18 June 2020

Risk Factors

A number of risks are described below, including specific and significant risks concerning Genova Property Group AB's (publ) ("Genova" or the "Company" and together with its subsidiaries the "Group") business, and specific and significant risks concerning the ordinary shares in Genova (the "Ordinary Shares") and the offer to subscribe for newly issued Ordinary Shares in the Company as described in the Prospectus (as defined below) (the "Offering"). These risk factors is an English translation of the risk factors included in the Swedish Prospectus which was approved by the Swedish Financial Supervisory Authority (the "SFSA") in accordance with the regulations of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "Prospectus Regulation") and published on 18 June 2020 (the "Prospectus"). In the event of any discrepancy, the Swedish translation will prevail.

These risk factors does not contain or constitute an invitation or an offer to acquire, sell, subscribe for or otherwise trade in shares or other securities in Genova in any jurisdiction where such offer or sale would be unlawful. Any offering to acquire or subscribe for the securities referred to in this release will be made by means of the Prospectus that has been provided by the Company and that contain detailed information about the Company. This release is an advertisement and not a prospectus in accordance with the Prospectus Regulation.

Copies of these risk factors are not being made and may not be distributed or sent into the United States of America, Australia, Canada, Japan or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures.

In any member state within the European Economic Area ("EEA"), other than Sweden, where the Prospectus Regulation apply, this release is only addressed to and is only directed to investors in EEA member states who fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Regulation.

These risk factors and the information contained herein are not for distribution in or into the United States. No shares or other securities in the Company have been or will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any other securities regulatory authority of any state or other jurisdiction of the United States and no shares or other securities in the Company may be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, into or within the United States. There will be no public offering of the shares or other securities in the Company in the United States. Furthermore, there are no plans to register shares or other securities in the Company, or to conduct an offering of such shares or securities, in the United States.

The securities described herein have also not been and will not be registered under the applicable securities laws of Australia, Canada or Japan and, subject to certain exemptions, may not be offered or sold in or into or for the account or benefit of any person having a registered address in, or located or resident in Australia, Canada or

Japan. There will be no public offering of the securities described herein in Australia, Canada or Japan.

These risk factors, together with other material pertaining to the securities described herein, is only distributed to and directed to (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within the scope of Article 19(5) of the British Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (iii) high net worth companies, and other persons to whom this release may be lawfully communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as "relevant persons"). The securities described herein are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the securities described herein will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on information contained herein.

These risk factors may contain forward-looking statements. Such statements include all statements that are not historical facts and may be identified by expressions such as "believe", "expect", "anticipate", "intend", "can", "plan", "estimate", "will", "should", "should be able to", "strive" and "may" as well as by negations of the aforementioned expressions. The forward-looking statements in this release are based upon various estimates and assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these forward-looking statements are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors, which are difficult or impossible to predict and are beyond the Company's control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward looking statements in this release are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed herein or any obligation to update or revise the statements in this release to reflect subsequent events or developments. Undue reliance should not be placed on the forward-looking statements in these risk factors.

The information, opinions and forward-looking statements contained in these risk factors speak only as at its date, and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of these risk factors.

The risk factors below are categorised as follows:

- ***"Risk factors that are specific and material to Genova" with the subcategories:***
  - ***"Risks relating to the industry and the market";***
  - ***"Legal and regulatory risks"; and***
  - ***"Financial risks related to Genova"***
- ***"Risk factors specific and material to the Ordinary Shares and the Offering"***

When a risk factor is relevant in more than one category, such risk factor is presented only under the category deemed to be the most relevant for such risk factor. The most significant risk factor under each category is presented first. The other risk factors are not ordered by significance. The significance is assessed mainly on the basis of two criteria, (i) the probability that the risk will materialise and (ii) the magnitude of the negative effect the materialised risk may have on the Company, the Group and any investors. In order to present the assessment of the significance of the risks on the basis of the two criteria in a clear and concrete manner, the risk factors are described with quantitative information and/or a qualitative scale with the designations low, medium and high.

