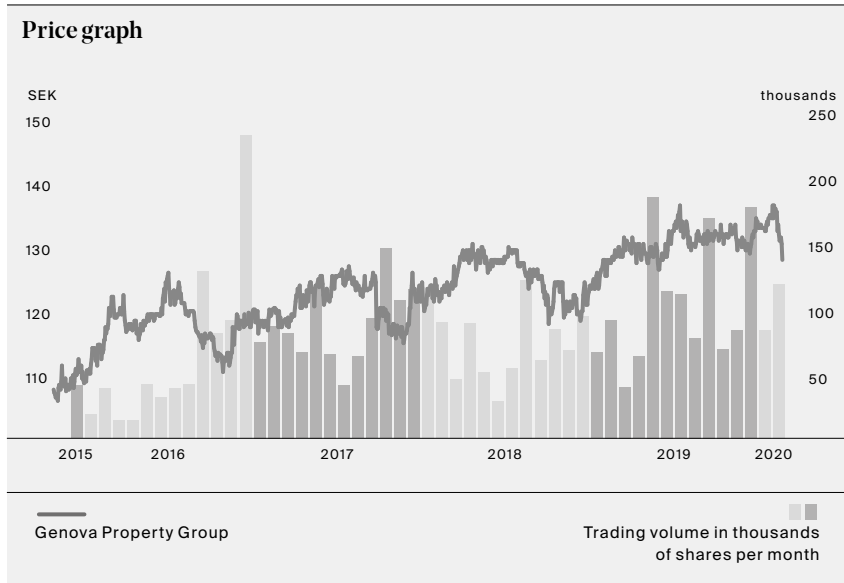
An Extraordinary General Meeting (EGM) in September resolved to conduct a new issue of ordinary shares in order to carry out a restructure of the minority holding in some of the company's subsidiaries with the aim of streamlining the Group structure. As part of the restructure, the EGM resolved to carry out a directed issue of 11,443,932 ordinary shares at a subscription price of SEK 18.20 per share. The new share issue had a diluting effect of 18.6% of the number of ordinary shares and 18.5% of the number of votes in the

company based on the total number of shares in Genova after the new share issue. The share capital increased by SEK 114,439,32 – from SEK 540,000 to SEK 654,439,32.

## Dividend policy

According to the dividend policy for 2019, Genova's long-term target is that the dividend on ordinary shares shall amount to 20-50% of income after tax, adjusted for unrealised changes in value and after dividends to the preference shareholders. For 2019, the Board proposes that a dividend of SEK 10.50 per preference share be paid out quarterly, and no dividend on ordinary shares.

A new dividend policy applies as of 2020, see page 17.



## Shareholders

31 December 2019

Name	No. of ordinary shares	No. of preference shares	Holding (%)	Votes (%)
Micael Bile (via company)	40,000,000	140,000	61.33	64.70
Andreas Eneskjöld (via company)	17,142,857	39,729	26.26	27.73
Michael Moschewitz (via company)	4,301,075	22,298	6.61	6.96
Avanza Pension	-	495,013	0.76	0.08
JRS Asset Management AB	-	311,170	0.48	0.05
RBC Investor Services Bank SA	-	297,509	0.45	0.05
Catella Fondförvaltning	-	210,000	0.32	0.03
Nordnet Pensionsförsäkring AB	-	169,903	0.26	0.03
Danica Pension	-	100,380	0.15	0.02
Peter Lindell	-	100,000	0.15	0.02
PEG Capital Partners	-	84,106	0.13	0.01
AB Stena Metall Finans	-	80,000	0.12	0.01
Jessica Rahi	-	70,000	0.11	0.01
Total other shareholders	-	1,879,892	2.87	0.30
<b>Total</b>	<b>61,443,932</b>	<b>4,000,000</b>	<b>100.00</b>	<b>100.00</b>

## Share capital development as of 31 December 2018

Date	Event	Change in no. of ordinary shares	Change in no. of preference shares	Total no. of shares	Change in share capital	Total share capital	Quota value (SEK)
2011	New formation	50,000	-	50,000	50,000	50,000	1
2015	New share issue	450,000	-	500,000	450,000	500,000	1
2015	Stock split 100:1	49,500,000	-	50,000,000	-	500,000	0.01
2015	New share issue	-	1,750,000	51,750,000	17,500	517,500	0.01
2015	New share issue	-	50,000	51,800,000	500	518,000	0.01
2016	New share issue	-	1,200,000	53,000,000	12,000	530,000	0.01
2019	New share issue	-	1,000,000	54,000,000	10,000	540,000	0.01
2019	Directed issue	11,443,932	-	65,443,932	114,439.32	654,439.32	0.01

# Board of Directors



## Mikael Borg

### Board member since 2019.

Born 1976.

**Background:** Partner at Gernandt & Danielsson since 2009. Master of Laws and Master of Economics, Lund University. More than 15 years' experience of broad-based business law in a wide range of industries, including private and public sector M&As, and debt and equity capital markets.

**Other assignments:** Lawyer, partner and Board member of Gernandt & Danielsson Advokatbyrå AB and G&D Advokatbyrå AB

**Shareholding in the company, including related parties:** 0.

*Independent of the company, its senior executives and major shareholders.*



## Micael Bile

### Board member since 2011

Born 1962. Founder and Chairman of the Board of Genova Property Group.

**Background:** Founder of Skeppsholmen Fastighetsmäklari. Qualified real estate agent, Stockholm.

**Other assignments:** Board member of Tranviks Udde AB with subsidiary.

**Shareholding in the company, including related parties:** 40,000,000 ordinary shares (through wholly owned company Tranviks Udde AB) and 140,000 preference shares (of which 120,000 preference shares are owned through Svealp Invest AB) and 10,000 interest-rate bonds (through Svealp Invest AB).

*Independent of the company and its senior executives. Not independent of the company's major shareholders.*



## Jan Björk

### Board member since 2015

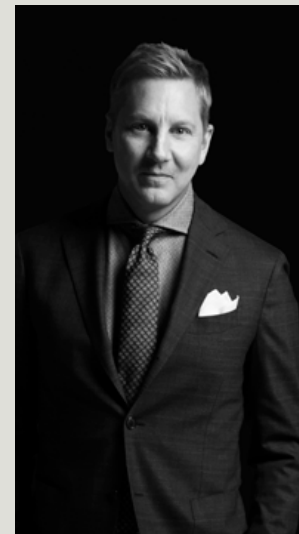
Born 1965.

**Background:** Master of Science, Royal Institute Of Technology, Stockholm. More than 20 years' experience in the property market. Former CEO of Trophi Fastighets AB, Head of Investment at Alecta Fastigheter and several senior positions at Aberdeen Asset Management.

**Other assignments:** Founder and partner of Redito. Board member of Trophi Fastighets AB (and assignments in subsidiaries), Chairman of the Board of Redito Holding AB (and assignments in subsidiaries), Board member of BREIM AB and Board member of Sinoma Fastighets AB.

**Shareholding in the company, including related parties:** 0.

*Independent of the company, its senior executives and major shareholders.*



## Andreas Eneskjöld

### Board member since 2014

Born 1973.

**Background:** Master of Science in Land Surveying, Royal Institute Of Technology, Stockholm. CEO of Genova Property Group from 2014-2017. Founder, majority owner and former CEO of Nordier Property Group AB. Founder of Holocen AB, Manacor Group AB and Manacor Capital AB. Partner in Newsec AB.

**Other assignments:** Board member of Manacor Capital AB and Manacor Group AB (and assignments in subsidiaries), Svartrosen Invest AB, Stadsnyckeln AB and Stadsnyckeln Slussvägen AB. Chairman of the Board of Nordier Property Group AB, Nordier Property Advisors AB, Nordier Leasing & Development AB and Arteme Art AB.

**Shareholding in the company, including related parties:** 17,142,857 ordinary shares and 39,729 preference shares (through wholly owned company Manacor Group AB).

*Independent of the company and its senior executives. Not independent of the company's major shareholders.*





## Erika Olsén

### Board member since 2017

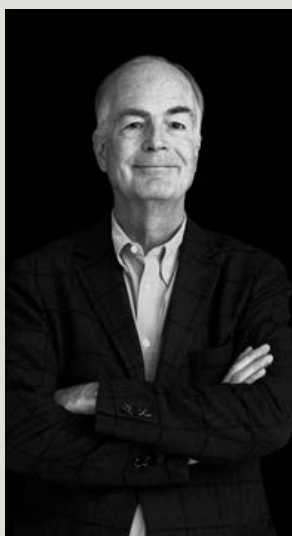
Born 1976.

**Background:** Master of Science in Land Surveying, Royal Institute Of Technology, Stockholm. Former Project Manager at Newsec AB, Associate Director at JLL Cross Border Capital Markets and Partner at Tenzing AB and CIO Castellum AB.

**Other assignments:** Business developer at Areim AB. Board member of AOE Storön AB and deputy Board member of Marigold AB.

**Shareholding in the company, including related parties:** 0.

*Independent of the company, its senior executives and major shareholders.*



## Knut Ramel

### Board member since 2015

Born 1954.

**Background:** Master of Economics, Stockholm School of Economics. Former Head of Nordic Region for UBS. 20 years' experience from Merrill Lynch & Co. Board member of Tigran Technologies AB (publ) 2010-2011.

**Other assignments:** CEO of K. Ramel Advice AB. Chairman of the Board of Förslöv 2 AB and Löberöds Slott AB. Board member of Advicehem AB, Fastighets AB Orkesterdiket, Fastighets AB Riggerhus, Fastighets AB Hammarskjöld, Fastighets AB Skepparhus, Fastighetsbolaget Majtälaren 5 AB, K. Ramle Advice AB, Senectus Flemmingsberg AB, Senectus Liljefors Torg AB, Senectus Tollare AB, Senectus Valla Gränd AB, Seniorkvarter Sollentuna AB, Tunk AB (and subsidiaries). Deputy Board member of Ebba Brahe Jewellery AB.

**Shareholding in the company, including related parties:** 22,500 preference shares (through Senectus Liljefors Torg AB).

*Independent of the company, its senior executives and major shareholders.*



## Maria Rankka

### Board member since 2019.

Born 1975.

**Background:** Bachelor's degree in Political Science, Uppsala University, Stanford Executive Program, Stanford Graduate School of Business. Former CEO of the Stockholm Chamber of Commerce, Timbro and Brunswick Group (BRNSWK Nordic AB).

**Other assignments:** EVP Business Development and Communications i Takura AB and CEO of Ankkar & Friends AB. Chairman of the Board of Ethos International. Board member of Ankkar & Friends AB, Cirkör Aktiebolag, Internationella Engelska Skolan i Sverige AB and Internationella Engelska Skolan i Sverige Holdings II ABAB. Member of IVA and the Global Village Foundation.

**Shareholding in the company, including related parties:** 0.

*Independent of the company, its senior executives and major shareholders.*

Information about shareholdings as of 29 February 2020

# Senior executives



## Michael Moschewitz

### CEO

Employed since 2014, CEO since October 2017.

Born 1980.

**Background:** Master of Economics and Finance plus legal studies, Stockholm University. Former partner in Catella Corporate Finance and Group Treasurer at Oscar Properties Holding AB (publ).

**Other assignments:** Assignments in several of Genova Property Group AB's (publ) subsidiaries. Board member of MayNoo AB.

**Shareholding in the company, including related parties:** 4,301,075 ordinary shares and 22,298 preference shares (through wholly owned company MayNoo AB).



## Edvard Schéele

### CFO

Employed since 2014.

Born 1970.

**Background:** Master of Economics, Uppsala University. Authorised Public Accountant at EY and most recently CFO at Ektornet AB.

**Other assignments:** Assignments in several of Genova Property Group AB's (publ) subsidiaries.

**Shareholding in the company, including related parties:** 2,500 preference shares.



## Henrik Sandström

### Head of Properties

Employed since 2017.

Born 1976.

**Background:** Master of Science in Land Surveying, Royal Institute Of Technology, Stockholm. Capital Markets CBRE Sweden and most recently Head of Properties at Fabege for the investment property portfolio in Solna Business Park.

**Other assignments:** None.

**Shareholding in the company, including related parties:** 0.



## Linda Frisk

### Head of Residential

Employed since 2017.

Born 1975.

**Background:** Economic and legal studies. Responsible for new production and Head of Administration at Svensk Fastighetsförmedling and most recently Head of Sales for new production at Fastighetsbyrån Stockholm.

**Other assignments:** Board assignments for co-operative housing associations.

**Shareholding in the company, including related parties:** 0.



## Henrik Raspe

### Head of Project Development

Employed since 2016.

Born 1973.

**Background:** Creative Director at Svenska Dagbladet. Founder of A Perfect Guide magazine.

**Other assignments:** Board member of Henrik Raspe Design AB. Deputy Board member of Pret-eritum AB. Head of Stockholms Rubrik Fabrik.

**Shareholding in the company, including related parties:** 17,000 preference shares.



## Anna Molén

### Head of Urban Development

Employed since 2018.

Born 1979.

**Background:** Master of Social Planning, Stockholm University. Planning architect MSA (member of Architects Sweden). Most recently urban development strategist at Tyréns AB.

**Other assignments:** None.

**Shareholding in the company, including related parties:** 0.



## Peter Lövgren

### Head of Business Development

Employed since 2018.

Born 1977.

**Background:** Master of Science in Land Surveying, Royal Institute Of Technology, Stockholm. Former employee of Hufvudstaden AB in various positions, most recently as Head of Transactions, analysis and valuation and prior to that Head of Management for various areas of management.

**Other assignments:** None.

**Shareholding in the company, including related parties:** 0.

Information about shareholdings as of 29 February 2020.

## AUDITORS

Ernst & Young Aktiebolag has been the company's auditor since 2011 with Henrik Nilsson as Auditor-in-Charge since 2018.



# Corporate Governance Report

## Introduction

At a Board meeting on 27 March 2020, the Board of Directors of Genova Property Group AB (publ) ('Genova') adopted this Corporate Governance Report. This Corporate Governance Report has been prepared in accordance with the Swedish Corporate Governance Code (the Code) and the Swedish Annual Accounts Act and presents Genova's corporate governance in 2019.

Corporate governance in Genova aims to ensure that rights and obligations are distributed among the company's bodies in accordance with applicable laws, regulations and procedures. Effective and transparent corporate governance enables the shareholders to assert their interests vis-a-vis company management, while creating a clear division of roles and responsibilities between management and the Board, as well as otherwise within the company. Such clear and transparent corporate governance results in efficient decision-making, enabling Genova to act fast when new business opportunities arise. The Corporate Governance Report provides an overview of Genova's corporate governance system and includes the Board's description of internal control and risk management in regard to financial reporting. Corporate governance in Genova is based on laws, the Articles of Association, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code as well as the rules and recommendations issued by relevant organisations.

## The Swedish Corporate Governance Code

Genova is a Swedish public limited company, and its preference shares have been listed on Nasdaq First North Premier Growth Market since 15 December 2015. Genova has also issued bonds which have been listed on Nasdaq Stockholm since April 2017.

The aim of the Code is to promote the role of self-regulation in the Swedish business sector. The Code is based on the 'comply or explain' approach, which means that a company that applies the Code is not obligated to comply with every provision of the Code at all times. The company is allowed the freedom to choose alternative solutions which they feel are better suited to their particular circumstances, as long as they openly report every deviation, describe the alternative solution they have chosen and explain their reasons for doing so. The Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se), where the Swedish corporate governance model is also described. In 2019, Genova complied with the Code's provisions except for the following deviations.

- The company did not have a Nomination Committee. The reason for this is the company's ownership structure with one principal owner who controls the company, which is why a Nomination Committee was not deemed necessary. The duties of the Nomination Committee, as described in the Code, were mainly fulfilled within the framework of Board work. In January 2020, a Nomination Committee was established comprising the three largest shareholders – Micael Bile, Andreas Eneskjöld and Michael Moschewitz.
- The company had not have a separate Audit Committee. The Board in its entirety served as Audit Committee, in accordance with a Board decision, and fulfilled the obligations of an Audit Committee as described in the Code. In January 2020, an Audit Committee was established comprising Mikael Borg, Maria Rankka and Jan Björk. The Audit Committee held one statutory meeting in February 2020.

- The company had no Remuneration Committee. Nor did the company adopt any remuneration guidelines for senior executives. The duties of a Remuneration Committee as described in the Code, and the handling of remuneration-related issues were mainly fulfilled within the framework of Board work. In January 2020, a Remuneration Committee was established comprising Mikael Borg, Erika Olsén and Andreas Eneskjöld. The Remuneration Committee held one statutory meeting in February 2020, and addressed remuneration of the CEO and CFO.

## Compliance with relevant rules

In 2019, Genova did not violate any applicable stock exchange rules or act contrary to good practice in the stock market, and was not reported to Nasdaq Stockholm's Disciplinary Committee or by the Swedish Securities Council.

## Shares and shareholders

Genova is a central securities depository (CSD)-registered company, which means that the company's register of shareholders is maintained by Euroclear Sweden AB.

As of 31 December 2019, Genovas's share capital amounted to SEK 654,432, comprising 61,443,932 ordinary shares and 4,000,000 preference shares, each with a quota value of SEK 0.01.

All of the ordinary shares are owned (through companies) by Micael Bile, Andreas Eneskjöld and Michael Moschewitz. Micael Bile, Andreas Eneskjöld and Michael Moschewitz also own a total of 202,027 preference shares.

According to the Articles of Association, the company's share capital should amount to a minimum of SEK 500,000 and a maximum of SEK 2,000,000, comprising no less than 50,000,000 and no more than 200,000,000 shares. Accord-

ing to the Articles of Association, the company may issue two classes of shares: ordinary shares and preference shares. Ordinary shares carry one vote per share and preference shares carry one-tenth of a vote per share. According to the Articles of Association, the quota value of preference shares (calculated in accordance with the Articles of Association) should not exceed 0.45. There is no restriction on the number of votes any one shareholder may cast at a General Meeting.

For more information about the company's shares and its shareholders, refer to pages 72-73.

## New share issues

In June, supported by the AGM's authorisation of the Board at the AGM on 20 May 2019, Genova conducted a direct issue of 1,000,000 preference shares at a subscription price of SEK 124 per share. The new share issue had a diluting effect of approximately 33.3% of the number of preference shares and approximately 0.2% of the number of votes in the company, based on the total number of shares in Genova after the issue. The share capital increased by SEK 10,000 – from SEK 530,000 to SEK 540,000. An Extraordinary General Meeting (EGM) on 2 September 2019 resolved to conduct a new issue of ordinary shares in order to carry out a restructure of the minority holding in some of the company's subsidiaries. The restructure entailed that the minority shares in Genova's subsidiaries that were owned, via companies, by Board member Andreas Eneskjöld and the CEO Michael Moschewitz, were acquired by Genova to streamline the Group structure. As part of the restructure, the EGM resolved to carry out a directed issue of 11,443,932 ordinary shares at a subscription price of SEK 18.20 per share, with subscription rights for Andreas Eneskjöld and Michael Moschewitz, via companies. The new share issue had a diluting effect of 18.6% of the number of ordinary shares and 18.5% of the number of votes in the company based on the total number of

shares in Genova after the new share issue. The share capital increased by SEK 114,439,32 – from SEK 540,000 to SEK 654,439,32.

## Corporate governance structure

Genova's management and control is distributed between the shareholders, the CEO and the Executive Management Team. The Swedish Companies Act, the Articles of Association and of Genova adopted internal instructions and rules govern the division of functions. Rules of procedure for the Board and instructions for the CEO are examples of internal rules and instructions, and these are described below. Genova's Articles of Association are available on the company's website: [www.genova.se](http://www.genova.se)

The shareholders exercise their influence at Genova's General Meetings by resolving on, for example, the composition of the Board and election of auditors.

The Board of Directors is ultimately responsible for Genova's organisation and the management of its business. The Board's duties are partly prepared by the company's Executive Management Team, otherwise by the Board itself.

The CEO of Genova is appointed by the Board. The CEO leads the Group's day-to-day operations in accordance with the Board's guidelines and instructions for the CEO.

## Annual General Meeting (AGM)

### General

Genova's highest decision-making body is the AGM. The AGM is held annually, within six months of the end of the financial year. The statements of comprehensive income and financial position are presented at the AGM and decisions are made, including appropriation of the company's profit, adoption of the statements of comprehensive income and financial position, the election and remuneration of Board members and auditors and any other matters arising at the AGM in accordance with the law or Genova's Articles of Association. In addition to these matters, the share-

holders may also place other matters before the AGM. However, shareholders who wish to have a specific matter addressed by the AGM must submit a written request to the Board in advance of the AGM, at the address communicated on the company's website ([www.genova.se](http://www.genova.se)).

### Notice of the AGM

According to the Articles of Association, Notice of an AGM is given by advertising in Post- och Inrikes Tidningar (the Swedish Official Gazette) and by publishing the Notice on the company's website.

Information that Notice has been issued is published in Svenska Dagbladet.

### Right to attend the AGM

At the AGM, a shareholder's power to influence the company is determined by the shareholding they own. In Genova, there is no restriction on the exercise of voting rights and shareholders may therefore vote for their full holding. Shareholders' rights may only be changed by the AGM in accordance with the law. Decisions at the AGM are normally passed by a simple majority and in elections, the person with the highest number of votes is considered elected. For some decisions, however, such as changes to the Articles of Association with deviations from the shareholders' preferential rights, a decision must be passed by a qualified majority.

Shareholders who wish to attend the AGM must be included in the register of shareholders maintained by Euroclear Sweden AB no later than five days prior to the Meeting, and notify the company by the date set out in the Notice. This date must not fall on a Saturday, Sunday, public holiday, Midsummer Eve, Christmas Eve or New Year's Eve, nor earlier than five business days prior to the Meeting.

In order to vote at the AGM, shareholders whose shares are nominee-registered with a bank or any other nominee, in addition to notifying the company, must request that their shares be temporarily registered in their own

name in the register of shareholders maintained by Euroclear Sweden. Shareholders should inform their nominees well in advance of the record date. Shareholders should also notify the company of any advisors in the manner set out above.

With regard to the company's ownership, the company does not consider simultaneous interpretation of the AGM necessary, nor translation of the presentations into other languages.

### **Shareholder initiatives**

Shareholders who wish to have a matter addressed by the AGM must submit a written request to the Board thereof. In order to have the matter addressed, the request must reach the Board by seven weeks prior to the AGM. Should the Board receive the request at a later date, the matter will be addressed when it can be included in the Notice of the AGM.

### **The Annual General Meeting on 20 May 2019**

Genova's AGM was held on 20 May 2019 in Stockholm, Sweden. The AGM resolved:

- to adopt the statement of comprehensive income and statement of financial position in accordance with the annual statements for the 2018 financial year.
- to grant the Board members and the CEO discharge from liability for the company's management during the preceding financial year.
- to adopt a dividend of SEK 1.00 per share on ordinary shares outstanding, corresponding to a total of SEK 50,000,000, comprising a payout of SEK 0.50 per ordinary share on two occasions. Dividend payment dates of Monday, 27 May 2019 and Wednesday, 25 September 2019 were adopted. In addition, the AGM adopted a dividend of SEK 10.50 per share on preference shares outstanding, corresponding to a total of SEK 31,500,000, comprising

payouts of SEK 2.62 in the first and third quarters of the calendar year, and SEK 2.63 in the second and fourth quarters of the calendar year, on the payment dates of 20 August 2019, 20 November 2019, 20 February 2020 and 20 May 2020.

- that Board fees for the period up to the next AGM shall amount to SEK 100,000 per Board member, except for one Board member who is also employed by the Group, who will receive remuneration of SEK 90,000 per month as well as a company car benefit, and for Andreas Eneskjöld, who will receive remuneration of SEK 90,000 per month and a company car benefit (as agreed in a separate contract). Auditor fees shall be paid in accordance with approved invoices.
- that the Board shall consist of five members with no deputies, and that the company shall have one auditor with no deputy.
- to re-elect Micael Bile, Jan Björk, Andreas Eneskjöld, Erika Olsén and Knut Ramel to the Board.
- to re-elect Micael Bile as Chairman of the Board.
- to re-elect the authorised auditing firm Ernst & Young Aktiebolag as the company's auditor until the end of the next AGM.
- to authorise the Board for the period until the next AGM, on one or more occasions, and with or without shareholder preemptive rights, to decide on a new share issue of no more than 20,000,000 ordinary shares. It must be possible to pay for the shares in the form of cash, in kind or through set-off. If the issue authorisation is fully exercised, the total number of ordinary shares in the company will increase from 50,000,000 to 70,000,000.
- to authorise the Board for the period until the next AGM, on one or more occasions, and with or without shareholder preemptive rights, to decide on a new share issue of no more than 1,000,000 preference shares. It must be possible to pay for the shares in the form of cash, in kind or through set-off. If the issue authorisation is fully exercised, the total number of preference shares in the company will increase from 3,000,000 to 4,000,000.

### **Extraordinary General Meeting on 2 September 2019**

Genova held an EGM on 2 September 2019 in Stockholm. The EGM resolved:

- that the Board should consist of seven members with no deputies for the period until the end of the next AGM.
- to elect Mikael Borg as new Chairman of the Board, and Maria Rankka as new Board member.
- that annual Board fees of SEK 150,000 be paid to Chairman of the Board Mikael Borg, and SEK 100,000 to Board member Maria Rankka. Otherwise, the Board fees adopted by the AGM apply.
- to implement a directed issue of 11,443,932 ordinary shares at a subscription price of SEK 18.20 per ordinary share. The issue proceeds amounted to just over SEK 208m. The new share issue had a diluting effect of about 18.6% of the number of ordinary shares and 18.5% of the number of votes in the company, based on the total number of shares in Genova after the new share issue. The directed issue was part of the Board's adopted restructuring of the minority holding in some of Genova's subsidiaries.



## Board of Directors

### Duties

The Board of Directors is responsible for supervising the management of the business on behalf of the shareholders, and for the organisation of the company. The Chairman of the Board leads the Board's work. The company's signatories, the Board's rules of procedure, instructions for the CEO and instructions for the financial reporting are determined at the statutory Board meeting. The company's financial situation and, if required, property transactions, value growth of the investment property portfolio and development stages of the company's projects are discussed at the company's Board meetings. The company's auditor attends and reports at Board meetings when required.

The Board shall hold one statutory meeting immediately after the AGM. In addition, a minimum of five Board meetings must be held every year. Board meetings must always be held in conjunction with the submission of financial statements, including quarterly statements. Each Board meeting addresses reports by the CEO and other management of:

- the operations during the preceding period, including the forecast for the current financial year, or a longer period

- deviations from the budget and forecast.
- financial statements.
- where applicable, quarterly statements.

In addition to the above, the Board shall address the following areas once per year:

- adoption of the year-end report.
- approval of the annual financial statements and the proposed appropriation of profits.
- review of audit report.
- report on major investments.
- evaluation of the CEO's performance (at a Board meeting not attended by the CEO).
- evaluation of the company's need for an internal audit function.

### Composition

At the 2019 AGM, Micael Bile (Chairman), Andreas Eneskjöld, Jan Björk, Knut Ramel and Erika Olsén were re-elected as Board members. At the EGM on 2 September 2019, Mikael Borg was elected Chairman of the Board and Maria Rankka Board member.

The 'Board of Directors' section on pages 74-75 presents each Board member's year of birth, main education and professional experience, their assignment in the company and any other significant assignments, their dependency relationship with the company, Executive Management Team and the company's major shareholders, the number of shares they hold personally or via a related legal person or entity, and other financial instruments in the company.

In 2019, 15 Board meetings were held. The attendance of the members is presented in the table below.

### Independence requirement

Under the Code, a majority of the elected Board members must be independent of the company and its management. At least two of these must also be independent of the company's major shareholders. The company's Board is considered to meet the independence requirement, since five of the seven elected members are independent of the company, the Executive Management Team and the company's major shareholders. Micael Bile and Andreas Eneskjöld are independent of the company and Executive Management Team, but not the company's major shareholders. Jan Björk, Erika Olsén, Knut Ramel, Mikael Borg and Maria Rankka are independent of the company, the Executive Management Team or the company's major shareholders.

### Rules of procedure

The Board determines rules of procedure for the Board's work every year. The rules of procedure describe the duties of the Board and the Chairman of the Board, and contains provisions for the division of responsibilities between the Board and the CEO. The rules of procedure also contains provisions for the number of Board meetings, agendas for Board meetings and other guidelines for decision-making, financial reporting and the company's audit.

## The Board's composition, remuneration and attendance at meetings

1 January-31 December 2019

Member	Elected	Remuneration (SEK)	Attendance at Board meetings
Micael Bile	2011	SEK 90,000/month <sup>3</sup>	15/15
Andreas Eneskjöld	2014	SEK 90,000/month <sup>3</sup>	15/15
Jan Björk	2015	100,000	15/15
Knut Ramel	2015	100,000	15/15
Erika Olsén	2017	100,000	15/15
Henrik Raspe <sup>1</sup>	2016	-	5/5
Mikael Borg <sup>2</sup>	2019	150,000	6/6
Maria Rankka <sup>2</sup>	2019	100,000	6/6

1) Declined re-election at the AGM.

2) Elected at the EGM on 2 September 2019.

3) Employment ceased on 31 December 2019.

### Board work in 2019

In 2019, the Board's work was mainly conducted within the framework of formal Board meetings. In addition, regular contact was maintained between the company's CEO, the Chairman of the Board and the Executive Management Team in order to ensure that the Board received adequate information and decision support for its duties, and that the Board's decisions were implemented.

In 2019, the Board discussed strategic issues related to development of the existing investment property portfolio and decisions regarding additional properties acquired during the year, as well as ongoing and planned residential development projects. In addition, the Board made financing decisions, including the issuance of bonds.

The Board conducts annual evaluations of its own performance with the aim of improving its working methods and efficiency.

### The Board's committees

In 2019, the Board deemed there was no need to establish committees to address matters within the Board. The duties of a Remuneration Committee as described in the Code, and the handling of remuneration-related issues were fulfilled within the framework of Board work. In January 2020, a Remuneration Committee was established comprising Mikael Borg, Erika Olsén and Andreas Eneskjöld. A first meeting was held in February and addressed remuneration of the CEO and CFO.

Under Chapter 8, Section 49a of the Swedish Companies Act, Genova is required to have an Audit Committee unless it decides that the Board shall fulfil the duties of the Audit Committee instead. In 2019, the duties of the Audit Committee were fulfilled within the framework of Board work. In January 2020, an Audit Committee was established comprising Mikael Borg, Maria Rankka and Jan Björk. The Audit Committee held one statutory meeting in February 2020. In January 2020, a Remuneration Committee was also established, see below.

### Audit

The auditor shall review Genova's annual financial statements and accounts, and the management of the Board and the CEO.

At the 2019 AGM, Genova's registered auditing firm (Ernst & Young) was re-elected. The Auditor-in-Charge is Henrik Nilsson, an authorised public accountant and member of FAR.

### Chief Executive Officer

Genova's CEO is responsible for the day to day operational management of the company, pursuant to the Swedish Companies Act and the instructions for the CEO and financial reporting as adopted by the Board. According to these instructions, the CEO is responsible for ensuring compliance with the Articles of Association, directives from the AGM, the Board's rules of procedure and other guidelines and instructions issued by the Board. The CEO is also responsible for ensuring compliance with the company's financing policy, information policy and insider trading policy, including logbook procedures. The CEO is also responsible for ensuring that the internal organisation and control are appropriate.

Michael Moschewitz was appointed Genova's CEO on 1 October 2017, and succeeded Andreas Eneskjöld. Further information about CEO Michael Moschewitz is presented on page 76 in the 'Senior executives' section. The information includes year of birth, main education and professional experience, assignment in the company and any other significant assignments, and the number of shares held personally or via a related legal person or entity, and other financial instruments in the company.

The Board evaluates the CEO's performance on an ongoing basis and discusses the CEO's evaluation at one Board meeting during the year.

### Executive Management Team

Genova's Executive Management Team consists of the following members:

Michael Moschewitz, CEO

Edvard Schéele, CFO

Linda Frisk, Head of Residential

Henrik Sandström, Head of Properties

Henrik Raspe, Head of Project Development

Peter Lövgren, Head of Business Development

Anna Molén, Head of Urban development

### Ownership and governance of sub-Groups

The Group mainly consists of the Parent Company, Genova Property Group AB (publ), and four sub-Groups under Genova's wholly owned subsidiaries Genova Fastigheter AB, Genova New construction AB, Genova Building Holding AB and Genova Hus Holding 1 AB, as well as a number of other companies directly under Genova. Genova holds a majority of the votes in all four sub-Groups.

### Remuneration of Board members, the CEO and senior executives

#### Remuneration of Board members

Fees and other remuneration of the Board members, including the Chairman, are determined by the AGM. The AGM on 20 May 2019 resolved that a fee of SEK 100,000 would be paid to each Board member, except for one Board member who is also employed by the Group, who will receive remuneration of SEK 90,000 per month and a company car benefit. The EGM on 2 September 2019 resolved that annual Board fees of SEK 150,000 would be paid to Chairman of the Board Mikael Borg, and SEK 100,000 to Board member Maria Rankka. Otherwise, the Board fees adopted by the AGM apply. As of 2020, no Board member has been employed by the Group.

### **Remuneration guidelines for the CEO and senior executives**

In 2019, no remuneration guidelines for the CEO and senior executives were determined. In January 2020, a Remuneration Committee was established comprising Mikael Borg, Erika Olsén and Andreas Eneskjöld. A first meeting was held in February and addressed remuneration guidelines for the CEO and CFO.

### **Risk and risk management**

Through its operations, Genova is exposed to various risks that could have a material effect on the company's future performance, earnings and financial position. Management analyses and updates the operational risks identified on a regular basis in order to manage these risks in a structured manner. This will minimise the risk of a negative impact on the Group and its operations. The risks that Genova is exposed to can be divided into market, operational and financial risk. The main types of financial risk that Genova considers the company exposed to are described below. Other risks, and Genova's management of these risks, are described in more detail on pages 68-71.

### **Financial risk**

#### **Interest-rate risk**

In addition to equity, Genova's operations are largely financed by loans from credit institutions, and interest expense is the largest of the company's large cost items. The company is exposed to interest-rate risk, since interest rate fluctuations affect the company's interest expense.

*Management* – Interest expense is a significant cost item for Genova and interest-rate risk is assessed continuously in all acquisition and project estimates.

#### **Funding risk**

Funding risk refers to the risk that financing cannot be obtained, or only obtained at unfavourable terms for the company. Genova's operations, especially property acquisitions, are largely financed by loans from external

creditors, and interest expense is the company's largest cost item. Some of Genova's operations comprise property development projects, which may be delayed or impacted by unforeseen or additional costs.

*Management* – Genova follows an established financing policy, and the overall objective of financing activities is to minimise interest-rate and credit risk. The risk of problems in a specific company having a negative impact on other companies in the Group is minimised by the principle that all properties or projects should be run in separate companies. With a stable financial position and diversified capital base, Genova deems that the company's ability to obtain financing on favourable terms will continue.

#### **Loan covenants**

The Group's credit facilities contain customary loan guarantees and covenants, including the requirement that Genova and its subsidiaries meet certain financial key metrics, such as the loan-to-value ratio and interest coverage ratio. The financial key metrics in such agreements are adversely impacted, at least in the short term, when the company acquires properties through loans from external creditors. Should the company be unable to meet one or more of these loan covenants, this could result in the loans being terminated for immediate repayment or the realisation of collateral by the relevant credit institution.

*Management* – Genova follows an established financing policy and financial targets to ensure that all loan covenants are met at every stage.

#### **Value changes in the company's properties**

Genova's investment properties are measured at fair value on the balance sheet and the value changes are recognised in profit or loss. Property-specific deteriorations, such as lower rent

levels and higher vacancy rates, and market-specific deteriorations, such as higher rate of return requirements, may cause the company to write down the fair value of its properties.

*Management* – The vast majority of Genova's properties are located in markets deemed by the company to have stable demand for premises and residential units. The tenants are active in various sectors with a high degree of taxpayer-funded community services and deemed to have high creditworthiness, and for some major tenants, there are a wide range of rental agreements with varying rental terms. The market value of Genova's investment properties market is determined quarterly and external, independent property valuers also perform a review semi-annually.

### **Description of internal control over financial reporting**

Under the Swedish Companies Act and the Code, the Board is responsible for the company's internal control systems. This description was prepared in accordance with section 7.4 of the Code, and refers to the company's financial reporting. The aim of Genova's appropriate internal control environment and satisfactory internal control over financial reporting is to ensure that the company's accounting and financial reporting to the market is accurate, fair and legally compliant.

Genova's internal control structure is based on the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework for evaluating a company's internal control over financial reporting. The framework contains Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring Activities.

#### **Control Environment**

Internal control is based on divisions of responsibilities and duties through the Board's rules of procedure, instructions for the committees, the CEO and financial reporting, the Code of Conduct and



policies. Compliance with these is monitored and evaluated continuously by a responsible person. The overall control environment also includes a Group-wide risk assessment to identify and assess risks. The Executive Management Team is responsible for ensuring that risks are managed in a satisfactory manner.

Furthermore, Genova prepares guidance documents to ensure that the company's targets are achieved within the established frameworks. The documents set out positions of principle rather than specify details. These could include, for example, instructions in order to create a systematic approach, clarify who is responsible for what, identify risks and risk management and to create a sense of security in everyday decisions.

Genova's Board reviews and affirms the following guidance documents at least annually:

- Financing policy
- Dividend policy
- Authorisation and payment instructions
- Purchasing and procurement policy
- Accounting manual
- Internal control policy
- Risk policy
- Remuneration policy
- Insider trading policy, including log-book procedures
- IT policy
- Information security policy
- Communication policy
- Related-party policy
- Employee manual

Genova's control environment is designed to ensure that the entire operations, processes and procedures are permeated by an approach where internal control is central. To ensure an effective control environment and enable continuous evaluation, a number of controls have been identified.

The control environment also includes the Executive Management Team's relationship to good internal controls and responsibility to commu-

nicate the importance of conducting an ethical and legally compliant business operation. Furthermore, organisational structure, reporting paths and divisions of responsibility, the Executive Management Team's participation in and attitude towards governance and its approach to skills development are also included. The control environment also comprises a structure for policies, instructions and for documentation of controls over financial reporting. Communication paths related to internal control-related issues, and procedures for supervising internal control systems are also components of Genova's control environment.

The control environment does not provide an overall view of internal control but is an important starting point since the assessment of Group-wide controls – especially when deficiencies are detected – can have a significant effect on the overall assessment of effectiveness in internal control and the procedures for financial reporting.

#### **Risk Assessment**

To ensure good internal control over financial reporting, a risk-based approach is used to identify significant accounts and processes where material weaknesses could occur. The risk-assessment is based on a combined quantitative and qualitative evaluation.

In Genova's business process, all major transaction and project decisions are analysed to identify risks and risk management, as well as opportunities. The identification, assessment and management of risks linked to accounting and financial reporting are integrated with Genova's material processes. The processes, including identified risks and controls, are documented using process maps and descriptions. Risk management is integrated with Genova's decision-making processes. Refer also to 'Risk and risk management.'

#### **Control activities**

Controls are linked to each identified risk until the risk is considered eliminated or reduced to an acceptable level. The financial reporting risks identified are managed by carrying out the control activities described in the Board's rules of procedure, instructions for the CEO, financing policy and information policy. To ensure that relevant controls are in place for all risks, a matrix is prepared to show the controls set up to respond to each risk. The aim of the control activities is to prevent, detect and correct errors and deviations. See examples of control activities below.

- Identification of risks of error in identified material processes or transaction flows.
- Identification of controls that manage identified risks.
- As a basis for Internal Control over Financial Reporting (ICFR), there should also be general IT controls for programmes and systems used to support identified material processes.
- Documentation of identified processes, risks and controls.

Examples of control activities that include risk assessments are presented below.

- Board meetings.
- Monthly reports prepared of the company's CEO in accordance with the Board's instructions for reporting the company's financial information.
- Executive Management Team meetings.

Genova is continuously developing its control activities in order to achieve the most appropriate organisation possible.

**Information & Communication**

Procedures for Genova's information disclosure are set out in the company's information security policy, communication policy, instructions for the CEO and instructions for financial reporting. The aim of these procedures is to ensure that external and internal information is disclosed at the right time, is accurate, relevant, clear and reliable.

The internal information prepared within the framework of the company's control activities is communicated between Board, CEO and management, which creates a basis for making the right decisions.

The communication of relevant information, both upstream and downstream in an organisation and to external parties, is a key component of good internal control. The Executive

Management Team's meetings shall be used as a forum for communication and information dissemination. Each Business Area President is responsible for communicating relevant information to and/or from their department.

**Control and Monitoring Activities**

Continuous monitoring is carried out by the CEO preparing monthly reports, which shall include information such as an income statement for the current month, cumulative results compared with the budget and the preceding year, a budgeted full-year income statement compared with the outcome for the preceding year, liquidity monitoring against the budget and balance sheet for the current month. The Executive Management Team evaluates whether the Group-wide risk assessment and

management, and the specific control activities performed in each material process, remain relevant for managing the material risks faced by Genova. The evaluation is then reported to the Audit Committee and finally to the Board for discussion and approval.

**Need for internal audit**

Due to the internal control over financial reporting process described above, the Board does not consider a separate function for internal audit necessary.

## Auditor's statement on the Corporate Governance Report

### To the Annual General Meeting of Genova Property Group AB, Corp. Reg. No. 556864-8116

**Engagement and responsibilities**

The Board of Directors is responsible for ensuring that the Corporate Governance Report for 2019 on pages 78-85 has been prepared in accordance with the Swedish Annual Accounts Act.

**Focus and scope of the examination**

Our examination was conducted in accordance with FAR's auditing standard RevU 16, The auditor's examination of the corporate governance statement. This means that our examination of

the Corporate Governance Report has another focus and is substantially less in scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this examination has provided a sufficient basis for our opinions.

**Conclusion**

A Corporate Governance Report has been prepared. Disclosures in accord-

ance with Chapter 6, section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7, section 31, second paragraph of the same law are consistent with the annual accounts and consolidated accounts.

Stockholm, 27 March 2020

Ernst & Young AB

Henrik Nilsson  
Authorised Public Accountant





# Financial information

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# Directors' Report

The Board of Directors and Chief Executive Officer of Genova Property Group AB (publ), Corp. Reg. No. 556864-8116, hereby present the Annual Report for the Group and the Parent Company for the 2019 financial year. Genova Property Group AB is also referred to as the company or the Parent Company. Genova Property Group AB and its wholly owned subsidiaries are also referred to as Genova or the Group.

## About the operations

Genova Property Group (Genova) was founded in 2006 and is a personal property company that owns, manages and develops properties with a long-term, sustainable and highly committed approach. Genova is focused on commercial, community service and residential properties in Greater Stockholm and the Uppsala Region.

Our mission is to combine stable cash flows from the investment property portfolio with cost-efficient project development of mainly rental apartments and community service properties for our own long-term management.

Genova's overall objective is to create value for the company's shareholders. Value creation is measured over a business cycle as growth in long-term net asset value and income from property management. The target is to achieve average annual growth of 20% in long-term net asset value per ordinary share (including any value distributions to ordinary shareholders) and average annual growth of 20% in income from property management per ordinary share over a business cycle.

## Organisation and employees

During the year, the average number of employees in the organisation was 26 (26), of whom 10 (10) were women. The employees have relevant and broad experience in property management, project management, construction, finance, law, marketing and sales. For more information about the organisation and its senior executives, refer to Note 10.

## Corporate governance

Governance, management and control of Genova Property Group is shared between the shareholders, the Board, the CEO and other senior executives. Governance is based on the Swedish Companies Act, the Articles of Association and internal regulations and

regulations. Pursuant to the Swedish Companies Act, the Board is responsible for the internal control and governance of the company. To maintain and develop a proper functioning control environment, Genova has internal guidance documents containing guidelines for the division of responsibilities and delegation, such as the Board's rules of procedure, the CEO's instructions, authorisation order and other guidance documents.

The Corporate Governance Report is a separate part of Genova's 2019 Annual Report and not included in the formal annual report documents, see 'Corporate Governance Report' on pages 78-85.

## Ownership structure and shares

Genova has two classes of shares – ordinary shares and preference shares. The ordinary shares are unlisted and owned 65.1% by Micael Bile through Tranviks Udde AB, 27.9% by Andreas Eneskjöld through Manacor Group AB and 7.0% by Michael Moschwitz through MayNoo AB. The preference shares have been listed on Nasdaq First North Premier Growth Market since 15 December 2015. At the end of the period, Genova had 1,543 preference shareholders. Each preference share entitles the owner to an annual dividend of SEK 10.50, which is paid out quarterly. The next payment date for the quarterly dividend on preference shares is 20 February 2020. The closing price for the preference share on 30 December 2019 was SEK 132.

As of 31 December 2019, the total number of shares in Genova was 65,443,932, of which 61,443,932 were ordinary shares and 4,000,000 preference shares. An Extraordinary General Meeting on 2 September resolved to adopt a proposal for a proposed restructuring, whereby the minority ownership of senior executives in the Group's subsidiaries would be transferred to Genova. As part of this restructuring, a directed issue of ordinary shares was offered to the former minority owners.