Risk factors specific and material to Genova

Risks related to the industry and the market

Changes to the value of the Group's properties

The value of the Group's investment properties (Sw. *förvaltningsfastigheter*) are accounted at real value in the balance sheet and any changes to the value of the properties will be accounted for in the income statement. On 31 March 2020, the Group's property portfolio comprised a total value of SEK[1] 4,944 million (in relation to the Group's total assets of SEK 5,497.1 million). Property specific factors, such as lower rental levels, higher vacancy rates and higher property expenditures (see risk factors "Rental levels and rental development" and "Property costs" below), as well as market specific factors, such as interest rates (see risk factor "Interest expense risks" below) and higher yield demands (see risk factor "Macroeconomic factors" below), may lead to a decrease in value of the Group's properties. Large decreases in property value may affect the Group's ability to maintain financing and obtain new financing, as part of the Group's ongoing ordinary course operations (see risk factor "Financing and liquidity risks" below). Given that the Group's accounted assets mainly consist of properties, a decrease in value could give rise to a number of negative consequential effects for the Group which could have an impact on the Group's business, results and financial position. The Company considers the probability of any of the risks occurring to be high. As valuation decreases could have a significant effect on the Group's financial position, the Company considers the potential negative impact of any of the risks to be high.

[1] Swedish Kronor.

Risks related to the outbreak of Covid-19

The outbreak of Covid-19, which the World Health Organisation, WHO, on 30 January 2020 declared a "Public Health Emergency of International Concern", has led to and will continue to have a significant impact on the societies and markets where Genova operates. Genova is primarily affected indirectly, by the outbreak's direct and indirect effects on the macroeconomic development where Genova has investment properties and carries on project development (see risk factors "Macroeconomic factors", "Rental levels and rental development" and "Credit risk" below).

As Genova's tenants are exposed to the effects of the outbreak of Covid-19, Genova may be affected by demands for reduced rental levels and increased vacancy rates (see risk factor "Rental levels and rental development" below) as well as increased suspension of payment with counterparties (see risk factor "Credit risk" below). This could have several negative consequences for Genova and its property portfolio as well as subsequent impact on the Group's cash flow, turnover and financial position.

An increased financial uncertainty, as a result of the outbreak of Covid-19, may also impair the availability of such funding that Genova relies on to fulfil its business model (see risk factor "Dependence on available financing alternatives" below).

Genova rents out one property in Järfälla and one property in Sollentuna where long stay hotels are run, and has signed a lease agreement, concerning long stay hotel, for a property in Uppsala that is currently being used for other purposes. Genova is also developing two planned hotels on properties in Palma de Mallorca, which will be rented by the Nobis Group. A possible negative impact on the hotel industry as a result of, for example, reduced travel and reduced tourism may have a negative impact on these leases and projects. At present, there are a total of 223 hotel rooms and 35 hotel rooms under construction.

All of the above risks linked to the outbreak of Covid-19 are considered to have a high negative impact on Genova. The Company considers the probability of the above mentioned risks occurring to be high.

Regardless of the continuation and development of the Covid-19 outbreak, it is reasonable to assume that the financial market will be volatile and that share prices will be subject to extraordinary fluctuations in the foreseeable future. Consequently, there is a risk that the share prices of the Ordinary Shares will follow such general market volatility, notwithstanding the Group's operational and financial development in general, and thus decrease in value.

Dependence on available financing alternatives

Genova's business model is based on its ability to obtain necessary financing besides equity, *i.e.* the business is to a large extent financed by loans. The access to and terms of such borrowed capital is dependent on the conditions for lending liquidity in the financial system.

In the event that a financial crisis or distressed situation occurs, and the stability of the financial system is disturbed or ceases to function, Genova's access to financing may be significantly affected. For example, in connection with the financial crisis in 2008, the bank sector in Europe suffered a lack of liquidity, since the access to borrowed capital was deteriorated, which in turn lead to a deterioration of the access to and the terms of bank loans and initially also increased the credit margins and so the interest rates. Thus, in the event of a new financial crisis or distressed situation, there could be difficulties for Genova in incurring new loans or refinancing existing loans, which would affect Genova's possibility to act in accordance with its business model. This would affect the Company's operations and results.

The Company considers the probability of a financing risk as per the above occurring to be low. If the risk would materialise, the Company considers the potential negative impact to be high.