## Significant events in 2019

### First quarter

- In January, the rental agreement with tenant Micab for approximately 8,500 sqm in the Stapelbädden 3 property in Lidingö was extended. The rental agreement has a five-year term with an annual rental value of SEK 3.6m.
- During the quarter, the construction of Genova's first rental unit project started, with 35 rental apartments in Knivsta.
- In January, the Sicklaön 393:4, Drevern 1, 3 and Dvärgspetsen 1 properties in Nacka and Skarpnäck were accessed. The properties were acquired in December 2018 at an underlying value of SEK 175m.

### Second quarter

- In April and May, Genova entered into new financing arrangements with Swedbank and Nordea for a total amount of approximately SEK 1,300m with five-year maturities. In connection with the refinancing, the interest rate caps were raised to SEK 600m, which limits the underlying interest rate to 2% over three to four years.
- In June, Genova entered into an agreement to acquire seven properties in Stockholm, Uppsala and Norrtälje at an underlying property value of SEK 650m and with annual rental income of SEK 42m. Six properties were accessed in August 2019, and accession to the seventh property is scheduled for the second quarter of 2020.
- In June, a directed issue of 1,000,000 preference shares raised capital of SEK 124m for Genova before transaction costs.
- During the quarter, the construction of one of Genova's two planned hotels in Palma started. The completed hotel will have 35 rooms and be operated by the Nobis Group with a 20-year rental agreement.

### Third quarter

- In August, Genova entered into a partnership with K2A, whereby part of the Viby 19:3 property in Upplands-Bro was divested at an underlying property value of SEK 325m, resulting in a value change of SEK 157m during the quarter. The aim is that the parties will jointly develop the property and create a new district
- In September, Genova entered into an agreement to acquire three strategically located properties in Stockholm and Uppsala at an underlying property value of SEK 80m, with an annual rental value of SEK 5m. The properties were accessed in October 2019.
- An EGM in September resolved on a new election of Board members and a directed issue of ordinary shares. The directed issue was part of the Board's adopted restructuring of the minority holding in some of Genova's subsidiaries.
- In September, Genova issued corporate bonds of SEK 525m, of which the proceeds will be used to repurchase the company's existing 2017/2021 bonds and to finance the company's ongoing operations.

### Fourth quarter

- The Municipal Executive Board of Knivsta appointed Genova as one of four anchor property developers for Västra Knivsta. The land-use agreement comprises approximately 250 residential units.
- In December, two commercial properties strategically located in Brunna, Upplands-Bro, were acquired at an underlying property value of SEK 45m, and a new 10-year rental agreement with an annual rental value of approximately SEK 3.6m was signed.
- In December, construction of the Handelsmannen 1 project in Norrtälje was started, where Genova will build a retirement home and a preschool, both let to Norlandia under a 15-year rental agreement, and approximately 275 rental apartments. Occupancy in the first stage is scheduled for 2021. The project will be constructed in wood and carry the Nordic Swan Ecolabel, and SBAB has granted green financing.
- The Botanikern co-operative apartment project in Rosendal, Uppsala, was completed during the quarter when all apartments became occupied.
- Genova announced that the company had initiated a process to investigate the conditions for listing the company's ordinary shares on Nasdaq Stockholm's main market in 2020.



## Comments on the year's financial performance

### Rental income

The Group's rental income for the period amounted to SEK 180.6m (127.7), up 41% year-on-year. The growth in rental income during the period was mainly attributable to a growing investment property portfolio from acquisitions and an improved occupancy rate in the existing investment property portfolio. During the period, the lettable area increased approximately 34,000 sqm, or 25%, with a total rental value of SEK 225m corresponding to approximate growth of 28%. The community service properties category accounted for the greatest increase. At the end of the period, the economic occupancy rate was 98% (94), mainly the result of successful letting efforts, but reclassification of the vacant Handelsmannen 1 property to construction in progress also had a positive impact on the occupancy rate. Rental income for the fourth quarter amounted to SEK 52.6m (33.1), up 59%.

### Property costs

During the period, operating and maintenance costs and property tax increased to SEK -50.7m (-35.5), up 43%. The increase in property costs was mainly attributable to the growing investment property portfolio, with some impact from a strengthened occupancy rate. The increase was also due to major maintenance operations during the period, and maintenance costs amounted to SEK -7.6m (-1.5). In the fourth quarter, property costs amounted to SEK 17.1m (9.7), and the increase was attributable to a growing investment property portfolio and increased maintenance.

### Net operating income

During the period, net operating income increased to SEK 129.9m (92.2), up 41%. The NOI margin for the period was 72%, which is in line with 2018. In the fourth quarter, net operating income amounted to SEK 35.5m (23.4), up 52%. The NOI margin for the fourth quarter was 68%, which was slightly lower year-on-year.

### Central administration

Central administrative expenses are allocated between property management and project development. During the period, central administrative expenses totalled SEK 34.9m (32.1), which is a slight increase year-on-year. The increase mainly comprised reclassification of lease payments and higher personnel costs, while other external costs declined. In the fourth quarter, central administrative expenses amounted to SEK 9.0m (8.3), which is in line with the corresponding quarter of 2018.

### Share of profit of joint ventures

The earnings effect of Genova's properties owned through joint ventures is reported under this item. For the full-year, the share of profit of joint ventures amounted to SEK 25.4m (5.8). The increase was attributable to value changes of these properties.

### Net financial items

Net financial items amounted to SEK -77.5m (-44.3) during the period, down 75%, mainly the result of increased borrowings in line with the growing operations. During the period, interest-bearing liabilities, including the bond loan, increased from SEK 1,783.5m to SEK 2,776.9m. At the balance-sheet date, the average interest rate was 2.2% (3.0% including bond loans). Financial expenses during the period include SEK 8.3m pertaining to bond financing costs, which are allocated over the terms of the loans. In addition, impairment losses on unlisted shares and convertible debts totalled SEK 2.1m. From 2019, interest expense of SEK 2.1m from lease liabilities is also included and mainly pertains to ground leases. The interest-coverage ratio for the period was 1.8 (1.9). The interest-coverage ratio does not include bond financing costs or the impairment loss on unlisted shares since these are considered non-recurring costs. Net financial items for the fourth quarter amounted to SEK -30.2m (-16.0), down 89%. The fact that the expense during the quarter is higher than for the period is attributable to the impairment loss on unlisted shares in the fourth quarter.

### Income from property management

During the period, income from property management amounted to SEK 42.9m (21.6), up 99%, the result of a growing investment property portfolio with unchanged administrative expenses, combined with higher income from joint ventures.

### Income from new residential construction

During the period, income from new co-operative apartments recognised over a period of time amounted to SEK 26.8m (76.6). This income item declined significantly as part of the transition from the development of co-operative apartments, to the development of mainly rental apartments and community service properties for own management. Income from the development of investment properties is recognised as value changes.

### Financing and liquidity

#### *Investment properties*

The Group's investment properties comprise a total of 43 wholly owned properties. The fair value of investment properties is mainly estimated using a Discounted Cash Flows Model, where the value has been calculated as the present value of expected future cash flows and the residual value during a calculation period, where discounting has taken place using an estimated cost of capital. The average required yield for the property portfolio is estimated to be about 4.5% at the balance-sheet date. As of 31 December 2019, the book value of the Group's investment properties was SEK 3,661m, up SEK 1,390m year-on-year. During the period, investments in building improvements and renovations were approximately SEK 8m.

#### *Properties under construction*

Properties under construction includes the construction of a retirement home, a preschool and 35 rental apartments in Alsike,

Knivsta. The construction of one of two planned hotels in Palma, Mallorca is also included. In the fourth quarter, this balance-sheet item also included the commenced start-up of the Handelsmannen 1 project in Norrtälje and value changes in building rights related to a number of future projects. During the year, a total of SEK 229.5m was capitalised.

#### *Development property*

Development properties refers to accrued and capitalised costs for construction projects not yet started. At start-up, the actual amount is reclassified to properties under construction. During the year, this balance-sheet item declined due to reclassification of the Handelsmannen 1 project but overall, the capitalisation of construction projects not yet started increased.

#### *Property value*

The entire investment property portfolio is externally appraised at least once annually. As of 31 December 2019, the entire investment property portfolio had been externally appraised by CBRE and Newsec, based on the most recent external appraisal on 30 June 2019. In the fair value hierarchy, investment properties are considered Level 3 assets, which means that the value of the asset is based on unobservable inputs.

#### *Equity and net asset value*

As of 31 December 2019, consolidated equity amounted to SEK 1,773.2m (1,135.0) and the equity/assets ratio was 35% (36).

Long-term net asset value was 1,975.3 (1,200.5), up 65%.

Long-term net asset value attributable to ordinary shareholders amounted to SEK 1,457.0m (804.4), corresponding to SEK 23.71 per ordinary share (16.09), up 47%.

#### *Interest-bearing liabilities*

As of 31 December 2019, the Group's interest-bearing liabilities attributable to investment properties and project properties were approximately SEK 2,776.9m (1,783.5), representing a loan-to-value ratio of about 60% (62), adjusted for cash and cash equivalents. As of 31 December 2019, the average interest rate was approximately 2.2% (3.0% including the bond loan) and the equity/assets ratio was 35% (36). As of 31 December 2019, the Group's total interest-bearing liabilities of SEK 2,119.5m (1,303.9) to credit institutions were attributable to acquisition financing, refinancing of the Group's existing property portfolio and project financing. The Group's credit facilities contain customary loan guarantees and covenants, including the requirement that Genova and its subsidiaries meet certain financial key metrics, such as the loan-to-value ratio and interest coverage ratio.

In April, Genova entered into a new financing arrangement with Swedbank for a total amount of SEK 1,160m, including a revolving credit facility of SEK 160m. The arrangement has a five-year term. The financing will be used for Genova's existing investment properties. In May, Genova also entered into a new five-year financing arrangement with Nordea for a total of SEK 122m. This financing will

also be used for Genova's existing investment properties. As of 31 December 2019, the average maturity was 3.6 years. In November, SBAB granted total green financing of SEK 640m for the Handelsmannen 1 project in Norrtälje, where Genova has commenced the construction of a block featuring a retirement home, a preschool and approximately 275 rental apartments. After the end of the period, Genova's revolving credit facility was increased by SEK 100m. After the period, the total undrawn portion of the revolving credit facility amounted to SEK 260m.

#### *Interest-rate derivatives*

Since 2018, a four-year interest-rate cap agreement has limited the interest rate to 2% for a total amount of SEK 300m of the loan portfolio. In the second quarter of 2019, the interest-rate cap was adjusted and at the end of the period, the interest rate was limited to 2% for a total amount of SEK 600m with maturities until 2022 and 2023. At the end of the period, the Group had no other outstanding derivatives or interest-rate swaps, and all loans carried variable interest rates with three-month STIBOR as the reference base.

### **Significant risks and uncertainties**

Through its operations, Genova is exposed to various risks that could have a material effect on the company's future performance, earnings and financial position. Risks that Genova may be exposed to can be divided into market, strategic and operational, regulatory and financial risk.

As a property owner and housing developer, Genova is dependent on being able to obtain financing on reasonable terms, that tenants can pay their rent and that other counterparties fulfil their duties. At the same time, the company is affected by any changes in the value of the company's properties. A business operation in the property sector is also highly sensitive to macroeconomic factors such as the overall economy, regional economic trends, employment rates, the production rate of new residential units and premises, changes in infrastructure, population growth, the population structure, inflation, interest rates and so forth.

In Genova's business process, all major transaction and project decisions are analysed to identify risks and risk management, as well as opportunities. Risk management is an integral part of Genova's decision-making. More information about Genova's risks is available in a separate section of Genova's 2019 Annual Report and is not included in the formal annual report documents, see 'Risk and risk management' on pages 60-63.

### **Environmental practices**

The sustainability aspect of Genova's operations is important for creating a long-term attractive and resource-efficient property portfolio that meets the demands of our tenants. Genova's goal is to construct properties that are energy-efficient, have a good indoor environment with sound material choices that minimise the environmental impact of the buildings during their whole life-cycle. The properties shall also offer a safe, secure and healthy environment for the people who live and work in the premises and resi-

dential units, which is largely governed by laws and regulations. Working with this methodically and with effective procedures is a key element of Genova's property development and production. More information about Genova's environmental practices is available in a separate section of Genova's 2019 Annual Report and is not included in the formal annual report documents, see 'Sustainability' on pages 52-61.

#### Significant events after the end of the financial year

- In January 2020, the Vaksala-Norrby 1:2 and 1:3 properties in Uppsala were acquired at an underlying property value of SEK 31.5m, with accession scheduled for December 2020. An office building will be constructed and let to Renta AB with a seven-year term and an annual rental value of approximately SEK 2.1m.
- In January, a 20-year rental agreement was signed with Hoom Home & Hotel Uppsala AB for approximately 2,400 sqm in the Boländerna 21:4 property in Uppsala. The annual rental value is approximately SEK 4.8m.
- The Board of Genova adopted new financial and operational targets for the operations, which are presented on page 5 of this report. These targets replace the previously applicable financial and operational targets.

#### Future trends

Group is expected to continue acquiring, developing and managing commercial properties, and to continue developing attractive residential and rental units. Moreover, efforts to develop the company's community service property operations are ongoing, with a focus on the Stockholm-Uppsala region.

After the end of the reporting period, the COVID-19 pandemic broke out and affected Swedish society. Management is continuously monitoring the company's development in this context in order to manage any risks and situations that may arise, fast and effectively. The company is working to protect the health and safety of our employees, tenants and suppliers, and following the recommendations issued by public authorities. The management's current assessment is that the pandemic will have a limited impact on the company, due to the diversity of Genova's tenant mix. A significant share of the company's rental income is derived from tenants who are not considered affected by the pandemic to any great extent, such as publicly funded operations and supermarkets. More than 70% of Genova's ongoing and planned project development consists of rental apartments and community service properties in Greater Stockholm and the Uppsala Region, representing a low risk of exposure.

#### Proposed distribution of profits

The Board of Directors and Chief Executive Officer propose that the unappropriated earnings (rounded SEK) at their disposal:

Retained earnings	405,581,453
Loss for the year	-46,271,086
	<b>359,310,367</b>
Be appropriated as follows	
Preference share: Dividend of SEK 10.50 per share	42,000,000
Be carried forward	317,310,367
	<b>359,310,367</b>

#### Statement by the Board of Directors regarding the proposed dividend

The Board proposes that a dividend payment of SEK 10.50 (10.50) per preference share be distributed quarterly. The Board proposes that 20 August 2020, 20 November 2020, 19 February 2021 and 20 May 2021 be the dividend payment dates for preference shares.

The total proposed dividend is SEK 42,000,000.

#### Justification of the proposed dividend

With reference to the above and what has otherwise come to the Board's knowledge, the Board deems that the financial position of the company and the Group entails that the proposed distribution of profits is justifiable under Chapter 17, Section 3, third paragraph of the Swedish Companies Act (2005:551), meaning with consideration for the requirements that the nature, scope and risks of the business impose on the amount of equity held by the company and the Group, and their consolidation needs, liquidity and financial position in general.

With regard to the results and financial position of the company and the Group in general, please refer to the following income statement, balance sheet and cash flow analysis with the accompanying supplementary information and notes to the financial statements. All amounts in the following statements are presented in millions of Swedish kronor (SEKm), unless stated otherwise.



**Shareholders as of 31 December 2019**

<b>Name</b>	<b>No. of ordinary shares</b>	<b>No. of preference shares</b>	<b>Holding (%)</b>	<b>Votes (%)</b>
Micael Bile (via company)	40,000,000	140,000	61.33	64.70
Andreas Eneskjöld (via company)	17,142,857	39,729	26.26	27.73
Michael Moschewitz (via company)	4,301,075	22,298	6.61	6.96
Avanza Pension	–	495,013	0.76	0.08
JRS Asset Management AB	–	311,170	0.48	0.05
RBC Investor Services Bank SA	–	297,509	0.45	0.05
Catella Fondförvaltning	–	210,000	0.32	0.03
Nordnet Pensionsförsäkring AB	–	169,903	0.26	0.03
Danica Pension	–	100,380	0.15	0.02
Peter Lindell	–	100,000	0.15	0.02
PEG Capital Partners	–	84,106	0.13	0.01
AB Stena Metall Finans	–	80,000	0.12	0.01
Jessica Rahi	–	70,000	0.11	0.01
Total other shareholders	–	1,879,892	2.87	0.30
<b>Total</b>	<b>61,443,932</b>	<b>4,000,000</b>	<b>100.00</b>	<b>100.00</b>

**Overview of results and financial position**

<b>SEKm</b>	<b>1 Jan 2019- 31 Dec 2019 IFRS</b>	<b>1 Jan 2018- 31 Dec 2018 IFRS</b>	<b>1 Jan 2017- 31 Dec 2017 IFRS</b>	<b>1 Jan 2016- 31 Dec 2016 IFRS</b>	<b>1 Jan 2015- 31 Dec 2015 IFRS</b>
Rental income, SEKm	180.6	127.7	108.5	76.3	55.7
Net operating income, SEKm	129.9	92.2	79.1	53.6	38.2
Income from property management, SEKm	42.9	21.6	33.9	14.6	–9.7
Income from property management per ordinary share, SEK	0.11	–0.20	0.10	0.29	–0.19
Residential units under construction, no. <sup>1</sup>	527	235	270	217	215
Residential units completed, no.	133	188	–	29	–
Net investments, SEKm	1,141.2	624.0	278.5	362.1	190.7
Loan-to-value ratio, %	60.4	61.8	66.0	50.0	57.0
Equity/assets ratio, %	35.0	35.6	39.0	43.0	40.0
Interest-coverage ratio <sup>2</sup>	1.8	1.9	2.2	E/T	E/T
Long-term net asset value, SEKm	1,975.3	1200.5	1,094.9	1,008.5	830.2
Long-term net asset value attributable to ordinary shareholders, SEKm	1,457.0	804.4	726.8	666.3	455.1
Long-term net asset value attributable to ordinary shareholders, SEK per ordinary share	23.71	16.09	14.54	13.33	9.10

1) Including 35 hotel rooms.

2) Excluding non-recurring costs.

## Key metrics

SEKm	2019	2018	2017	2016	2015
<b>Financial key metrics</b>					
Return on equity, %	37.2	24.6	12.8	12.9	22.4
Equity/assets ratio, %	35.6	35.6	39.0	43.0	39.7
Loan-to-value ratio, %	60.4	61.8	66.0	50.0	57.0
Average interest rate, %	2.2	2.3	2.3	2.4	2.1
Average interest rate including bond loans, %	3.0	3.2	3.1	E/T	E/T
Interest-coverage ratio	1.8	1.9	E/T	E/T	E/T
Maturity, no. of years	3.6	2.3	2.9	3.7	3.1
<b>Key metrics, shares</b>					
Total no. of preference shares outstanding	4,000,000	3,000,000	3,000,000	3,000,000	1,800,000
Average no. of preference shares outstanding	3,500,000	3,000,000	3,000,000	2,826,667	75,000
Total dividend on preference shares, SEKm	36.8	31.5	31.5	31.1	0.8
Dividend on preference share, SEK	10.50	10.50	10.50	10.50	10.50
Total no. of ordinary shares outstanding	61,443,932	50,000,000	50,000,000	50,000,000	50,000,000
Average no. of ordinary shares outstanding	53,814,644	50,000,000	50,000,000	50,000,000	49,583,333
Income from property management per ordinary share, SEK	0.11	-0.2	E/T	E/T	E/T
Income per ordinary share, SEK	9.05	4.22	2.22	1.88	2.60
Equity, SEKm	1,773.2	1,135.0	1,008.2	927.2	714.9
Equity attributable to ordinary shareholders, SEKm	1,254.9	738.9	640.1	575.2	509.7
Equity per ordinary share, SEK	20.42	14.78	12.80	11.50	10.19
Long-term net asset value, SEKm	1,975.3	1,200.5	1,094.9	1,018.0	792.3
Long-term net asset value attributable to ordinary shareholders, SEKm	1,457.0	804.4	726.8	666.3	594.3
Long-term net asset value per ordinary share, SEK	23.71	16.09	14.54	13.33	11.90

## Consolidated statement of comprehensive income

SEKm	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Rental income	6	180.6	127.7
Operating costs	7	-37.5	-29.9
Maintenance costs	7	-7.6	-1.5
Property tax	7	-5.6	-4.1
<b>Total Property costs</b>		<b>-50.7</b>	<b>-35.5</b>
<b>Net operating income</b>		<b>129.9</b>	<b>92.2</b>
Central administration, property management	8	-12.4	-10.0
Central administration, project development	8	-22.5	-22.1
Share of profit from joint ventures	36	25.4	5.8
Net financial items	11	-77.5	-44.3
<b>Income from property management</b>		<b>42.9</b>	<b>21.6</b>
Income from new construction, co-operative apartments		26.8	76.6
Other operating income	12	3.2	1.4
Value changes, properties	13	606.5	135.8
<b>Income before tax</b>		<b>679.4</b>	<b>235.4</b>
Income tax	14	-139.0	28.5
<b>Net income for the period</b>		<b>540.4</b>	<b>263.9</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>540.4</b>	<b>263.9</b>
<b>Net income for the year attributable to:</b>			
Parent Company shareholders		523.7	242.5
Non-controlling interests		16.7	21.4
<b>Total comprehensive income attributable to:</b>			
Parent Company shareholders		523.7	242.5
Non-controlling interests		16.7	21.4
Income per ordinary share before and after dilution, SEK <sup>1</sup>		9.05	4.22
No. of ordinary shares at the end of the period, 000s		61,444	50,000
Average no. of ordinary shares, 000s		53,815	50,000
No. of preference shares outstanding, 000s		4,000	3,000
Average no. of preference shares, 000s		3,500	3,000
Other operating income	7	1,428	1,202
Other operating income	7	1,428	1,202
Average number of ordinary shares		50,000,000	50,000,000
Average number of preference shares		3,000,000	3,000,000

1) Earnings in relation to average number of ordinary shares after dividends to preference shareholders.



# Consolidated balance sheet

SEKm	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	15	3,661.3	2,270.9
Properties under construction	16	702.0	279.0
Development properties	17	56.5	50.3
Right-of-use assets	37	39.0	-
Equipment	18	2.8	5.6
Deferred tax assets	14	78.6	67.8
Unlisted shares	19	-	1.4
Shares in joint ventures	36	88.5	62.4
Accrued income	21	-	77.6
Other non-current receivables	23	96.0	8.3
<b>Total non-current assets</b>		<b>4,724.7</b>	<b>2,823.3</b>
<b>Current assets</b>			
Rent receivable and accounts receivable	24	4.0	1.7
Accrued income	21	104.4	-
Other receivables	25	93.7	165.7
Prepaid expenses and accrued income	26	26.6	17.0
Cash and cash equivalents	27	109.1	176.5
<b>Total current assets</b>		<b>337.8</b>	<b>360.9</b>
<b>TOTAL ASSETS</b>		<b>5,062.5</b>	<b>3,184.2</b>
<b>EQUITY</b>			
	28		
Share capital		0.7	0.5
Other capital contributions		647.6	319.7
Retained earnings including net income for the year		1,046.6	748.7
Non-controlling interests		78.3	66.1
<b>Total equity</b>		<b>1,773.2</b>	<b>1,135.0</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions	29, 31	1,664.6	881.9
Bond loans	30, 31	659.4	479.6
Lease liabilities	37	34.4	-
Other non-current liabilities	32	42.1	3.6
Deferred tax liabilities	14	280.7	133.3
<b>Total non-current liabilities</b>		<b>2,681.2</b>	<b>1,498.4</b>
<b>Current liabilities</b>			
Loans from credit institutions	29, 31	452.9	422.0
Accounts payable		34.1	50.3
Lease liabilities	37	4.7	-
Current tax liabilities		11.0	5.7
Other liabilities	33	69.3	27.1
Accrued expenses and deferred income	34	36.1	45.7
<b>Total current liabilities</b>		<b>608.1</b>	<b>550.8</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,062.5</b>	<b>3,184.2</b>

## Consolidated statement of changes in equity

SEKm	No. of shares out- standing, 000s		Attributable to Parent Company shareholders					Total Equity
	Ordinary shares	Pref- erence shares	Share capital	Other contrib- uted capital	Retained earnings, incl. net income for the year	Total	Non-con- trolling interests	
<b>Opening balance, 1 January 2018</b>	<b>50,000</b>	<b>3,000</b>	<b>0.5</b>	<b>319.7</b>	<b>649.9</b>	<b>970.1</b>	<b>38.1</b>	<b>1,009.2</b>
<b>Comprehensive income</b>								
Net income for the year					242.5	242.5	21.4	263.9
Other comprehensive income								
<b>Total comprehensive income</b>					<b>242.5</b>	<b>242.5</b>	<b>21.4</b>	<b>263.9</b>
<b>Transactions with shareholders</b>								
Transaction with non- controlling interests					-12.1	-12.1	6.6	-5.5
Dividends					-131.5	-131.5		-131.5
<b>Total Transactions with shareholders</b>					<b>-143.6</b>	<b>-143.6</b>	<b>6.6</b>	<b>-137.0</b>
<b>Closing balance, 31 December 2018</b>	<b>50,000</b>	<b>3,000</b>	<b>0.5</b>	<b>319.7</b>	<b>748.8</b>	<b>1,069.0</b>	<b>66.1</b>	<b>1,135.0</b>
<b>Opening balance, 1 January 2019</b>	<b>50,000</b>	<b>3,000</b>	<b>0.5</b>	<b>319.7</b>	<b>748.8</b>	<b>1,069.0</b>	<b>66.1</b>	<b>1,135.0</b>
<b>Comprehensive income</b>								
Net income for the year					523.7	523.7	16.7	540.4
Other comprehensive income								
<b>Total comprehensive income</b>					<b>523.7</b>	<b>523.7</b>	<b>16.7</b>	<b>540.4</b>
<b>Transactions with shareholders</b>								
Transaction with non- controlling interests					-139.1	-139.1	2.5	-136.6
Dividends					-86.8	-86.8	-7.0	-93.8
Directed issue, preference shares		1,000	0.0	124.0		124.0		124.0
Issue costs, preference shares				-4.5		-4.5		-4.5
Directed issue, ordinary shares	11,444		0.2	208.2		208.3		208.4
<b>Total Transactions with shareholders</b>	<b>11,444</b>	<b>1,000</b>	<b>0.2</b>	<b>327.7</b>	<b>-225.9</b>	<b>102.0</b>	<b>-4.5</b>	<b>97.5</b>
<b>Closing balance, 31 December 2019</b>	<b>61,444</b>	<b>4,000</b>	<b>0.7</b>	<b>647.6</b>	<b>1,046.6</b>	<b>1,694.9</b>	<b>78.3</b>	<b>1,773.2</b>

## Consolidated statement of cash flows

SEKm	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
<b>Cash flow from operating activities</b>			
Income from property management		42.9	21.6
Adjustment for non-cash items <sup>1)</sup>		-14.3	7.3
Other operating income		3.2	1.4
Income tax paid		3.0	8.7
<b>Cash flow from operating activities before changes in working capital</b>		<b>34.7</b>	<b>39.0</b>
<b>Changes in working capital</b>			
Change in accounts receivable		-2.3	-1.4
Change in other operating receivables		-42.0	352.9
Change in accounts payable		-16.2	6.9
Change in other operating liabilities		34.5	-91.6
<b>Cash flow from operating activities</b>		<b>8.7</b>	<b>305.9</b>
<b>Cash flow from investing activities</b>			
Investments in properties and projects		-1,148.2	-742.5
Investments in equipment		-0.3	-5.5
Divestments of investment properties		7.0	118.5
Increase in other financial assets		17.4	2.2
<b>Cash flow from investing activities</b>		<b>-1,124.1</b>	<b>-627.3</b>
<b>Cash flow from financing activities</b>			
New share issue		119.7	-
Loans raised		1,503.3	640.0
Repayment of loans		-481.2	-95.7
Dividends paid		-86.8	-131.5
Changes in non-controlling interests		-7.0	-2.3
<b>Cash flow from financing activities</b>		<b>1,048.0</b>	<b>410.5</b>
<b>Cash flow for the period</b>		<b>-67.4</b>	<b>89.1</b>
Opening cash and cash equivalents		176.5	87.4
<b>Closing cash and cash equivalents</b>		<b>109.1</b>	<b>176.5</b>
1) Other non-cash items			
Reversal of depreciation and amortisation		1.3	2.0
Share of profit of joint ventures		-25.4	-5.8
Accrued interest		9.8	11.1
		<b>-14.3</b>	<b>7.3</b>
Interest received		1.9	2.2
Interest paid		-66.1	-44.6



## Parent Company statement of comprehensive income

SEKm	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
<b>Total operating income</b>		-	-
Other external costs		-0.3	-0.1
<b>Total operating expenses</b>		<b>-0.3</b>	<b>-0.1</b>
<b>Operating income</b>		<b>-0.3</b>	<b>-0.1</b>
Dividends received from participations in Group companies		-	90.0
Impairment of participations in Group companies	20	-7.4	-3.6
Interest income and similar profit items	11	0.3	1.5
Interest expense and similar loss items	11	-38.7	-23.7
<b>Income from financial items</b>		<b>-45.8</b>	<b>64.2</b>
<b>Appropriations</b>			
Group contributions received		-	3.4
Group contributions paid		-	-0.5
<b>Income before tax</b>		<b>-46.1</b>	<b>67.1</b>
Tax on income for the year		-0.2	3.1
<b>Net income for the period</b>		<b>-46.3</b>	<b>70.2</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>-46.3</b>	<b>70.2</b>

## Parent Company balance sheet

SEKm	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Participations in Group companies	20	222.1	14.0
Deferred tax assets	14	9.4	9.6
Receivables from Group companies	21	820.6	581.1
Other receivables	24	0.1	14.0
<b>Total financial assets</b>		<b>1,052.2</b>	<b>619.4</b>
<b>Current receivables</b>			
Prepaid expenses and accrued income	25	11.0	9.0
Cash and cash equivalents	26	57.0	156.7
<b>Total current assets</b>		<b>68.0</b>	<b>165.7</b>
<b>TOTAL ASSETS</b>		<b>1,120.2</b>	<b>785.1</b>
<b>EQUITY AND LIABILITIES</b>			
28			
<b>Total comprehensive income for the period</b>			
Restricted equity			
Share capital		0.7	0.5
<b>Total restricted equity</b>		<b>0.7</b>	<b>0.5</b>
<b>Unrestricted equity</b>			
Retained earnings		405.5	94.8
Net income for the period/year		-46.3	70.2
<b>Total unrestricted equity</b>		<b>359.2</b>	<b>165.0</b>
<b>Total equity</b>		<b>359.9</b>	<b>165.5</b>
<b>Non-current liabilities</b>			
Bond loans	30	659.4	479.6
Other non-current liabilities	32	40.0	-
<b>Total non-current liabilities</b>		<b>699.4</b>	<b>479.6</b>
<b>Current liabilities</b>			
Liabilities to Group companies	22	60.5	140.1
Accrued expenses and deferred income		0.4	-
<b>Total current liabilities</b>		<b>60.9</b>	<b>140.1</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1120.2</b>	<b>785.1</b>

## Parent Company statement of changes in equity

SEKm	Share capital	Retained earnings	Net income for the year	Total equity
<b>Opening balance, 1 January 2018</b>	<b>0.5</b>	<b>261.0</b>	<b>-34.7</b>	<b>226.8</b>
Carried forward		-34.7	34.7	
<b>Net income for the year</b>			<b>70.2</b>	<b>70.2</b>
<b>Transactions with shareholders</b>				
Dividends		-131.5		-131.5
<b>Total transactions with shareholders</b>		<b>-131.5</b>		<b>-131.5</b>
<b>Closing balance, 31 December 2018</b>	<b>0.5</b>	<b>94.8</b>	<b>70.2</b>	<b>165.5</b>
<b>Opening balance, 1 January 2019</b>	<b>0.5</b>	<b>94.8</b>	<b>70.2</b>	<b>165.5</b>
Carried forward		70.2	-70.2	
<b>Net income for the year</b>			<b>-46.3</b>	<b>-46.3</b>
<b>Transactions with shareholders</b>				
Dividends		-86.8		-86.8
Directed issue, preference shares	0.0	124.0		124.0
Issue costs		-4.5		-4.5
Directed issue, ordinary shares	0.2	208.2		208.4
<b>Total transactions with shareholders</b>	<b>0.2</b>	<b>240.9</b>		<b>240.7</b>
<b>Closing balance, 31 December 2019</b>	<b>0.7</b>	<b>405.5</b>	<b>-46.3</b>	<b>359.9</b>



## Parent Company statement of cash flows

SEKm	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
<b>Cash flow from operating activities</b>			
Operating loss		-0.3	-0.1
Interest received		0.3	1.5
Interest paid		-35.4	-23.6
<b>Cash flow from operating activities before changes in working capital</b>		<b>-35.4</b>	<b>-22.2</b>
Change in operating receivables		-2.0	-9.0
Change in operating liabilities		-86.6	-37.4
<b>Total changes in working capital</b>		<b>-88.6</b>	<b>-46.4</b>
<b>Cash flow from operating activities</b>		<b>-124.0</b>	<b>-68.6</b>
<b>Cash flow from investing activities</b>			
Investments in Group companies		-	-0.1
Loans to Group companies		-239.5	-
Decline in other financial assets		13.9	-
<b>Cash flow from investing activities</b>		<b>-225.6</b>	<b>-0.1</b>
<b>Cash flow from financing activities</b>			
Deposits from Group companies		-	115.1
New share issue		119.5	-
Bond loan issued		162.2	178.7
Bond loans issued		15.0	-
Non-current loan raised		40.0	-
Dividends paid		-86.8	-131.5
<b>Cash flow from financing activities</b>		<b>249.9</b>	<b>162.3</b>
<b>Cash flow for the period</b>		<b>-99.7</b>	<b>93.6</b>
Opening cash and cash equivalents		156.7	63.1
<b>Closing cash and cash equivalents</b>		<b>57.0</b>	<b>156.7</b>

# Accounting policies and notes

## Note 1 General information

This is the Annual Report and consolidated financial statements for the Swedish Parent Company Genova Property Group AB, Corporate Registration Number 556864-8116, and its subsidiaries, referred to below as 'Genova' or 'the Group.'

The Parent Company is a limited liability company registered in Sweden, and its head office is located in Stockholm. The physical address of the head office is Smålandsgatan 12, 111 46 Stockholm, Sweden.

All amounts are presented in millions of Swedish kronor (SEKm), unless stated otherwise. The figures in parentheses refer to the preceding year.

On 27 March 2020, the Board approved these annual accounts and consolidated financial statements, which will be presented to the Annual General Meeting on 27 April 2020 for adoption.

## NOTE 2 Summary of significant accounting policies

### 2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for Genova have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. In addition, RFR 1, Supplementary Accounting Rules for Groups, has been applied. The consolidated financial statements have been prepared in accordance with the cost method, except for investment properties, which are measured at fair value.

The preparation of reports in accordance with IFRS requires the use of critical accounting estimates for measurement and recognition. 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 for the Group, are disclosed in Note 4.

The Parent Company's accounts have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. In cases where the Parent Company does not apply the same accounting policies as the Group, this is stated separately at the end of this Note.

The accounting policies set out below have been consistently applied to all periods presented in the consolidated financial statements, unless otherwise stated.

#### New standards and interpretations applied from the 2019 financial year

On 1 January 2019, IFRS 16 Leases superseded IAS 17 Leases and the related interpretations – IFRIC 4, SIC 15 and SIC 27. Under IFRS 16, nearly all leases are recognised on the balance sheet.

The transition to IFRS 16 did not have any significant impact on the Group's earnings, financial position or cash flow statement. When the standard was adopted, Genova applied the simplified approach, whereby comparative information in prior periods is not restated. The opening lease liabilities consist of the discounted remaining lease payments as of 1 January 2019. The opening right-of-use asset for leases where Genova is the lessee is measured at an amount equal to the lease liability adjusted for deferred or accrued lease payments recognised on the balance sheet on the date of initial application. The transition to IFRS 16 did not therefore have any effect on equity.

Genova has a limited lease portfolio comprising 11 cars, three ground leases and one business premise. As a result of the transition to IFRS 16, the Group's total assets increased due to additional right-of-use assets and lease liabilities, but only to a limited extent. The lease payments previously charged to profit or loss on a straight-line basis have been replaced by depreciation on the right-of-use asset and interest expense on the lease liability. Lease payments are allocated between lease liability and interest expense, except for ground lease agreements where the entire lease payment is treated as interest expense.

On transition to IFRS 16, the present value of all remaining lease payments was determined using the weighted average incremental borrowing rate of 4.94%. Due to the transition effect on the balance sheet as of 1 January 2019, right-of-use assets amounted to SEK 43.3m and lease liabilities SEK 43.1m, of which non-current liabilities accounted for SEK 38.4m and current liabilities for SEK 4.7m.

Genova applied IAS 17 Leases up to the end of the 2018 financial year. As of 1 January 2019, leases have been treated in accordance with IFRS 16 Leases, which means that the lessee recognises right-of-use assets and lease liabilities on the balance sheet. This standard includes an exemption for short-term leases (leases with a term of 12 months or less) and leases for which the underlying asset is of low value.

When entering into an agreement, Genova evaluates whether the agreement is, or contains, a lease based on the substance of the agreement. An agreement is, or contains, a lease if the agreement conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

### **The Group as a lessee**

#### *Lease liabilities*

On the commencement date of a lease, a lease liability is measured at the present value of future lease payments on this date. These lease liabilities are recognised separately from other liabilities on the balance sheet.

The lease term is defined as the non-cancellable period plus periods covered by options to extend that Genova is reasonably certain to exercise, and options to terminate that Genova is reasonably certain not to exercise. The lease payments include fixed payments (less any benefits in connection with signing the lease), variable lease payments linked to an index or rate, and amounts expected to be payable by the lessee under residual value guarantees. The lease payments also include the exercise price of a purchase option that Genova is reasonably certain to exercise, and payments for terminating the lease unless it is reasonably certain that early termination will not occur. Variable lease payments not linked to an index or rate are recognised as an expense in the period to which they are attributable.

The present value of lease payments is determined using the interest rate implicit in the lease if it is readily determinable, otherwise at the lessee's incremental borrowing rate. After the commencement date of a lease, the lease liability increases to reflect interest on the lease liability and reduce the liability for lease payments made. In addition, the lease liability is remeasured to reflect lease modifications, changes to the lease term, changes in lease payments or changes in an assessment to purchase the underlying asset.

At the commencement date of ground leases, which are considered perpetual leases, future lease payments (ground rent) are discounted over the perpetual lease term. In subsequent measurements, the lease liability is not repaid. Lease payments are recognised in their entirety as interest expense. When ground rent is renegotiated, the lease liability is remeasured using the changed ground rent, since the renegotiation is considered to reflect changes in market rental rates.

#### *Right-of-use assets*

Genova recognises right-of-use assets on the balance sheet at the lease commencement date. Right-of-use assets are recognised separately from other assets on the balance sheet.

Right-of-use assets attributable to ground leases are measured at fair value after the commencement date in accordance with IAS 40. Therefore, right-of-use assets attributable to ground leases are not depreciated in subsequent periods.

Right-of-use assets for Genova's remaining agreements are measured at cost. The cost of these right-of-use assets includes the initial amount recognised for the corresponding lease liability, initial direct costs, any advance payments made on or before the lease commencement date less any incentives received, and an estimate of any reversal of loss. After the commencement date, right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. Provided that Genova is not reasonably certain that it will exercise its right to use the underlying asset by the end of the lease term, the right-of-use asset is depreciated over the lease term on a straight-line basis.

#### *Exemption from application*

Genova applies the exemptions for short-term leases and low-value leases. Costs arising from these leases are recognised over the lease term on a straight-line basis as operating expenses in profit or loss.

### **The Group as lessor**

Genova classifies all rental agreements as operating leases, since all significant risks and rewards associated with ownership of the properties are retained by Genova. Rental income is notified in advance and accrued over the rental term on a straight-line basis, unless another form of accrual is more economically viable. Advance rent is recognised as deferred income. If the rental agreement includes discounted rent for a certain period of time, this is accrued over the current rental term on a straight-line basis.

## **2.2 CONSOLIDATED FINANCIAL STATEMENTS**

### **Subsidiaries**

Subsidiaries are all companies in which the Group has a controlling interest. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its influence over the company. Subsidiaries are included in consolidated financial statements from the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling interest ceases.

The acquisition method is used to recognise the Group's business combinations. The consideration for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities incurred by the Group to the former owners of the acquiree and the shares issued by the Group. The consideration also includes the fair value of all assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date.



**Acquisition costs are expensed as incurred.**

Intra-Group transactions, balance sheet items and unrealised gains or losses on transactions between Group companies are eliminated. The accounting policies for subsidiaries have been changed where necessary to guarantee the consistent application of the Group's policies.

**Business combinations and asset acquisitions**

Under IFRS 3, the fair value of identifiable assets acquired and liabilities assumed in the acquiree is determined at the acquisition date. These fair values also include shares in the assets and liabilities attributable to any remaining minority interests in the acquiree. Identifiable assets acquired and liabilities assumed also include assets, liabilities and provisions including obligations and claims from external parties not previously recognised on the acquiree's balance sheet. The difference between the cost of the acquisition and the acquired share of net assets in the acquiree is classified as goodwill and recognised as an intangible asset on the balance sheet. Transaction costs are immediately expensed through profit or loss.

Since acquisitions of subsidiaries are not business acquisitions but asset acquisitions in the form of investment properties, acquisition-related costs are instead allocated to the assets acquired in the acquisition analysis. An acquisition of investment properties is classified as an asset acquisition if the acquisition relates to properties, with or without rental agreements, but does not include the employees and processes required to perform the management activities. One important difference in the recognition of asset acquisitions compared with business combinations, is that some deferred tax is not recognised on the initial recognition of the asset on the balance sheet. Another difference is that transaction costs are recognised as part of the acquisition-related costs in an asset acquisition.

Refer also to Note 4, which addresses critical judgements and estimates when applying Genova's accounting policies, where the differences between accounting for a business combination and an asset acquisition are explained.

**Transactions with minority interests (minority shareholders)**

The Group recognises transactions with minority interests as transactions with the Group's shareholders. In acquisitions from minority interests, the difference between the consideration paid and the actual acquired share of the book value of the subsidiary's net assets is recognised in equity. Gains or losses on divestments to minority interests are also recognised in equity.

**Segment reporting**

Genova's operations are organised, managed and reported as two operating segments – Investment properties, and New construction. Segment information is presented according to the management approach, and operating segments are identified on the basis of internal reporting to the company's chief operating decision-maker. The Group has identified the Group's CEO as its chief operating decision-maker and the internal reporting used by

the CEO to assess the performance of the operating segments and make decisions about resource allocation provide the basis for the segment information presented. The segments are reported separately on the income statement and balance sheet according to the summary below.

Investment properties is monitored on a monthly basis using estimated earnings as a performance measure, while New construction is monitored on a monthly basis using estimated project profit and margin as a performance measure.

**2.3 EQUIPMENT**

All equipment is recognised at cost less accumulated depreciation. The cost comprises any costs directly attributable to acquisition of the asset.

Depreciation to break their cost down to residual value over their estimated useful life using the straight-line method is as follows:

Equipment	5 years
-----------	---------

The residual value and useful life of an asset is calculated on each balance-sheet date and adjusted if required. The book value of an asset is immediately reduced to its recoverable amount when the asset's recoverable amount is less than its book value.

Gains or losses on divestments are determined by comparing the sales proceeds with the book value and are recognised in Other operating income or Other operating expenses on the income statement.

**2.4 INVESTMENT PROPERTIES**

Investment properties are held for the purpose of earning rental income and for long-term capital appreciation. If a property with several possible uses is acquired, where the alternatives are to either generate rental income and long-term capital appreciation, or to use the property for the development of co-operative apartments, the holding is initially classified as an investment property.

Investment properties are initially measured at cost, including directly attributable transaction costs.

In measurement subsequent to initial recognition, investment properties are measured at fair value. Fair value is primarily based on quoted prices in active markets and is the price that would be received to sell, or be paid in an orderly transaction between market participants. To determine their fair value, the market value of all properties is calculated at the end of each quarter. External valuations are performed twice per year, otherwise internal valuations. Changes in the fair value of investment properties are recognised as value changes in profit or loss. When a property is sold, the difference between the selling price and the book value is recognised in accordance with the most recently prepared report, less costs to sell and plus capitalisations since the most recent interim report as value changes in profit or loss.

Subsequent costs are only capitalised when it is probable that the future economic benefits associated with the property will flow to the company, that the cost can be measured reliably, and that the measure refers to the replacement of an existing, or introduction of

a new, identified component. Other repair and maintenance costs are expensed on an ongoing basis in the period they are incurred. For major new construction, extension and refurbishment, interest expense is also capitalised during the construction period.

## 2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

Tangible assets that certain intangible assets that are depreciated are tested for impairment whenever events or changes in circumstances indicate that their book value may not be recoverable. A impairment loss is the amount by which the book value of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. To assess impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Tangible and intangible assets that have previously been impaired are assessed at each balance-sheet date to determine whether there is any need for reversal.

## 2.6 FINANCIAL INSTRUMENTS

Financial instruments are any form of agreement that gives rise to a financial asset in one company and a financial liability or equity instrument in another. Financial instruments recognised as financial assets on the balance sheet include unlisted holdings, cash and cash equivalents, rent and accounts receivable, and other receivables. Financial liabilities include accounts payable, loan liabilities and other liabilities. Recognition depends on how the financial instruments have been classified.

### Recognition and derecognition

A financial asset or liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. Rent and accounts receivable are recognised on the balance sheet when an invoice has been sent and the company has an unconditional right to receive consideration. Liabilities are recognised when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received.

A financial asset and financial liability are offset and recognised in a net amount on the balance sheet when, and only when, there is a legally enforceable right to set off the amounts, and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. A financial asset is derecognised once the contractual rights are realised or expire, or when the company loses control over them. The same applies to financial asset components. A financial liability is derecognised once the contractual obligation has been met or otherwise extinguished. The same applies to financial liability components. At each reporting date, Genova tests whether there is any objective evidence that a financial asset or a group of financial assets may be impaired.

Gains or losses on derecognition and modification are recognised in profit or loss.

### Classification and measurement

#### Financial assets

*Debt instruments:* Financial assets are classified as debt instruments based on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

The instruments are measured at:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss.

The Group's debt instruments are measured at amortised cost.

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs. Rent and accounts receivable are initially measured at the invoiced amount. After initial recognition, the assets are subsequently measured using the effective interest method. According to the business model, assets measured at amortised cost are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are covered by a loss allowance for expected credit losses.

*Equity instruments:* measured at fair value through profit or loss unless they are not held for trading, since an irrevocable election can be made to measure them at fair value through other comprehensive income with no subsequent reclassification in profit or loss. The Group holds shares and participations that are measured at fair value through profit or loss.

*Derivatives:* measured at fair value through profit or loss. The Group does not apply hedge accounting.

Fair value is determined according to the description in Note 3.

#### Financial liabilities

Financial liabilities are measured at amortised cost except for derivatives. Financial liabilities measured at amortised cost are initially measured at fair value plus transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

*Derivatives:* measured at fair value through profit or loss. The Group does not apply hedge accounting.

Fair value is determined according to the description in Note 3.

### Impairment of financial assets

The Group's financial assets, except for those measured at fair value through profit or loss, or equity instruments measured at fair value through other comprehensive income, require impairment allowances for expected credit losses. Impairment allowances for credit losses under IFRS 9 are forward-looking and a loss allowance is required for all exposure to credit risk, usually at initial recognition. Expected credit losses reflect the present value of all cash

shortfalls attributable to either a 12-month risk of default occurring, or the expected remaining life of the financial instrument, depending on the class and credit impairment of the asset since initial recognition. Expected credit losses reflect an objective, probability-weighted outcome that accounts for multiple scenarios based on reasonable and supportable forecasts.

The simplified approach is applied for rent and accounts receivable, contract assets and lease receivables. Under the simplified approach, a loss allowance is recognised for the expected remaining life of the asset or receivable.

For other items covered by expected credit losses, a three-stage impairment model is applied.

Initially, and at every balance-sheet date, a loss allowance is recognised for the next 12 months, alternatively for a shorter period of time depending on the remaining term to maturity (stage 1). The Group's assets are considered to be in stage 1, meaning there has not been any significant increase in credit risk. This approach is applied for rent and accounts receivable, and for expected credit losses for financial guarantee contracts. These comprise the company's guarantees on behalf of loans raised by co-operative housing associations for financing the construction contract.

Expected credit losses are estimated by assessing each asset individually, based on historical experience and current conditions.

The financial assets are measured at amortised cost on the balance sheet (that is, the gross book value net of the loss allowance). Changes in the loss allowance are recognised in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and immediately available balances with banks and similar institutions as well as short-term liquid investments with a maturity of less than three months from the acquisition date. Cash and cash equivalents are subject to the loss allowance required for expected credit losses.

#### **Accounts receivable and other receivables**

For rent and accounts receivable, the Group has elected to apply the simplified approach to recognise expected credit losses. This means that expected credit losses are reserved for their remaining term to maturity, which is expected to be less than one year for all receivables. The Group's loss allowance for expected credit losses is based on historical credit loss data and forward-looking information. The Group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially determined collectively for all customers. Any larger single receivables are assessed per counterparty. The Group writes off a receivable when there is no longer any expectation that payment will be received and when active collection efforts have been terminated.

Genova applies a method that combines historical experience with other known information and forward-looking factors to estimate expected credit losses. The Group has defined default as when payment of the receivable is 90 days or more overdue, or when other factors indicate that a payment suspension exists. A significant increase in credit risk was not deemed to exist for any receivable or asset at the balance-sheet date. Such an assess-

ment is based on whether payment is 30 days or more overdue, or if the credit quality has deteriorated significantly, resulting in a rating below investment grade. If the amounts are not deemed insignificant, a loss allowance for expected credit losses is recognised for financial instruments.

#### **2.7 CASH FLOW**

Cash and cash equivalents include cash, bank deposits and other current investments with maturities of less than three months from their acquisition date. Overdraft facilities are recognised as borrowing among current liabilities. Genova only has bank deposits at present. Cash receipts and payments are recognised on the statement of cash flows, which is prepared using the indirect method.

#### **2.8 SHARE CAPITAL AND CALCULATION OF INCOME PER SHARE**

Ordinary shares and preference shares are classified as equity, refer to Note 27. Costs directly attributable to issuing new share are recognised in equity as a deduction from the proceeds. Issue costs are recognised as a deduction under the equity category of Other capital contributions.

The calculation of income per ordinary share is based on the Group's net income attributable to Parent Company shareholders, less dividends to preference shareholders, and on the weighted average number of shares outstanding during the year.

#### **2.9 ACCOUNTS PAYABLE**

Accounts payable are initially measured at nominal value and subsequently at amortised cost, which is usually considered equal to their nominal value since their maturities are typically short. Accounts payable are recognised when an invoice has been received.

#### **2.10 BORROWINGS**

Borrowings are initially measured at fair value, net after transaction costs. Borrowings are subsequently measured at amortised cost and any difference between the amount received (net, after transaction costs) and the repayment amount is recognised in profit or loss allocated over the term of the loan using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance-sheet date. Borrowing costs are recognised as an expense on the income statement in the period they are incurred. Accrued interest is recognised as a component of short-term loans from credit institutions, if the interest is expected to be paid within 12 months of the balance-sheet date.

#### **2.11 CURRENT AND DEFERRED TAX**

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss except when the underlying transaction is recognised in other comprehensive income or directly in equity, whereby any related tax effects are recognised in other comprehensive income or directly equity, respectively.



Current tax expense is calculated using the tax rates enacted or substantively enacted in Sweden by the balance-sheet date (currently 21.4%), where the Parent Company's subsidiaries are active and generate taxable income. Management regularly evaluates the claims in tax returns with respect to situations in which the applicable tax rules are open to interpretation and, when deemed appropriate, makes provisions for amounts that will probably be payable to the Swedish Tax Authority.

Deferred tax is recognised in its entirety, using the balance-sheet method, on all temporary differences arising between the tax base of assets and liabilities and their corresponding book value in the consolidated financial statements. However, deferred tax is not recognised if it arises on initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred income tax is measured at the tax rates (and laws) enacted or substantively enacted at the balance-sheet date and that are expected to apply to the period when the deferred asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only when it is probable that taxable profits will be available in future periods against which the temporary differences can be utilised. Deferred tax is calculated on temporary differences associated with investments in subsidiaries, but only to the extent that the Group is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

## 2.12 EMPLOYEE BENEFITS

### Short-term employee benefits

Employee benefits are recognised as employees render services in exchange for the benefits. The Group does not have any bonus or incentive schemes at present.

### Pension obligations

Group companies have defined-contribution plans only.

For defined-contribution plans, the Group pays contributions to publicly or privately managed pension plans on a mandatory, contractual or voluntary basis. The Group has no other payment obligations when these contributions have been paid. The contributions are recognised as personnel costs as they arise. Prepaid contributions are only recognised as an asset when cash repayments or reductions in future payments may benefit the Group.

### Termination benefits

Termination benefits are provided when a employee's employment is terminated by Genova Properties before the normal retirement date, or when an employee accepts voluntarily to resign in exchange for such benefits. The Group recognises severance pay when the Group is demonstrably committed to either terminating the employment of an employee in accordance with a formal plan and there is no realistic possibility of withdrawing from the plan, or to provide termination benefits as a means of encouraging voluntary redundancy. Benefits due more than 12 months after the balance-sheet date are discounted to present value.

## 2.13 PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be estimated reliably. No provisions are made for future operating losses.

### Provision for onerous contracts

In project management agreements with co-operative housing associations, the Group may undertake to purchase any unsold apartments that the association has on a specified date at a pre-determined price. In the event that the Group considers it probable that the obligation will be settled by purchasing apartments and that the agreed price of these is expected to exceed the fair value of the apartments, the difference between the estimated market value and the agreed value is recognised as a loss provision.

## 2.14 REVENUE RECOGNITION

Revenue from contracts with customers refers to income from the sale of goods and services from Genova's ordinary operations. Revenue is recognised when the customer obtains control over the goods or services that the company deems to be distinct in a contract and reflects the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods or services to the customer.

The Group's income is partly derived from the sale of properties to customers, usually in the form of a co-operative housing association, and project management of construction contracts to help the customer complete the planned building in accordance with the contract and lease income. Lease income is recognised in accordance with IFRS 16/IAS 17.

Contracts for the sale of a property, and for project management of the construction contract, are simultaneously concluded with the customer. Since the contracts are negotiated as a package with a single commercial objective, they are combined. The Group has identified two distinct performance obligations in the contracts: the sale of a property and project management. Project management comprises the work involved in leading the construction and sale to completion and occupancy. The transaction price comprises both a fixed and a variable component. The fixed component comprises the agreed price for the property, while the variable component is affected by the outcome of the construction contract that is managed on behalf of the customer. The variable component of the transaction price is estimated to the most likely amount that Genova expects to receive and has, in its entirety, been allocated to the project management performance obligation, since the conditions specifically relate to the company's efforts to satisfy this performance obligation. Revenue is recognised when the customer has obtained control, by allowing the customer to use or benefit from the good/service, whereby it is considered transferred. The standard defines three criteria for when control is transferred over a period of time. Three criteria have been defined to determine whether the performance obligation is satisfied over a period of time. If the customer simultaneously receives and consumes the

benefits provided by Genova's performance as Genova performs, if Genova's performance creates or enhances an asset that the customer controls, or if Genova's performance does not create an asset with an alternative use to the company, and the company has an enforceable right to payment for performance completed to date.

If the performance obligation meets one of the above criteria, revenue is recognised over a period of time. Otherwise, revenue is recognised at a point in time. Revenue from the sale of the property is recognised at a point in time, since the control is considered transferred when the customer gains access to the property. Revenue for project management of the construction contract is recognised over a period of time, since control is considered transferred based on the completed progress of the performance obligation.

## 2.15 LEASES

Leases in which a significant part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term are expensed in profit or loss on a straight-line basis over the lease term. Genova recognises all leases as operating leases.

## 2.16 DIVIDENDS

Dividends paid to the Parent Company's shareholders are recognised as debt in the Group's financial statements in the period when the dividend is approved by the Parent Company's shareholders.

## 2.17 DEVELOPMENT PROPERTIES

Development properties are properties that are newly constructed for residential or commercial purposes. Production costs include direct costs and a reasonable proportion of indirect costs and interest expense.

## 2.18 JOINT ARRANGEMENTS

A joint arrangement is when the Group shares joint control of an arrangement with other parties. Arrangements subject to joint control are classified as either a joint operation or a joint venture, depending on the contractually agreed rights and obligations of each of the parties sharing control. The Group is party to arrangements classified as joint ventures. Joint ventures are recognised using the equity method. When using the equity method, the investment is initially measured at cost in the Group's statement of financial position and the book value is subsequently increased or decreased to match the Group's share of profit and loss and other comprehensive income from its investment after the acquisition date. The Group's share of profit and loss and other comprehensive income in a joint venture is included in the Group's profit and loss and other comprehensive income.

## 2.19 PARENT COMPANY ACCOUNTING POLICIES

The accounting policies applied by the Parent Company are essentially consistent with the consolidated financial statements. The Parent Company's accounts are prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act. RFR 2 specifies exemptions from, and additions to, the standards issued by the IASB. These exemptions and additions shall apply from the date the legal entity applies the specific standard or statement in their consolidated financial statements.

The Parent Company does not apply the same accounting policies as the Group in the cases set out below.

### Presentation of the income statement and balance sheet

The Parent Company applies the presentations described in the Swedish Annual Accounts Act, which includes a different presentation of equity.

### Shares in subsidiaries

Shares in subsidiaries are measured at cost less impairment losses. If there is any indication that shares and participations in subsidiaries may be impaired, their recoverable amount is estimated. If the recoverable amount is lower than the book value, an impairment loss is recognised. Impairment losses are recognised in Profit/loss from participations in Group companies.

### Group and shareholder contributions

The Parent Company recognises Group contributions using the alternative rule, which means that Group contributions paid or received are recognised as appropriations. Shareholder contributions are recognised directly in equity by the recipient, and capitalised in shares and participations by the contributor. Shareholder contributions received are recognised as an increase in unrestricted equity.

### IFRS 16 Leases

The accounting model for recognising leases in IFRS 16 was not applied in the Parent Company. This means that lease payments were recognised as an expense over the lease term on a straight-line basis, and that right-of-use assets and lease liabilities were not included on the Parent Company's balance sheet. However, the identification of a lease complies with IFRS 16 – that an agreement is, or contains, a lease if the agreement conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

## Note 3 Financial risk management

### 3.1 FINANCIAL RISK FACTORS

Through its operations, the Group is exposed to various types of financial risk, which may impact the company's financial position and results. The following describes the main financial risks that the Genova Group is exposed to, and how management has elected to manage these risks. This note should be read together with those notes that describe the Group's financial assets and liabilities in more detail.

At present, the Parent Company only holds shares in Group companies and inter-company transactions. The following description therefore applies to the Group as a whole.

Risk management is carried out by the CEO and CFO, in consultation with the Board of Directors. The CEO and CFO identify and assess financial risks.

### 3.2 FUNDING RISK – LIQUIDITY RISK

The Group's activities, especially property acquisitions, are mainly financed by loans from external creditors. Interest expense is a significant item of cost, and borrowings account for a major proportion of total assets. The Group's activities include the management of property development projects, which may be delayed or affected by unforeseen or additional costs – due to factors within or beyond

the Group's control. The occurrence of such circumstances could mean that projects cannot be completed before the loans are due, or that such additional costs are not covered by the credit facilities granted. Should such a situation arise, where Genova is unable to obtain the required credit or credit at favourable terms, a material adverse effect on the Group's operations, earnings and financial position could arise.

As of 31 December 2019, the Group's liquidity amounted to SEK 159m (226), including an undrawn credit facility of SEK 50m (50). The Group's credit facility is subject to covenants comprising the achievement of several financial key metrics and several non-financial key metrics. The financial key metrics include the loan-to-value ratio and interest coverage ratio. Genova works continuously to monitor the fulfilment of its loan covenants and reports the outcome to the Board.

The undiscounted cash flows arising from the Group's liabilities in the form of financial instruments, based on the contracted remaining maturities at the balance-sheet date, are shown in the table below.

Amounts payable based on a variable interest rate, have been estimated using the current interest rates at the balance-sheet date.

Group, SEKm	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>As of 31 December 2019</b>				
Loans from credit institutions, incl. interest payments	452.9	508.7	1,155.9	–
Loans from minority interests	–	–	–	–
Overdraft facility	–	–	–	–
Bond loans	–	159.0	500.4	–
Non-current liabilities	–	20.0	20.0	2.9
Lease liabilities	6.6	6.0	9.9	17.6
Accounts payable and other liabilities	34.1	–	–	–
<b>Total</b>	<b>493.6</b>	<b>693.7</b>	<b>1,686.2</b>	<b>20.5</b>
<b>As of 31 December 2018</b>				
Loans from credit institutions, incl. interest payments	422.0	155.8	726.1	–
Loans from minority interests	2.9	–	2.7	–
Overdraft facility	–	–	–	–
Bond loans	–	–	479.6	–
Non-current liabilities	–	–	0.9	–
Accounts payable and other liabilities	50.3	–	–	–
<b>Total</b>	<b>475.2</b>	<b>155.8</b>	<b>1,209.3</b>	<b>–</b>



### 3.3 INTEREST-RATE RISK

The Group's interest-rate risk arises from long-term loans. Variable rate loans expose the Group to interest-rate risk in regard to cash flow. The Group's loans only carry STIBOR interest rates, or similar, plus a margin. This means that the Group is exposed to fluctuations in STIBOR rates. Most the Group's large credit facilities comprise construction credit, typically with maturities to cover a construction period of 18-24 months before being phased-out. From time to time, the Group also raises acquisition loans and loans from minority interests, which usually have longer maturities. Changes in interest rates may lead to changes in fair value, changes in cash flows and fluctuations in the Group's earnings.

In 2019, a 0.5 percentage point increase/decrease in 3-month STIBOR would have led to a SEK 8.6m increase/decrease in the Group's interest expense for the financial year. Earnings and equity would have been impacted by the corresponding amount. The sensitivity analysis is estimated solely on the basis of an assumption of changed STIBOR rates.

### 3.4 CREDIT RISK AND COUNTERPARTY RISK

The Group is exposed to the risk of not receiving payment for the residential units or properties for which Genova has entered into an agreement to sell, and for which receivables will be due from the buyers, as well as current rent and accounts receivable. The assessment is that credit risk has not increased significantly for any of the Group's financial assets. Counterparties have no credit ratings, except for cash and cash equivalents, for which the counterparty has a credit rating of AAA.

The financial assets covered by the general approach to expected loss provisioning are cash and cash equivalents, contractor agreements and rent and accounts receivable. Genova applies a method that combines historical experience with other known information and forward-looking factors to estimate expected credit losses. The Group has defined default as when payment of the receivable is 90 days or more overdue, or when other factors indicate that a payment suspension exists. A significant increase in credit risk was not deemed to exist for any receivable or asset at the balance-sheet date. Such an assessment is based on whether payment is 30 days or more overdue, or if the credit quality has deteriorated significantly, resulting in a rating below investment grade. If the amounts are not deemed insignificant, a loss allowance for expected credit losses is recognised for financial instruments.

### The Parent Company

The Parent Company applies the same impairment model as the Group for expected credit losses on current and non-current receivables from Group companies. A significant increase in credit risk was not deemed to exist for any receivable from Group companies at the balance-sheet date. The assessment is that no expected credit losses are material, and no allowance has therefore been recognised.

### 3.5 CAPITAL RISK MANAGEMENT

The aim of the capital structure is to ensure the Group's ability to continue operating, so that it can continue to generate returns for its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to minimise its cost of capital.

Like other companies in the industry, Genova uses a loan-to-value ratio to assess the quality of its capital. This key metric is calculated as interest-bearing liabilities less cash and cash equivalents in relation to the market value of investment properties, properties under construction and development properties at the end of the reporting period.

### 3.6 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the Group's financial assets and liabilities, measured at book value and fair value respectively, classified into categories under IFRS 9. The Group's financial assets and liabilities for the comparative year of 2018 are presented in classification categories under IAS 39.

The maximum credit risk for the assets is the net book value in the following tables. The Group has not received any pledges of collateral for these net financial assets.

Group, SEKm	Financial assets at fair value through profit and loss	Assets at amortised cost	Total book value	Total fair value
<b>31 Dec 2019</b>				
<b>Assets on the balance sheet</b>				
Accrued income		104.4	104.4	104.4
Unlisted shares	0	0	0	0
Other non-current receivables	96.0		96.0	96.0
Rent receivable and accounts receivable	4.0		4.0	4.0
Other receivables		93.7	93.7	93.7
Accrued income	2.6		2.6	2.6
Cash and cash equivalents		109.1	109.1	109.1
<b>Total</b>	<b>102.6</b>	<b>307.2</b>	<b>409.8</b>	<b>409.8</b>

Group, SEKm	Financial liabilities at fair value through profit or loss	Liabilities at amortised cost	Total book value	Total fair value
<b>31 Dec 2019</b>				
<b>Liabilities on the balance sheet</b>				
Long-term loans from credit institutions		1,664.6	1,664.6	1,664.6
Other non-current liabilities		42.1	42.1	42.1
Short-term loans from credit institutions		452.9	452.9	452.9
Accounts payable		34.1	34.1	34.1
Other liabilities		69.3	69.3	69.3
Accrued expenses		10.5	10.5	10.5
<b>Total</b>		<b>2,273.5</b>	<b>2,273.5</b>	<b>2,273.5</b>

Group, SEKm	Financial assets at fair value through profit and loss	Assets at amortised cost	Total book value	Total fair value
<b>31 Dec 2018</b>				
<b>Assets on the balance sheet</b>				
Accrued income		77.6	77.6	77.6
Unlisted shares	1.3		1.3	1.3
Other non-current receivables	8.3		8.3	8.3
Rent receivable and accounts receivable	1.7		1.6	1.6
Other receivables		165.7	165.7	165.7
Accrued income	0.2		0.2	0.2
Cash and cash equivalents		176.5	176.5	176.5
<b>Total</b>	<b>11.5</b>	<b>419.8</b>	<b>431.4</b>	<b>431.4</b>

Group, SEKm	Financial liabilities at fair value through profit or loss	Liabilities at amortised cost	Total book value	Total fair value
<b>31 Dec 2018</b>				
<b>Liabilities on the balance sheet</b>				
Long-term loans from credit institutions		881.9	881.9	881.9
Other non-current liabilities		3.6	3.6	3.6
Short-term loans from credit institutions		428.1	428.1	428.1
Accounts payable		50.3	50.3	50.3
Other liabilities		27.1	27.1	27.1
Accrued expenses		30.4	30.4	30.4
<b>Total</b>		<b>1,421.4</b>	<b>1,421.4</b>	<b>1,421.4</b>

## Note 4 Key judgements and estimates

Judgements and estimates are evaluated continuously and are based on historic experience and other factors, including expectations of future events considered reasonable under the current circumstances.

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. The accounting estimates resulting from these will, by definition, rarely correspond to the actual outcome. The estimates and assumptions that have a significant risk of resulting in a material adjustment to the book value of assets and liabilities within the next financial year are described below.

#### Valuation of investment properties

Investment properties are measured at fair value, which is determined by management on the basis of the properties' estimated market value.

In the valuation of investment properties, judgements and assumptions may affect the Group's earnings and financial position. Critical accounting estimates and assumptions are made when valuing building rights in regard to variables in development estimates, vacancy rates, rate of return requirements and cost of capital. These assumptions are based on experienced valuers' assessments of the capitalisation rate for comparable properties. Estimates of the cash flow for operating, maintenance and administrative costs are based on actual costs, but also on experience from comparable properties. Future investments have been estimated on the basis of the actual needs. For more information about the assumptions made, refer to Note 15 Investment properties, which also contains a section on market valuation.

#### Deferred tax assets

Deferred tax assets and liabilities are recognised for deductible temporary differences and unused tax loss carryforwards. The valuation of tax loss carryforwards and the Group's ability to utilise tax loss carryforwards is based on the management's estimates of future taxable profits in various tax areas. The largest tax loss carryforwards are attributable to Sweden, where they are deductible against taxable profits in future periods with no time limitation. For more information about tax loss carryforwards and the recognition and measurement of deferred tax assets, see Note 14.

### CRITICAL ACCOUNTING ESTIMATES FOR THE COMPANY

#### Revenue recognition

##### *Estimates and limitation of variable consideration*

The transaction price allocated to the project management performance obligation is variable and impacted by the outcome of the co-operative housing association's contract with the customer. The

Group makes an initial assessment of the outcome, which normally means that the consideration is partly limited due to uncertainty in the outcome of the contract. The assessment is then updated continuously on the basis of historical experience from the outcomes of similar projects and estimates of the future.

##### *Method for measuring progress towards satisfaction of a performance obligation*

Revenue for fulfilment of the project management contract is recognised over time as the work is performed. The Group applies an input method for measuring progress based on cost paid for the project management in relation to total estimated cost, since this method best depicts Genova's method for transferring control of the performance obligation to the customer. The Group bases its assessment of total cost on the conditions for the specific project, and experience from previous projects.

#### Difference between a business combination and an asset acquisition

The acquisition of a company is classified as either a business combination or an asset acquisition. An asset acquisition exists if the acquisition relates to properties, with or without rental agreements, but does not include the organisation and processes required to perform the management activities. All other acquisitions are business combinations.

Management assesses the criteria that have been met on a case-by-case basis. All acquisitions completed in 2018 and 2017 are considered asset acquisitions.

#### Control over co-operative housing associations

Genova has investigated whether it has control over co-operative housing associations, in which case they should be consolidated into Genova's financial statements and no revenue recognised in cases where the revenue is derived from contracts with the co-operative housing associations, until the participations in co-operative housing associations are sold to third parties. Genova has based its assessment on whether it has the power to direct the relevant activities of a co-operative housing association, whether Genova is exposed, or has rights, to variable returns from its involvement with the co-operative housing association, and whether Genova has the ability to affect those returns through its power over the co-operative housing association. Co-operative housing associations are formed by members who are independent of Genova and constitute its Board. Genova enters into agreements with co-operative housing associations regarding sales of property and project management of construction contracts.



*Current ability to direct relevant activities*

The current ability to make decisions regarding relevant activities should only refer to substantive decisions. The scope is co-operative housing association's activities and how these activities impact stakeholders returns.

All important decisions are normally made at an early stage when agreements are concluded between co-operative housing associations and mainly Genova and the bank that is financing the co-operative housing association. Relevant activities are thereafter largely predetermined in agreements and the scope of relevant activities to make decisions regarding the activities of a co-operative housing association is therefore limited for both Genova and the Board of the co-operative housing association. The signing of agreements is not in itself an expression for the ability to direct since the agreements are concluded between independent parties on market terms. However, the agreements are critical for the economy of co-operative housing associations. Co-operative housing associations are mainly able to actively influence the design of final agreements with Genova, the contractor and the bank.

The specially designed procedure for the co-operative housing association's approval of the budget and the necessary conditions for obtaining implementation guarantees mean that all decisions are made at an early stage, including the acquisition of the property and the building rights, and the construction contract and project management agreement are signed by the Board of the co-operative housing association.

Regarding the first element of control related to power over co-operative housing associations, the conclusion is that Genova does not have such power over co-operative housing associations.

*Exposure, or rights, to variable returns from involvement with co-operative housing associations*

Genova's returns from co-operative housing associations are variable and Genova is largely able to affect the amount of those returns.

This assessment is based on the fact that the variability should be attributable to the co-operative housing associations' activities, not to Genova's activities from the project management contract.

Successful sales of apartments are important for Genova's obligations in regard to its guarantees to co-operative housing associations, in the form of sureties and a commitment to buy unsold participations in the co-operative housing association. The historical risk and cost for Genova have been very low from experience, whereby the effect of a variable return on Genova has been immaterial.

Regarding the second element of control related to exposure to variable returns from involvement with co-operative housing associations, the conclusion is that Genova is not exposed to the extent that it has power over co-operative housing associations.

*Ability to use power to affect the amount of returns*

An important activity is successful sales of co-operative apartments, which impacts Genova's costs for its guarantee commitments. Sales of co-operative apartments are mainly handled by the agent engaged by the co-operative housing association. Genova can impact these sales, but not control them. However, Genova dependent on successful sales because they reduce the scope of the guarantee commitment. It should also be noted that similar guarantee commitments are common in construction contracts with parties other than co-operative housing associations in order to make it advantageous for the counterparty to enter into a contract at an earlier date, and as an alternative to price discounts.

Genova's assessment is, therefore, that the third element of control – to have power, and to use that power to affect the amount of returns – has not been met. To summarise, Genova does not satisfy the criteria for having control over co-operative housing associations and, consequently, co-operative housing associations are not consolidated into Genova's financial statements.

## Note 5 Segment reporting

Management has identified operating segments on the basis of internal reporting to the company's chief operating decision-maker, which the Group has identified as the CEO. Based on the internal management reports, the operations are organised, managed and reported as two operating segments: Investment properties and New construction. The operating segments are consolidated according to the same principles as the Group as a whole. The income and expenses reported for each operating segment are actual costs. The same applies to the assets and liabilities reported per segment and that are shown in the Consolidated statement of financial position.

Property management is monitored on a monthly basis using net operating income as a performance measure, while New construction is monitored on a monthly basis using estimated project profit and margin as a performance measure.

Revenue from Swedish customers constitutes 100% (100) of total Group income. Of the investment property portfolio, 95% (93) is allocated to Sweden, 5% (7) to Spain. In 2019, the Group had one customer that accounted for more than 10% of its income. This customer's total share of income was 11%. In 2018, the Group had two customers that accounted for more than 10% of income. These customers' total share of income was 30%. These customers relate to the New construction segment for both of these years.

SEK 000s	2019				2018			
	Property management	New construction	Not allocated	Total	Property management	New construction	Not allocated	Total
Rental income	180.6			180.6	127.7			127.7
Income from new construction, co-operative apartments		26.8		26.8		76.6		76.6
<b>Total income</b>	<b>180.6</b>	<b>26.8</b>		<b>207.4</b>	<b>127.7</b>	<b>76.6</b>		<b>204.3</b>
Property costs	-50.7			-50.7	-35.5			-35.5
<b>Total costs</b>	<b>-50.7</b>			<b>-50.7</b>	<b>-35.5</b>			<b>-35.5</b>
<b>Net operating income/Income from new construction</b>	<b>129.9</b>	<b>26.8</b>		<b>156.7</b>	<b>92.2</b>	<b>76.6</b>		<b>168.8</b>
Central administration	-12.4		-22.5	-34.9	-10.0		-22.1	-32.1
Share of profit of joint ventures			25.4	25.4			5.8	5.8
Net financial items	-77.5			-77.5	-44.3			-44.3
Other operating income			3.2	3.2			1.4	1.4
Value changes, properties	606.5			606.5	135.8			135.8
<b>Income before tax</b>				<b>679.4</b>				<b>235.4</b>
<b>Segment-specific assets</b>								
Investment properties	3,661.3				2,270.9			
Properties under construction	702.0				279.0			
Development properties	56.5				50.3			
Shares in joint ventures	88.5				62.4			
Accrued income		104.4				77.6		
<b>Segment-specific investments</b>								
Investments in investment properties	955.0				660.8			

## Note 6 Rental income

Rental and services income is distributed between the following business segments:

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Office/store	97.6	73.1
Community service properties	42.7	28.1
Warehouse/industry	25.0	18.6
Hotel	13.5	7.2
Other rental income	1.8	0.7
<b>Total net sales per business segment</b>	<b>180.6</b>	<b>127.7</b>

Income trend:

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018	Change, %
Comparable portfolio	104.1	98.6	6
Properties acquired	75.8	25.8	194
Properties sold	0.7	3.3	-80
<b>Rental income</b>	<b>180.6</b>	<b>127.7</b>	<b>41</b>
Commercial properties	129.8	97.2	34
Community service properties	50.7	30.5	67
<b>Rental income</b>	<b>180.6</b>	<b>127.7</b>	<b>41</b>

Term structure of existing rental agreements at the balance-sheet date:

Group, SEKm	No. of rental agree-ments	Area Ksqm	Con-tracted annual rent, SEKm	Per-cent-age %
Investment properties, term				
2020	125	6	10	5
2021	57	25	31	14
2022	26	23	34	15
2023	20	11	13	6
2024	14	26	30	13
>2024	34	71	102	46
<b>Total, commercial properties</b>	<b>276</b>	<b>162</b>	<b>220</b>	<b>100</b>
Parking spaces and other	3	–	–	–
<b>Total</b>	<b>279</b>	<b>162</b>	<b>220</b>	<b>100</b>
Vacant		8	5	
<b>Total</b>		<b>170</b>	<b>225</b>	

Term structure of future rental income at closing date:

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Payment due within 12 months	219.0	152.7
Payment due between one and five years	660.0	454.6
Payment due later than five years	658.9	408.5
<b>Total</b>	<b>1,537.9</b>	<b>1,015.8</b>

10 largest tenants:

Tenants	Contracted annual rent, SEKm	% of total portfolio
HOOM Home & Hotel AB	17	7.7%
City of Stockholm, Education Administration	14	6.5%
Coop Sverige Fastigheter AB	13	6.1%
Stiftelsen Uppsala Musikklasser	13	5.9%
Yrkesplugget i Sverige AB	10	4.4%
Scanreco AB	9	3.9%
AmiSgo AB	6	2.8%
Uppsala Municipality	6	2.7%
Dagab Inköp och Logistik AB	5	2.2%
IF Friskis & Sveltis	4	2.0%
<b>Total</b>	<b>98</b>	<b>44.3%</b>
<b>Weighted average remaining term</b>		<b>6.90</b>

## Note 7 Property costs

In 2019, property costs amounted to SEK 50.7m (35.5), corresponding to SEK 298/sqm (261). These amounts includes direct property costs such as costs for operation, maintenance, ground rent and property tax.

### Operating costs

Operating costs includes costs for heating, water, maintenance, waste management and insurance. Most operating costs are passed on to tenants in the form of rent surcharges. Regarding warehouse and industrial properties, the tenants are directly responsible for most of the operating costs in many cases. In addition, operating costs of SEK 37.5m (21.2) are included, corresponding to SEK 220/sqm (156).

### Maintenance costs

Maintenance costs comprise ongoing measures to maintain the property's standard and technical systems. Maintenance costs amounted to SEK 7.6m (8.8), corresponding to SEK 45/sqm (65).

### Property tax

The Group's property tax amounted to SEK 5.6m (4.2), corresponding to SEK 33/sqm (31). Property tax is a state tax based on the taxable value of a property. In 2018, the tax rate was 1.0% of the taxable value for offices and 0.5% for warehouse/industry.

The property cost trend:

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018	Change, %
Comparable portfolio	–35.1	–30.1	16
Properties acquired	–14.8	–3.2	363
Properties sold	–0.8	–2.2	–66
<b>Property costs</b>	<b>–50.7</b>	<b>–35.5</b>	<b>43</b>
Commercial properties	–42.1	–29.7	42
Community service properties	–8.6	–5.8	48
<b>Property costs</b>	<b>–50.7</b>	<b>–35.5</b>	<b>43</b>



## Note 8 Central administration

### Central administrative expenses

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
<b>Property management</b>		
Other external costs	-5.2	-5.9
Personnel costs	-5.0	-3.5
Depreciation/amortisation and leases	-2.2	-0.6
<b>Central administration, property management</b>	<b>-12.4</b>	<b>-10.0</b>
<b>Project development</b>		
Other external costs	-9.5	-12.3
Personnel costs	-9.0	-8.5
Depreciation/amortisation and leases	-4.0	-1.3
<b>Central administration, project development</b>	<b>-22.5</b>	<b>-22.1</b>

## Note 9 Auditor fees

Audit assignments refer to the examination of the annual report and accounts as well as the administration by the Board and the CEO, other tasks related to the duties of the company's auditors, and consultation or other services that may result from observations noted during such examinations or implementation of such other tasks. All other tasks are defined as other assignments.

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Ernst & Young AB		
Audit assignment	-2.3	-2.6
Other assignments	-0.4	-
<b>Total</b>	<b>-2.7</b>	<b>-2.6</b>

### The Parent Company

In 2019 and 2018, the Parent Company did not have any costs for auditing or other services provided by the elected auditors.

## Note 10 Employee benefits

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Salaries and remuneration	25.1	20.9
Social security costs	6.8	6.3
Pension expense, defined-contribution plans	2.4	2.7
Capitalisation of ongoing projects	-19.5	-18.5
<b>Total</b>	<b>14.9</b>	<b>11.4</b>

Group, SEKm	1 Jan 2019-31 Dec 2019			1 Jan 2018-31 Dec 2018		
	Salaries and other remuneration (of which bonus)	Pension expense	No. of	Salaries and other remuneration (of which bonus)	Pension expense	No. of
Board members, CEO and other senior executives	15.7	1.3	14	10.3	1.3	13
of which bonus	(3.7)			(-)		
Other employees	10.8	1.1	21	10.6	1.4	21
of which bonus	(0.2)			(-)		
<b>Total</b>	<b>26.5</b>	<b>2.4</b>	<b>35</b>	<b>20.9</b>	<b>6.4</b>	<b>34</b>

Of the company's Board members, CEO and other senior executives during the year, 10 (10) were men and four (3) women.. The number of people referred to above refers to the total number during the year.

There are no employees in the Parent Company, nor were any salaries paid.

	1 Jan 2019-31 Dec 2019		1 Jan 2018-31 Dec 2018	
	Average no. of employees	Of whom men	Average no. of employees	Of whom men
<b>Subsidiaries</b>				
Sweden	26	16	26	17
<b>Total in subsidiaries</b>	<b>26</b>	<b>16</b>	<b>26</b>	<b>17</b>
<b>Group, total</b>	<b>26</b>	<b>16</b>	<b>26</b>	<b>17</b>

SEKm	Salary/ Remuneration/ Board fees	Variable remuneration	Pension expense	Other remuneration	Total
<b>31 Dec 2019</b>					
Chairman of the Board Mikael Borg	0.1	-	-	-	0.1
Board member Micael Bile	1.1	-	0.2	-	1.3
Board member Jan Björk	0.1	-	-	-	0.1
Board member Knut Ramel	0.1	-	-	-	0.1
Board member Maria Rankka	0.1	-	-	-	0.1
Board member Erika Olsén	0.1	-	-	-	0.1
Board member Andreas Eneskjöld <sup>1</sup>	1.1	-	0.2	-	1.3
CEO Michael Moschewitz	1.8	1.5	0.2	-	3.5
Other senior executives (6 people)	7.5	2.2	0.7	-	10.4
<b>Total</b>	<b>12.0</b>	<b>3.7</b>	<b>1.3</b>	<b>-</b>	<b>17.0</b>

1) Invoice their fees through own company.

SEKm	Basic salary/ Board fees	Variable remuneration	Pension expense	Other remuneration	Total
<b>31 Dec 2018</b>					
Chairman of the Board Micael Bile	1.1	-	0.2	-	1.3
Board member Jan Björk <sup>1</sup>	0.1	-	-	-	0.1
Board member Knut Ramel <sup>1</sup>	0.1	-	-	-	0.1
Board member Henrik Raspe <sup>1</sup>	1.7	-	-	-	1.7
Board member Erika Olsén	0.1	-	-	-	0.1
Board member Andreas Eneskjöld <sup>1</sup>	1.1	-	0.2	-	1.3
CEO Michael Moschewitz	1.8	-	0.2	-	2.0
Other senior executives (6 people)	4.3	-	0.7	-	5.0
<b>Total</b>	<b>10.3</b>	<b>-</b>	<b>1.3</b>	<b>-</b>	<b>11.6</b>

1) Invoice their fees through own company.

#### Senior executives in 2019:

Michael Moschewitz, CEO

Edvard Schéele, CFO

Henrik Raspe, Head of Project Development

Henrik Sandström, Head of Properties

Linda Frisk, Head of Residential

Anna Molén, Head of Urban Development

Peter Lövgren, Head of Business Development

Remuneration of CEO and other senior executives consisted of a fixed salary, other benefits and pension. The period of notice for the CEO is nine months, and three to four months for other senior executives. There are no severance pay agreements.

## Note 11 Net financial items

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
<i>Assets and liabilities measured at amortised cost:</i>		
Interest income from other financial assets	1.9	2.2
<b>Total interest income using effective interest method</b>	<b>1.9</b>	<b>2.2</b>
Interest expense, loans	-66.1	-44.6
<b>Total interest expense using effective interest method</b>	<b>-66.1</b>	<b>-44.6</b>
Exchange rate gains	2.1	5.9
Other financial income	-	2.7
Other financial expenses	-13.3	-10.4
Interest expense leases	-2.1	-
<b>Total</b>	<b>-13.3</b>	<b>-1.9</b>
<b>Total recognised in profit and loss</b>	<b>-77.5</b>	<b>-44.3</b>

Parent Company, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
<i>Assets and liabilities measured at amortised cost:</i>		
Interest income from other financial assets	0.3	0.9
<b>Total interest income using effective interest method</b>	<b>0.3</b>	<b>0.9</b>
Interest expense, loans	-31.6	-21.1
<b>Total interest expense using effective interest method</b>	<b>-31.6</b>	<b>-21.1</b>
Other financial income	-	0.5
Other financial expenses	-7.1	-2.5
<b>Total</b>	<b>-7.1</b>	<b>-2.0</b>
<b>Total recognised in profit and loss</b>	<b>-38.4</b>	<b>-22.2</b>

## Note 12 Other operating income

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Services invoiced	1.7	0.9
Other	1.5	0.5
<b>Total other operating income</b>	<b>3.2</b>	<b>1.4</b>

## Note 13 Value changes

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Change in net operating income	35.3	10.6
Ongoing construction	-18.6	14.8
Land and unused building rights	264.1	57.6
Change in required yield	65.8	11.8
Acquisitions	210.4	41.0
Divestments	49.5	-
<b>Value changes, properties</b>	<b>606.5</b>	<b>135.8</b>

## Note 14 Income tax

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Current tax for the year	-2.3	-1.4
Deferred tax, temporary differences	-136.7	29.9
<b>Total income tax</b>	<b>-139.0</b>	<b>28.5</b>

The differences between recognised tax expense and estimated tax expense based on the applicable tax rate are as follows:

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Income before tax	679.4	235.4
Income tax calculated with the Group's applicable tax rate	-145.4	-51.8
Non-taxable income	11.2	18.1
Non-deductible expenses	-0.1	0.0
Taxable income not included in profit or loss	-1.7	-0.6
Deductible costs not included in profit or loss	2.2	6.2
Non-deductible net interest income	-13.0	-
Property transaction reversals	2.9	9.5
Effect of changed tax rates	4.9	46.5
Other	-	0.6
<b>Income tax</b>	<b>139.0</b>	<b>28.5</b>

All of the Group's subsidiaries, except for two, are Swedish and at the balance-sheet date, had a tax rate of 21.4% (22), which was the weighted average tax rate for the Group in 2019. A tax rate of 20.6% is applied for deferred tax, which will be the applicable tax rate in Sweden as of 2021.

Non-taxable income is mainly attributable to the percentage of completion method from the construction of new co-operative apartments and share of profits from joint ventures, where income is recognised after tax.



Deferred tax liabilities and deferred tax assets are allocated between the following types of temporary differences:

Group, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Deferred tax liabilities		
Temporary differences, properties	269.3	126.8
Untaxed reserves	11.4	6.5
<b>Total deferred tax liabilities</b>	<b>280.7</b>	<b>133.3</b>
Deferred tax assets		
Loss carryforwards	78.6	67.7
Other	–	0.1
<b>Total deferred tax assets</b>	<b>78.6</b>	<b>67.8</b>
<b>Deferred tax liabilities, net</b>	<b>202.1</b>	<b>65.5</b>

Parent Company, SEKm	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Deferred tax assets		
Loss carryforwards	9.4	9.6
<b>Total deferred tax assets</b>	<b>9.4</b>	<b>9.6</b>

A deferred tax asset is recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised.

The following tax loss carryforwards existed at the balance-sheet date of 31 Dec 2019, with no time limit on their utilisation:

Group, SEKm	
Total tax loss carryforwards	381.8
<b>– Of which tax loss carryforwards on the balance sheet</b>	<b>381.8</b>

Parent Company, SEKm	
Total tax loss carryforwards	45.7
<b>– Of which tax loss carryforwards on the balance sheet</b>	<b>45.7</b>

## Note 15 Investment properties

Investment properties are measured using the fair value method. Investment properties are properties held to earn rental income or for capital appreciation, or both. The Group has no holdings of owner-occupied properties or properties leased out under an operating lease.

Group, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	2,270.9	1,596.8
Investments in existing properties	8.0	25.8
Acquisitions	947.0	635.1
Divestments	–7.0	–118.5
Reclassifications	–58.0	–
Value changes, unrealised	500.4	131.7
<b>Total fair value investment properties</b>	<b>3,661.3</b>	<b>2,270.9</b>
<b>Taxable values</b>	<b>1,125.3</b>	<b>833.9</b>

Unrealised value changes in investment properties held at the balance-sheet date are recognised as profit or loss on the line item 'Value changes, properties.'

Fair value correspond to the market value of investment properties. The external valuations performed as of 31 December 2019 by independent valuers comprised all properties, a total of 43. The value change was mainly attributable to investments in properties, new lettings, renegotiations and the fact that building rights were created for residential purposes in a number of properties.

The amounts recognised for investment properties in the Group's statement of comprehensive are set out in Note 5 'Segment reporting.'

### The 'market value' concept

Market value here refers to the most probable price for an intended sale of the valuation object in a free and transparent property market. The sale of the valuation object is assumed to take place at the valuation date, after the object has been offered for sale in a customary manner for the valuation object during a normal marketing period.

In the intended sale, there must be no coercion to transfer the property and no special party relations.

### Valuation method

The grounds for all market value assessments are analyses of pre-sold objects (local prices) combined with knowledge of market players' views of various types of objects, how they arrive at these views, awareness of market rent levels (local prices), and so forth. Properties are rarely completely comparable, which is why standardisation of valuation factors is required. Standardisation often takes place via the area (area approach) or net operating income (rate of return/capitalisation rate approach). Both of these approaches, according to Genova's interpretation, reflect an investor's assessment without insight into the valuation object's actual income or costs. The most common method of valuation is the discounted cash flow approach, which is considered a variation of the rate of return method, but with the ability to determine value based on estimated future income/cost changes. The discounted cash flow approach illustrates potential future trends in current financial factors. Inputs for this approach are the object's closing rent levels, costs, vacancies, and so forth. These are adjusted over the

calculation period with market assumptions based on local prices, or knowledge of how market players assess the current object. The value is derived from the total of the present value of each year's net operating income, and the present value of the property's residual value at the end of the calculation period. The residual value is the expected net operating income in the first year after the end of the calculation period, in relation to a market-based estimate of the rate of return requirement.

### Cost of capital

Cost of capital is the required rate of return the property owner expects from the property tied up in capital. In Genova's valuation, cost of capital is the required rate of return on total capital since the calculation is performed without taking any loans into account. According to Swedish Property's Index, cost of capital is total capital for a single object based on the current long-term bond rate plus property-related risk. In practice, assessing a market-based cost of capital is difficult using a theoretic model because cost of capital cannot be observed directly in studies of completed sales. For this reason, cost of capital is determined by adjusting our assessed rate of return requirement for inflation.

### Other fair value disclosures

As of 31 December 2019, fair value amounted to SEK 3,661.3m (2,270.9).

In the fair value hierarchy, investment properties are considered Level 3 assets, which means that the value of the asset is based on unobservable inputs.

The following inputs were used in the above valuations:

Forecast period:	10 years (10)
Annual inflation:	2% (2)
Annual rental growth:	100% (100) of CPI
Annual increase in operation and maintenance:	100% (100) of CPI
Cost of capital for net present value calculation	5-10% (5-10) varies depending on the property's geographic location and letting purpose

Valuation yield per category:

	31 Dec 2019	31 Dec 2018
Commercial properties	4.18%	4.96%
Community service properties	5.16%	6.26%
<b>Total</b>	<b>4.50%</b>	<b>5.25%</b>

In 2019, the property value per region was allocated as follows:

Uppsala	24% (26)
Greater Stockholm	64% (55)
Rest of Sweden	12% (19)

## Note 16 Properties under construction

Investments in existing investment properties are recognised as part of the book value of investment properties and are included in market valuation. As of 31 December 2019, properties under construction refers to new properties under construction that, upon completion, will be handed over for management and subsequently reclassified as investment properties. In 2019, the Handelsman-nen 1 investment property in Norrtälje was reclassified to property under construction since a new building will be constructed to replace the old one on the property.

Group, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	279.0	210.7
New construction/capitalisation	229.6	46.7
Reclassification from development properties	11.0	6.8
Reclassification from investment properties	58.0	-
Value changes, unrealised	124.4	14.8
<b>Closing balance</b>	<b>702.0</b>	<b>279.0</b>

## Note 17 Development properties

In 2019, the balance-sheet item 'Development properties' was reclassified as tangible assets since it mainly pertains to accrued costs for projects that will be owned for own management upon completion.

Group, SEKm	31 Dec 2019	31 Dec 2018
Land for planned development	56.5	50.3
<b>Closing balance</b>	<b>56.5</b>	<b>50.3</b>

Group, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	50.3	19.6
The year's acquisitions	28.4	37.5
Reclassification to properties under construction	-11.0	-6.8
Value changes, unrealised	-11.2	-
<b>Closing balance</b>	<b>56.5</b>	<b>50.3</b>

## Note 18 Equipment

Group, SEKm	31 Dec 2019	31 Dec 2018
Opening cost	8.1	4.3
Purchasing	1.1	5.5
Divestments	–	–1.7
<b>Closing accumulated cost</b>	<b>9.2</b>	<b>8.1</b>
Opening depreciation	–2.5	–2.3
Divestments	–	1.2
Depreciation for the year	–3.9	–1.4
<b>Closing accumulated depreciation</b>	<b>–6.4</b>	<b>–2.5</b>
<b>Closing book value</b>	<b>2.8</b>	<b>5.6</b>

Tangible assets include art amounting to SEK 1.9m (1.8), which is not depreciated.

## Note 19 Unlisted shares

The Group has shares in the unlisted company Starcounter Svenska AB.

During the year, the shareholding was increased by SEK 0.2m and then decreased by a total of SEK 1.6m, bringing the book value to 0 (1.4). The fair value of the holding has been difficult to assess, but is considered to be in line with the book value.

## Note 20 Participations in Group companies

Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Opening cost	60.8	57.1
Acquisitions	0.7	0.5
Divestments	–0.9	–0.4
Shareholder contributions	215.7	3.6
<b>Closing accumulated cost</b>	<b>276.3</b>	<b>60.8</b>
Opening impairment losses	–46.8	–43.2
Impairment losses for the year	–7.4	–3.6
<b>Closing accumulated impairment losses</b>	<b>–54.2</b>	<b>–46.8</b>
<b>Closing book value</b>	<b>222.1</b>	<b>14.0</b>

In connection with a restructure of the minority holding in some of Genova's subsidiaries, Genova Property Group provided shareholder contributions totalling SEK 208.3m to finance the acquisition of minority shares.

The Parent Company owns, directly and indirectly, participations in the following subsidiaries:

Name	Corp. Reg. No	Reg. office	Participations (%)	Book value, SEK 000s	
				31 Dec 2019	31 Dec 2018
Genova Fastigheter AB	556712-9324	Stockholm	100	13,025	13,025
Genova Retail AB	556898-0444	Stockholm	100	-	-
Genova Sunnersta AB	556864-7928	Stockholm	100	-	-
Genova Luthagen AB	556864-7936	Stockholm	100	-	-
Genova Almunge AB	556893-9036	Stockholm	100	-	-
Genova Storstreta AB	556864-7951	Stockholm	100	-	-
Genova Flogsta AB	556864-7944	Stockholm	100	-	-
Genova Lännersta AB	556848-2839	Stockholm	100	-	-
Genova Seminariet AB	559012-9002	Stockholm	100	-	-
Genova Omsorg AB	556759-5482	Stockholm	100	-	-
Genova Tattby AB	559012-8988	Stockholm	100	-	-
Genova Björknäs AB	559012-8996	Stockholm	100	-	-
Genova Lillsätra 2 AB	556660-2743	Stockholm	100	-	-
Genova Viby AB	556948-7456	Stockholm	100	-	-
Genova Viby Holding AB	559213-0917	Stockholm	70	-	-
Genova Viby Fastighet AB	556708-3323	Stockholm	100	-	-
Genova Brynjan Holding AB	559130-7540	Stockholm	100	-	-
Genova Brynjan AB	559129-9895	Stockholm	100	-	-
Genova Gördelmakaren Holding AB	556898-0105	Stockholm	100	-	-
Genova Gördelmakaren 5 AB	556708-2739	Stockholm	100	-	-
Genova Hold Kvarnholmen AB	559068-5276	Stockholm	100	-	-
Genova Kvarnholmen Fastighet AB	559076-3248	Stockholm	100	-	-
Genova NV 3 Holding AB	559088-4861	Stockholm	100	-	-
Genova NV3 AB	559088-4119	Stockholm	100	-	-
Genova Linne Holding AB	559088-4739	Stockholm	100	-	-
Genova Linne AB	559088-4127	Stockholm	100	-	-
Genova Rivan Holding AB	559088-4838	Stockholm	100	-	-
Genova Rivan AB	559088-4135	Stockholm	100	-	-
Genova OM Holding AB	559089-0066	Stockholm	100	-	-
Genova Odalmanen Fastighet AB	559129-9911	Stockholm	100	-	-
Genova Instrumentet Holding AB	559130-7565	Stockholm	100	-	-
Genova Instrumentet Fastighets AB	559130-0057	Stockholm	100	-	-
Genova Veddesta Holding AB	559130-7573	Stockholm	100	-	-
Genova Veddesta Fastighet AB	559082-7316	Stockholm	100	-	-
Genova Verkstadsgatan Holding AB	559170-5040	Stockholm	100	-	-
Genova Verkstadsgatan AB	559129-9952	Stockholm	100	-	-
Genova Vikdalen Holding AB	559170-5057	Stockholm	100	-	40
Genova Vikdalen AB	559130-0008	Stockholm	100	-	50
Genova Drevern Holding AB	559170-5065	Stockholm	100	-	40
Genova Drevern 1 AB	559170-6139	Stockholm	100	-	50
Genova Fast 44 AB	559220-1160	Stockholm	100	-	-
Rade Fastigheter AB	556560-7297	Stockholm	100	-	-
Genova Hold 22 AB	559191-4337	Stockholm	100	-	-
Magnethuset Fastighets KB	96715-9334	Stockholm	100	-	-
Handelsbolag Medhuset	916407-2507	Stockholm	100	-	-
Genova Hold 21 AB	559191-4311	Stockholm	100	-	-
Genova Nynäs AB	559170-6097	Stockholm	100	-	50
Genova Fast 38 AB	559191-4188	Stockholm	100	-	-
Genova Elverket 1 AB	559191-4287	Stockholm	100	-	-
Genova Bergsbrunna AB	559191-5516	Stockholm	100	-	-
Fastighets AB Gålö	556951-1099	Stockholm	100	-	-
Genova Mältargatan AB	559219-9516	Stockholm	100	-	-
Mastvik AB	556932-4568	Stockholm	100	-	-



Name	Corp. Reg. No	Reg. office	Participations (%)	Book value, SEK 000s	
				31 Dec 2019	31 Dec 2018
Genova Drevern 2 AB	559219-9441	Stockholm	100	-	-
Fastighets AB Drevhuset	556720-5728	Stockholm	100	-	-
Genova Kungsängsesplanaden AB	559219-9276	Stockholm	100	-	-
Fastighets AB Uppsalaängen	559019-6902	Stockholm	100	-	-
Genova Hus Holding 1 AB	559053-5232	Stockholm	100	50	50
Genova Boländerna 9:11 AB	559014-3805	Stockholm	100	-	-
Genova Boländerna Fastighet AB	556721-2104	Stockholm	100	-	-
Genova Handelsmannen Holding AB	556898-0311	Stockholm	100	-	-
Genova Handelsmannen Fastighet AB	559064-1436	Stockholm	100	-	-
Genova Runö Holding AB	556898-0303	Stockholm	100	-	-
Genova Runö AB	556867-9095	Stockholm	100	-	-
Genova Kryddgården Holding AB	559076-1523	Stockholm	100	-	-
Genova Kryddgården Fastighet AB	559076-2257	Stockholm	100	-	-
Genova Borås Holding AB	559076-1556	Stockholm	100	-	-
GenJärn Borås Holding AB	559076-2984	Stockholm	50	-	-
GenJärn Borås Fastighet AB	556708-2663	Stockholm	100	-	-
GenJärn Borås Fastighet 2 AB	559170-6113	Stockholm	100	-	50
Genova Mackmyra Holding AB	559130-7557	Stockholm	100	-	-
Genova Mackmyra Fastighet AB	556723-4520	Stockholm	100	-	-
Gävlesund Fastigheter AB	556610-1589	Stockholm	100	-	-
Genova Gåshaga AB	559018-9618	Stockholm	100	-	-
Genova Byggnad Holding AB	559004-5059	Stockholm	100	50	50
Genova Sicklaön Holding AB	556898-0436	Stockholm	100	-	-
GenovaFastator Holding AB	559017-4057	Stockholm	50	-	-
Konkret Fastighetsutveckling i Nacka AB	556872-0931	Stockholm	100	-	-
Genova Baggensfjärden Holding AB	559064-1469	Stockholm	100	-	-
Genova Baggensfjärden Fastighet AB	556898-0121	Stockholm	100	-	-
Genova Knivsta 21:1 Holding AB	559118-9468	Stockholm	100	-	-
GenovaRedito Holding AB	559121-8572	Stockholm	50	-	-
Knivsta Gredelby 21:1 AB	559120-3798	Stockholm	100	-	-
Knivsta Särsta 12:1 AB	556966-4450	Stockholm	100	-	-
Genova Sjöborren Holding AB	559130-7581	Stockholm	100	-	40
Genova Sjöborren AB	559076-9898	Stockholm	100	-	-
Genova Nyproduktion AB	556848-2813	Stockholm	100	50	50
Genova Bostad Projektutveckling AB	556864-9098	Stockholm	100	-	-
Genova Projekt Holding 1 AB	556948-7282	Stockholm	100	-	-
Genova Aromatic Holding AB	556948-7431	Stockholm	100	-	-
Genova Saltsjölundens Holding AB	556991-6165	Stockholm	100	-	-
Genova Rosendal Holding AB	556991-6140	Stockholm	100	-	-
Genova Rosendal Holding 1 AB	559100-6746	Stockholm	100	-	-
Genova Bostad AB	556759-5680	Stockholm	100	-	-
Genova 10 AB	556864-8108	Stockholm	100	-	-
Genova 4 AB	556848-2847	Stockholm	100	-	-
Genova Projekt Holding 2 AB	559026-1912	Stockholm	100	-	-
Genova Knivsta Holding AB	559025-2986	Stockholm	100	-	-
Genova Knivsta Fastighet AB	559025-1970	Stockholm	100	-	-
Genova Fålhagen Holding AB	559076-3008	Stockholm	100	-	-
Genova Fålhagen Holding 1 AB	559093-9624	Stockholm	100	-	-
Genova Projekt Holding 3 AB	559130-2731	Stockholm	100	-	-
Genova Produktion AB	559127-7792	Stockholm	100	-	-
Genova Parkering & Service AB	559003-4137	Stockholm	100	50	50
Genova PLM AB	556898-0329	Stockholm	100	50	40
Genova PMA Spain SL		Palma	100	-	-

Name	Corp. Reg. No	Reg. office	Participations (%)	Book value, SEK 000s	
				31 Dec 2019	31 Dec 2018
Genova PLM 2 AB	559076-1515	Stockholm	100	62	40
Genova Can Olivier SL		Palma	100	-	-
Genova Hold 1 AB	559076-1549	Stockholm	100	50	39
Genova Fast 27 AB	559088-4101	Stockholm	100	50	50
Genova Hold 19 AB	559170-5800	Stockholm	100	50	40
Genova Hold 20 AB	559173-1558	Stockholm	100	50	40
Genova Fast 34 AB	559170-6089	Stockholm	100	50	50
Genova Hold 23 AB	559191-4345	Stockholm	100	50	-
Genova Hold 24 AB	559191-4378	Stockholm	100	50	-
Genova Hold 25 AB	559191-4386	Stockholm	100	50	-
Genova 14 AB	556948-7274	Stockholm	100	208,330	50
Genova 99 AB	559204-9406	Stockholm	100	-	-
Genova 98 AB	559204-9422	Stockholm	100	-	-
Genova Fast 43 AB	559220-2237	Stockholm	100	50	-
<b>Total cost in the Parent Company</b>				<b>222,117</b>	<b>13,982</b>

## Note 21 Accrued income

Group, SEKm	31 Dec 2019	31 Dec 2018
Accrued income on unfinished construction contracts	104.4	77.6
<b>Book value at end of year</b>	<b>104.4</b>	<b>77.6</b>

## Note 22 Inter-company transactions

<b>Non-current receivables</b>		
Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	581.8	488.6
Incoming receivables	380.0	953.6
Outgoing receivables	-141.2	-860.4
<b>Closing balance</b>	<b>820.6</b>	<b>581.8</b>

<b>Current liabilities</b>		
Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	140.1	56.0
Incoming liabilities	24.1	216.3
Outgoing liabilities	-103.7	-132.2
<b>Closing balance</b>	<b>60.5</b>	<b>140.1</b>

## Note 23 Other long-term receivables

Group, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	8.3	8.5
Incoming items	88.9	1.0
Outgoing items	-1.2	-1.2
<b>Total long-term receivables at the end of the period</b>	<b>96.0</b>	<b>8.3</b>

Group, SEKm	31 Dec 2019	31 Dec 2018
Promissory notes	88.9	-
Investments on behalf of tenants, allocated over the contract term	5.6	6.4
Convertible loan	0	0.4
Rental deposits	1.5	1.5
<b>Total long-term receivables</b>	<b>96.0</b>	<b>8.3</b>

Promissory notes fall due for 50% payment when the first building permit is obtained for the Viby project. The remaining 50% is due for payment five years after that date.

## Note 24 Rent receivable and Accounts receivable

Group, SEKm	31 Dec 2019	31 Dec 2018
Accounts receivable	4.2	2.0
Less: allowance for expected credit losses	-0.2	-0.3
Accounts receivable – net	4.0	1.7
Accounts receivable reserve		
Opening book value	-0.3	-0.0
Reversal of past reserves		0.0
Debts written-off (confirmed credit loss)	0.3	-
Reserves for the year	-0.2	-0.3
<b>Closing book value</b>	<b>-0.2</b>	<b>-0.3</b>

The credit quality of receivables that are not overdue or impaired is considered high. A reserve of SEK 0.2m for rent and accounts receivable that was made during the reporting period is subject to compliance measures.

### Reserves

Analysis of credit risk exposure in rent and accounts receivable	31 Dec 2019	31 Dec 2018
Rent and accounts receivable that are neither overdue nor impaired:		
Overdue:		
– Less than two months	1.3	0.2
<b>Total rent and accounts receivable that are neither overdue nor impaired</b>	<b>1.3</b>	<b>0.2</b>
Rent and accounts receivable that are overdue and impaired:		
Overdue:		
– Less than two months	2.6	0.2
– More than two, but less than six months	-	1.3
– More than six, but less than 12 months	0.3	0.1
– More than 12 months	0.0	0.0
Total overdue	2.9	1.8
Of which impaired	-0.2	0.3
<b>Book value of accounts receivable</b>	<b>4.0</b>	<b>1.7</b>

Receivables are mainly rent and accounts receivable for which the Group has elected to apply the simplified approach for expected credit losses. This means that expected credit losses are reserved for their remaining term to maturity, which is expected to be less than one year for all receivables. The Group's loss allowance for expected credit losses is based on historical credit loss data and forward-looking information. Any larger single receivables are assessed per counterparty. The Group writes off a receivable when there is no longer any expectation that payment will be received and when active collection efforts have been terminated.

The financial assets covered by a reserve for expected credit losses under the general approach consisted of cash and cash equivalents, contractor agreements and rent and accounts receivable. Genova applies a method that combines historical experience with other known information and forward-looking factors to estimate expected credit losses. The Group has defined default as when payment of the receivable is 90 days or more overdue, or when other factors indicate that a payment suspension exists. A significant increase in credit risk was not deemed to exist for any receivable or asset at the balance-sheet date. Such an assessment is based on whether payment is 30 days or more overdue, or if the credit quality has deteriorated significantly, resulting in a rating below investment grade. If the amounts are not deemed insignificant, a loss allowance for expected credit losses is recognised for financial instruments.

The fair value of the Group's accounts receivable is consistent with their book value. At the balance-sheet date, valid accounts receivable amounted to SEK 4.0m (1.7).

The maximum credit risk exposure of accounts receivable is their fair value at the balance-sheet date. The Group has no assets pledged as collateral.

## Note 25 Other receivables

Group, SEKm	31 Dec 2019	31 Dec 2018
Opening balance	165.7	344.8
Incoming items	2.4	4.9
Outgoing items	-74.4	-173.3
Value change	-	-10.7
<b>Total other receivables at the end of the period</b>	<b>93.7</b>	<b>165.7</b>

Group, SEKm	31 Dec 2019	31 Dec 2018
Receivables in connection with property sales	17.3	17.3
Re-invoicing/settlement of ongoing projects	68.6	133.5
Receivables from associated companies	1.2	1.2
VAT-related receivables	4.5	2.1
Receivables from minority interests	-	3.1
Other receivables	2.1	8.5
<b>Total other receivables</b>	<b>93.7</b>	<b>165.7</b>

Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Receivables from Group companies recognised as associated companies	0.1	14.1
<b>Total other receivables</b>	<b>0.1</b>	<b>14.1</b>

## Note 26 Prepaid expenses and accrued income

Group, SEKm	31 Dec 2019	31 Dec 2018
Down payments on investment property acquisitions	10.5	8.8
Prepaid expenses, operations and administration	3.7	4.0
Prepaid financial expenses	9.1	3.3
Accrued income	2.6	0.2
Other	0.7	0.7
<b>Total prepaid expenses and accrued income</b>	<b>26.6</b>	<b>17.0</b>

Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Down payments on investment property acquisitions	10.5	8.8
Accrued interest income	0.5	0.2
<b>Total prepaid expenses and accrued income</b>	<b>11.0</b>	<b>9.0</b>

## Note 27 Cash and cash equivalents

Group, SEKm	31 Dec 2019	31 Dec 2018
<b>Bank deposits</b>	<b>109.1</b>	<b>176.5</b>

Parent Company, SEKm	31 Dec 2019	31 Dec 2018
<b>Bank deposits</b>	<b>57.0</b>	<b>156.7</b>

## Note 28 Equity and net asset value

Share capital in the Parent Company, Genova Property Group AB, amounted to SEK 0.7m (0.5), distributed between 61,443,932 ordinary shares and 4,000,000 preference shares.

The quota value of the shares is SEK 0.01. Each ordinary share carries one vote per share, while each preference share one-tenth

of a vote per share. At the balance-sheet date, all registered shares were fully paid up.

The preference shares have preferential rights over ordinary shares to an annual dividend of SEK 10.50.

Share capital performance	No. of shares	Quota value/ Share, SEK	Share capital, SEK
<b>Ordinary shares</b>			
Opening and closing balance, 2018	50,000,000	0.01	500,000
New issue – 2 Sep 2019	11,443,932	0.01	114,444
Closing balance, 2019	61,443,932	0.01	614,444
<b>Preference shares</b>			
Opening and closing balance, 2018	3,000,000	0.01	30,000
New issue – 8 Jun 2019	1,000,000	0.01	10,000
Opening and closing balance, 2019	4,000,000	0.01	40,000
<b>Total share capital</b>	<b>65,443,932</b>	<b>0.01</b>	<b>654,444</b>

Other capital contributions in the Group are represented by shareholder contributions from Genova Fastigheter AB of SEK 11m in 2009, and SEK 636.6m (net after expenses) in connection with new issues of preference and ordinary shares in 2015, 2016 and 2019.



	31 Dec 2019		31 Dec 2018	
	SEKm	SEK/ ordinary share	SEKm	SEK/ ordinary share
Equity as per the balance sheet	1,773.2	28.86	1,135.0	22.70
Reversal:				
Deferred tax liabilities as per the balance sheet	280.7	4.57	133.3	2.67
Less:				
Deferred tax assets as per the balance sheet	-78.6	-1.28	-67.8	-1.36
Preference share capital	-440.0	-7.16	-330.0	-6.60
Non-controlling interests	-78.3	-1.27	-66.1	-1.32
<b>Long-term net asset value attributable to ordinary shareholders</b>	<b>1,457.0</b>	<b>23.71</b>	<b>804.4</b>	<b>16.09</b>

## Note 29 Loans from credit institutions

Group, SEKm	31 Dec 2019	31 Dec 2018
<b>Long-term</b>		
Payment due between 1 and 2 years:		
Bank loans	508.7	155.8
Payment due between 2 and 5 years:		
Bank loans	1,155.9	726.1
	<b>1,664.6</b>	<b>881.9</b>
<b>Short-term</b>		
Bank loans	443.1	417.0
Accrued interest	9.8	4.9
	<b>452.9</b>	<b>421.9</b>
<b>Total borrowings</b>	<b>2,117.5</b>	<b>1,303.8</b>

As of 31 December 2018, the Group's total interest-bearing liabilities to credit institutions were attributable to acquisition financing, refinancing of the Group's existing property portfolio and project financing. The Group's credit facilities contain customary loan guarantees and covenants, including the requirement that Genova and its subsidiaries meet certain financial key metrics, such as the loan-to-value ratio and interest coverage ratio.

In 2019, net borrowing amounted to SEK 1,022.1m (544.3). An arrangement fee is payable for borrowing, which is allocated over the term of the loan using the effective interest method. As of 31 December 2019, the average interest rate was approximately 2.2% (2.3), with an average fixed-rate period of 3.6 years (2.3).

## Note 30 Bond loans

Group and Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Bond loans	1,025.0	500.0
Repurchased	-341.0	-15.0
Fees to accrue over the loan term	-26.7	-11.6
Accrued interest	2.1	6.1
<b>Total bond loans</b>	<b>659.4</b>	<b>479.5</b>

Bond loans refers to two bonds listed on Nasdaq Stockholm. Outstanding loan of SEK 159m (SEK 500m in issued loan, of which SEK 341m has been repurchased) matures on 7 April 2021, with a variable interest rates of STIBOR (3 months) plus 5.75%. Loan of SEK 525m matures on 30 September 2023.

## Note 31 Term structure of credit spreads and interest rates

Group, SEKm	Fixed-rate period		Maturity		
	Amount, SEKm	Average rate, %	Credit agreements, SEKm	Drawn, SEKm	Undrawn, SEKm
<b>31 Dec 2019</b>					
Term					
0-1 years	222	3.28	227	222	5
1-2 years	227	4.86	230	227 <sup>1)</sup>	3
2-3 years	163	2.35	169	163	6
3-4 years	525	5.25	525	525 <sup>2)</sup>	–
4-5 years	1,472	1.94	1,548	1,472	76
Total	2,610	3.00	2,700	2,610	90
Construction credit	186	3.03	857	186	671
Total	2,796	3.00	3,556	2,796	761
<b>Loans, excluding Bond and Construction credit</b>	<b>1,926</b>	<b>2.16</b>	<b>2,016</b>	<b>1,926</b>	<b>90</b>

1) SEK 159m refers to a bond with an interest rate of 5.75%.

2) SEK 525m refers to a bond with an interest rate of 5.25%.

## Note 32 Other non-current liabilities

Group, SEKm	31 Dec 2019	31 Dec 2018
Promissory notes	40.0	–
Interest-bearing loans from minority interests	–	2.7
Rental deposits	2.1	0.9
<b>Total other liabilities</b>	<b>42.1</b>	<b>3.6</b>

Parent Company, SEKm	31 Dec 2019	31 Dec 2018
Promissory notes	40.0	–
<b>Total prepaid expenses and accrued income</b>	<b>40.0</b>	<b>–</b>

Recognised promissory notes in the Group and Parent Company refer to two promissory notes with a 4% interest rate and repayments of SEK 20m due in September 2021, and SEK 20m in September 2022.

Interest-bearing loans from shareholders with a 5% interest rate and no specific maturity date.

## Note 33 Other liabilities

Group, SEKm	31 Dec 2019	31 Dec 2018
Interest-bearing loans	–	–
Settlement of ongoing projects	50.6	–
Liabilities relating to property transactions	14.2	12.8
VAT liability	2.0	10.4
Liabilities to minority interests	–	2.9
Employee-related liabilities	1.0	1.0
Other	1.5	–
<b>Total other liabilities</b>	<b>69.3</b>	<b>27.1</b>

## Note 34 Accrued expenses and deferred income

Group, SEKm	31 Dec 2019	31 Dec 2018
Accrued expenses, ongoing projects	4.5	24.3
Accrued holiday pay	1.5	1.5
Accrued expenses, operations and administration	4.5	4.6
Prepaid rental income	25.6	15.3
<b>Total accrued costs and deferred income</b>	<b>36.1</b>	<b>45.7</b>

## Note 35 Pledged assets, contingent liabilities and obligations

### Pledged assets

The Group has pledged properties as collateral for borrowings. Refer to Note 20 for a description of the Group's borrowings.

Group, SEKm	31 Dec 2019	31 Dec 2018
For own liabilities and provisions:		
Property mortgages	2,220.7	1,452.2
<b>Total pledged assets</b>	<b>2,220.7</b>	<b>1,452.2</b>

### Contingent liabilities

The Group has pledged collateral of SEK 518.7m (309.3) for other companies. Pledged shares in the Group amounted to SEK 1,129.5m (0).

The Parent Company has guarantee commitments of SEK 2,089.1m (1,300.2) for Group companies and SEK 518.7m (309.3) for other companies, totalling SEK 2,630.3m (1,609.5). Pledged shares amounted to SEK 13.7m.

## Note 36 Holdings recognised with the equity accounting method

Book value and income from shares in joint ventures are presented below.

The Group owns 50% of the shares in three various joint ventures, which are recognised as participations using the equity method.

Name	Corp. Reg. No	Reg. office	Participations (%)	Book value	
				31 Dec 2019	31 Dec 2018
Participations held at the end of the period					
Genova Fastator Holding AB	559017-4057	Stockholm	50	23.2	23.0
GenJärn Borås Holding AB	559076-2984	Stockholm	50	41.8	23.5
GenovaRedito Holding AB	559121-8572	Stockholm	50	23.5	15.9
				88.5	62.4

Name	Corp. Reg. No	Reg. office	Participations (%)	Profit from participations	
				31 Dec 2019	31 Dec 2018
Participations held at the end of the period					
Genova Fastator Holding AB	559017-4057	Stockholm	50	1.0	1.4
GenJärn Borås Holding AB	509076-2984	Stockholm	50	18.6	3.0
GenovaRedito Holding AB	559121-8572	Stockholm	50	5.8	1.4
				25.4	5.8

## Note 37 Leases

Genova divides its leases into two classes of right-of-use assets: Ground leases and Others. 'Other' includes the Group's leases for cars and premises. Genova's closing balances for right-of-use assets, lease liabilities and changes during the year are presented in the table below:

Group, SEK 000s	Right-of-use assets			Lease liability
	Ground leases	Other	Total	
<b>Opening balance, 1 January 2019</b>	<b>24.2</b>	<b>19.1</b>	<b>43.3</b>	<b>-43.1</b>
Additional agreements	-	1.2	1.2	-1.2
Depreciation of right-of-use assets	-	-4.9	-4.9	
Terminated agreements	-	-0.5	-0.6	0.6
Interest expense on lease liabilities				-2.1
Lease payments				6.7
<b>Closing balance, 31 December 2019</b>	<b>24.2</b>	<b>14.9</b>	<b>39.0</b>	<b>-39.1</b>

The amounts attributable to leases recognised in profit or loss during the year are presented below:

Group, SEK 000s	31 Dec 2019
Depreciation of right-of-use assets	-4.9
Interest expense on lease liabilities	-2.1
<b>Total lease costs</b>	<b>-7.0</b>

Genova recognised lease payments of SEK 6.7m for the 2019 financial year. For a maturity analysis of the Group's lease liabilities, see Note 3.

## Note 38 Related-party transactions

### Tranviks Udde AB

Tranviks Udde AB, Corp. Reg. No. 556946-2673, with its registered office in Stockholm, holds 61.3% of the share capital and 64.7% of the votes in the company and therefore has a controlling influence over Genova. Tranviks Udde AB is therefore the Parent Company in the largest group that includes Genova.

### Consulting agreement with Henrik Raspe Design AB

On 16 October 2016, Genova Bostad Projektutveckling AB entered into a consulting agreement with Henrik Raspe Design AB, a company wholly owned by Henrik Raspe. Under the consulting agreement, Henrik Raspe Design AB shall provide services, including marketing, via Henrik Raspe. In 2019, total remuneration amounted to SEK 2.8m, excluding VAT.

### Invoicing of Binno AB

During the year, Edvard Schéele invoiced consultancy costs, as a non-recurring payment and in addition to regular salary, via the wholly owned company Binno AB. In 2019, total remuneration amounted to SEK 1.4m, excluding VAT.

### Repurchase of minority shares

Genova has restructured the minority holding in some of Genova's subsidiaries by issuing ordinary shares in the Parent Company that were subscribed to by the minority shareholders. For more information, refer to Note 20.

### Remuneration of senior executives

The remuneration of senior executives in 2019 is set out in Note 10.

All transactions are on market terms.



## Note 39 Events after the balance-sheet date

- In January 2020, the Vaksala-Norrby 1:2 and 1:3 properties in Uppsala were acquired at an underlying property value of SEK 31.5m, with accession scheduled for December 2020. An office building will be constructed and let to Renta AB with a seven-year term and an annual rental value of approximately SEK 2.1m.
- In January, a 20-year rental agreement was signed with Hoom Home & Hotel Uppsala AB for approximately 2,400 sqm in the Boländerna 21:4 property in Uppsala. The annual rental value is approximately SEK 4.8m.
- The Board of Genova adopted new financial and operational targets for the operations, which are presented on page 5 of this report. These targets replace the previously applicable financial and operational targets.
- After the end of the reporting period, the COVID-19 pandemic broke out and affected Swedish society. Management is continuously monitoring the company's development in this context in order to manage any risks and situations that may arise, fast and effectively. The company is working to protect the health and safety of our employees, tenants and suppliers, and following the recommendations issued by public authorities. The management's current assessment is that the pandemic will have a limited impact on the company, due to the diversity of Genova's tenant mix. A significant share of the company's rental income is derived from tenants who are not considered affected by the pandemic to any great extent, such as publicly funded operations and supermarkets. More than 70% of Genova's ongoing and planned project development consists of rental apartments and community service properties in Greater Stockholm and the Uppsala Region, representing a low risk of exposure.

## Note 40 Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose that the unappropriated earnings (rounded SEK) at their disposal:

Retained earnings	405,581,453
Loss for the year	-46,271,086
	<b>359,310,367</b>
Be appropriated as follows	
Preference share: Dividend of SEK 10.50 per share	42,000,000
Be carried forward	317,310,367
	<b>359,310,367</b>

The consolidated financial statements and annual accounts were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and with generally accepted accounting principles, and provide a true and fair view of the financial position and results of the Group and the Parent Company. The Directors' Report for the Group and the Parent Company provides a true and fair view of the Parent Company and the Group's operations, financial position and results and describes significant risks and uncertainties faced by the Parent Company and those companies included in the Group.

Stockholm, 27 March 2020

Mikael Borg  
*Chairman of the Board*

Micael Bile  
*Board member*

Jan Björk  
*Board member*

Erika Olsén  
*Board member*

Maria Rankka  
*Board member*

Andreas Eneskjöld  
*Board member*

Knut Ramel  
*Board member*

Michael Moschewitz  
*Chief Executive Officer*

Our audit report was submitted on 27 March 2020

Ernst & Young AB

Henrik Nilsson  
*Authorised public accountant*

# Auditor's report

To the annual general meeting of the shareholders of Genova Property Group AB (publ), corporate identity number 556864-8116.

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Genova Property Group AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 87-133 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are inde-

pendent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Valuation of properties

### Description of the area

Investment property is a significant balance sheet item in the Group's statement of financial position and amounted to 3,661 MSEK on December 31, 2019, representing 72% of the Group's total assets. Investment properties are reported at fair value. The company has external valuations made twice a year on all investment properties, one of which always takes place in connection with the end of the year. Fair value is determined by assessing the market value of each property, using the cash flow method based on assumptions and assessments such as rental income, operating costs, investments, discount rates and return requirements. The return requirements are specific per property and are determined by analysis of completed transactions and the property's market position. Due to the assumptions and assessments on which the valuation is based, we believe that this area is considered a particularly important area in our audit of the Group.

For a description of the company's valuation principles for investment properties see Note 2 Accounting principles and notes 4 and 15.

### How this area was considered in the audit

In our audit, we have evaluated the objectivity, independence and competence of the external valuation companies hired by the company. We have also evaluated and tested the company's internal process of property valuation. For a selection of properties, we have reviewed the valuation model and input in the form of rental income, operating costs and investments towards contracts, historical outcomes and decided investment plans. With the support of our valuation specialists, we have examined the reasonableness of assumptions regarding discount rates, yield requirements, rental development, vacancy, inflation and operating and maintenance costs.

We have reviewed that provided information in the annual report.

## Revenue recognition

### Description of the area

The Group's income from new production of condominiums is reported over time and amounts to 26 MSEK in the current financial year. This model requires the company to have an effective process for assessing the total cost of the project.

The assessments on which the cost forecast is based can have a major impact on the Group's results and position and we have therefore assessed this area as a particularly important area in our audit of the Group.

For description of the company's revenue recognition see Note 2 Accounting Principles.

### How this area was considered in the audit

In our audit, we have evaluated and tested the management process to forecast project costs, follow-up of project outcomes and identification of loss projects. We have had a dialogue with management regarding the methods, principles and assumptions on which their assessments are based. On a sample basis, we have examined reported project costs that are the basis for calculating the completion rate. We have also tested the mathematical accuracy of the calculation of the successive profit settlement. Our audit also includes auditing of material contracts. We have reviewed the information provided in the annual report.

## Consolidation of tenant-owner associations

### Description of the area

The Group does not consolidate the tenant-owner associations over which the Group has no influence. Regarding the issue of whether the entity has a controlling influence over a tenant-owner association and thus consolidate the tenant-owner association is governed by IFRS 10 – consolidated financial statements. When assessing the issue of consolidation or not, all relevant facts and facts need to be taken into account for the respective tenant-owner association, where relations with the tenant-owner association's board composition, the business, business and contract design, financing and other relevant facts and circumstances are relevant for the assessment of whether or not control exists. Considering all the relevant facts and facts, different conclusions on the issue of consolidation may exist for the various tenant-owner associations.

In view of the number of circumstances, facts and assessments that exist as to whether Genova has control or not over a tenant-owner association and the effects the assessment has on financial reporting, we believe that this area is to be considered as a particularly important area in our audit. For information on the Group's assessment see note 4.

### How this area was considered in the audit

In our audit, we have taken note and evaluated the company's analysis and assessment of whether there is control of the housing associations in question. In our audit, we have taken part and evaluated areas such as board composition, statutes in the tenant-owner association, contract terms for the procurement of land and construction, conditions for financing, guarantee commitments and the sale of condominiums and the overall assessment made by the company. We have reviewed the additional information provided in the Annual Report.



### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–86 and 138–139. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the

economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and

are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Genova Property Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44 Stockholm, was appointed auditor of Genova Property Group AB by the general meeting of the shareholders on the 20 of may 2019 and has been the company's auditor since 2011.

Ängelholm, 27 March 2020

Ernst & Young AB

Henrik Nilsson

Authorized Public Accountant

# Definitions

## Genova or the company

Genova Property Group AB (publ).

## Return on equity

Net income after tax in relation to average equity, based on a rolling 12-month period. Return on equity is used to assess Genova's ability to generate profits from its shareholders' investments in the company.

## Loan-to-value ratio, %

Interest-bearing liabilities less cash and cash equivalents in relation to the market value of investment properties, properties under construction and development properties at the end of the reporting period. The loan-to-value ratio is used to assess Genova's financial risk.

## Net operating income

Rental income less property costs. This key metric is used to measure the profitability of property management before central administrative expenses, net financing costs and unrealised value changes.

## Equity attributable to ordinary shareholders

Equity less the value of all preference shares outstanding at the balance-sheet date, in relation to the number of ordinary shares outstanding at the balance-sheet date. The value of all preference shares outstanding is calculated as SEK 110 multiplied by the number of preference shares at the balance-sheet date. SEK 110 corresponds to the amount per preference share that the holder is entitled to receive, before ordinary shares, in the event of the company's dissolution. Equity attributable to ordinary shareholders is used to measure the ordinary shareholders' proportion of the company's equity per ordinary share.

## Investment properties

Refers to properties with existing cash flows and includes commercial premises, residential units and community service properties.

## Income from property management

Income before value changes and tax. Income from property management is used to measure the profitability of property management after financial income and expenses, but not unrealised value changes.

## Income from property management per ordinary share

Income from property management less dividend payments on preference shares during the period, in relation to the number of weighted average ordinary shares outstanding during the period. Income from property management per ordinary share is used to measure the ordinary shareholders' proportion of income from property management per ordinary share.

## Rental value

Contract value plus estimated market rent for vacant properties. Rental value is used to measure the Group's potential net income.

## Adjusted income per ordinary share

Net income attributable to Parent Company shareholders less dividend payments on preference shares during the period, in relation to the number of weighted average ordinary shares outstanding during the period. Adjusted net income after tax per ordinary share is used to measure Parent Company shareholders' proportion of the company's net income after tax per ordinary share.

## Long-term net asset value

Recognised equity with reversal of deferred tax. Long-term net asset value is used to provide stakeholders with information about Genova's long-term net asset value estimated in a standard manner for listed property companies.

## Long-term net asset value attributable to ordinary shareholders

Long-term net asset value less the value of all preference shares outstanding. The value of all preference shares outstanding is calculated as SEK 110 multiplied by the number of preference shares at the balance-sheet date. SEK 110 corresponds to the amount per preference share that the holder is entitled to receive, before ordinary shares, in the event of the company's dissolution. Long-term net asset value attributable to ordinary shareholders is used to clarify the proportion of long-term net asset value considered attributable to ordinary shareholders after the proportion attributable to preference shareholders and non-controlling interests has been eliminated.

## Long-term net asset value per ordinary share

Long-term net asset value attributable to ordinary shareholders divided by the number of ordinary shares outstanding at the balance-sheet date. Long-term net asset value per ordinary share is used to measure the ordinary shareholders' proportion of the company's long-term net asset value attributable to ordinary shareholders per ordinary share.

## Development properties

Refers to properties for further development.

## Income per ordinary share

Net income for the period/year less dividends paid on preference shares during the period, in relation to the weighted average number of ordinary shares outstanding during the period. Net income after tax per ordinary share is used to measure ordinary shareholders' proportion of the company's net income after tax per ordinary share.

## Interest-coverage ratio

Net operating income less costs for central administrative expenses attributable to property management in relation to net interest income (over the past 12 months). Non-recurring financial items are not included in the calculation. Interest-coverage ratio is used to measure the sensitivity of the company's income to interest-rate fluctuations.

## Equity/assets ratio

Equity at the end of the period in relation to total assets at the end of the period. The equity/assets ratio is used to measure Genova's financial stability.

## Lettable area

Total area in sqm that is available to let.

## Economic occupancy rate

Contract value in relation to rental value at the end of the period. This key metric is expressed as a percentage and used to measure vacancies, where a high percentage of occupancy equates to a low economic vacancy rate.

## NOI margin

Net operating income in relation to rental income (over the past 12 months). The net operating income (NOI) margin is used to measure the profitability of property management before financial income and expenses, and unrealised value changes.

# Information to shareholders

## 2020 Annual General Meeting

The Board of Genova Property Group AB has convened the 2020 Annual General Meeting.

**Time:** Friday, 24 April 2020 at 10.00 a.m.

**Venue:** Gernandt & Danielsson  
Advokatbyrå KB's offices  
Hamngatan 2, Stockholm,  
Sweden.

## Registration and notice of attendance

Shareholders who wish to participate in the Annual General Meeting must be recorded in the register of shareholders kept by Euroclear Sweden AB at Saturday, 18 April 2020 (since the record date is a Saturday, shareholders must be recorded in the register of shareholders kept by Euroclear Sweden AB by Friday, 17 April 2020) and have also given notice of their attendance at the AGM by Monday, 20 April 2020.

Notice of attendance can be made in writing to Genova Property Group AB (publ), Smålandsgatan 12, SE-111 46, Stockholm, Sweden, or by e-mail to [bolagsstamma@genova.se](mailto:bolagsstamma@genova.se).

When giving notice of attendance, please state name, social security number/corporate registration number and registered shareholding.

## Nominee-registered shares

To be entitled to participate in the Meeting, shareholders whose shares are registered in the name of a nominee must request that their nominee enter the shareholder's name in the register of shareholders kept by Euroclear Sweden AB at Saturday 18 April 2020 (since the record date is a Saturday, the shareholder must therefore be recorded in the register of shareholders kept by Euroclear Sweden AB by Friday, 17 April 2020). Please note that this procedure also applies to shares held in bank deposit accounts and certain investment savings accounts. Registration in accordance with the above may be temporary.

## Assistants and power of attorney forms

Shareholders who are not personally present at the AGM may be represented by proxy by issuing a written, signed and dated power of attorney. A power

of attorney form is available from the company's website ([www.genova.se](http://www.genova.se)). A power of attorney form can also be obtained from the company. If the power of attorney is issued by a legal entity, a copy of the registration certificate or equivalent authorisation documents for the legal entity must be enclosed. To facilitate admission to the AGM, all proxies, registration certificates and other authorisation documents must have reached the company at the above address by Monday, 20 April 2020.

Please note that shareholders who are represented by proxy must also register to participate in the Meeting.

## Advisors

A shareholder may be accompanied by one or two advisors at the Meeting, provided the shareholder has given notice thereof when registering to participate in the AGM in accordance with the above.

## Financial statements

Interim report, January-March 2020	<b>24 April 2020</b>
Interim report, January-June 2020	<b>21 August 2020</b>
Interim report, January-September 2019	<b>13 November 2020</b>

## Contact Investor Relations

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G E N O V A