Macroeconomic factors

The Company's business is to a large extent affected by macroeconomic factors such as the general state of the economy, national and regional economic developments, the developments in employment rate, production of new residential condominiums and premises, infrastructural development, population growth, demographic developments, inflation and interest rates. The Group operates mainly within the region of greater Stockholm and Uppsala, and is consequently primarily exposed to the regional economic development in these geographical markets. The value of the Group's investment properties as per 31 March 2020 is to 62 per cent attributable to greater Stockholm, to 30 per cent attributable to Uppsala and to 8 per cent attributable to other regions in Sweden. For example, the local economic growth affects the developments in employment rate and salaries as well as the demand on the relevant rental market, which in turn affect vacancy rates and rental levels, in particular in respect of commercial premises. A decreased demand in the current market may lead to difficulties in finding tenants and, as a result, lower revenues for the Group.

Inflation expectations have an impact on interest rates, which consequently affects the Group's result from property management as interest expenses are one of the Group's largest single costs (for the period January to March 2020 the Group's interest expenses amounted to approximately SEK 21.7 million). For the effects on the Group from interest rate changes, see further risk factor "Interest rate risks" below. Changes, and expectations on changes, in the inflation rate could impact yield requirements on properties and, consequently, the market value of the Group's properties, which in turn could lead to various negative effects (see risk factor "Changes to the value of the Group's properties" above). Furthermore, a negative development of the real estate market during the implementation of a project, may lead to a reduction of the Group's profitability from project development, losses or that the Group cannot divest the property at all or only on less favourable terms, which in turn may result in diminished property value and decreased profit.

The Company considers the probability of several macroeconomic factors that may have high material adverse effect on the Group's operations, results and financial position occurring to be low. However, the probability that some negative macroeconomic factors may occur is high. The negative effect of such factors depends on the macroeconomic factor and its severity. For instance, the potential negative impact from increased market interest rates (see risk factor ”Interest expense risk” below) or deteriorated access to financing (see risk factor

”Financing and liquidity risks” below) is considered to be high, while the potential negative impact from demographic changes alone is considered to be low.

Rental levels and rental development

All else being equal, the Group’s result is generally negatively affected in the case of decreased occupancy rates or rental levels. On 31 March 2020, the Group owned 44 investment properties, with approximately 280 tenants and an average tenancy duration of seven years. The contracted rental income on annual basis from the three largest tenants 2019 corresponds to approximately 18 per cent of the total contracted rental income on annual basis. There is a risk that the Group fails to let planned projects or that the Group’s tenants do not renew, fulfil or extend their tenancy agreements. Increased vacancy levels generally leads to a decrease in the Group’s rental income. If Genova fails to achieve and maintain planned occupancy rates in new projects or if Genova’s vacancies increase dramatically and the Group fails to replace such vacancies, the Company considers the potential negative impact to be high. The negative effects, of planned occupancy rates or rental levels in new projects not being achieved, is generally higher than if occupancy rates or rental levels in the existing portfolio decrease. The Company considers the probability of this risk occurring to be low, however, the probability significantly increases in the event of a material deterioration of the macroeconomic development.

The Group is also dependent on its tenants paying their rent on time and in case the tenants would not pay their rents as they fall due (or do not pay at all), or otherwise fail to fulfil their obligations, this could have a material negative impact on the Group’s earnings and the value of its receivables. The Company considers the probability of the risk occurring to be low, however, the probability significantly increases in the event of a material deterioration of the macroeconomic development. If the risks were to occur, the Company considers the potential negative impact to be high.

Project development risks

Part of the Group’s business activities consists of project development. As per 31 March 2020, the Group had 4 projects in production, corresponding to a property value of SEK 1, 587 million and an estimated leasable area of approximately 29,296 square meter. The possibility of implementing development projects with financial profitability depends upon the projects coming into production and being completed, which in turn depend on several factors, such as the ability to retain and recruit necessary expertise within, *inter alia*, construction, project planning, architecture and marketing, and furthermore, to obtain necessary permits and authority approvals and procuring contracts for project implementation on acceptable terms. Furthermore, the Group’s project development is dependent on a continuous supply of and financing of new projects on acceptable terms, and that the Group’s projects adequately respond to the market demand. Out of the Group’s 29 projects as per 31 March 2020, 4 are in production and 25 are in the planning phase (4 of which are part-owned). One of the Group’s operative goals is to increase the number of self-constructed housing in production to 750 units per year. Per 31 March 2020 the annual production rate amounted to 473.

The possibility to implement profitable project development is further affected by factors such as changes in the market demand of housing and premises and the price of properties in general, inadequate planning, analysis or cost control, changes in taxes and fees and other factors that could lead to unexpected costs for the projects, to lower than expected profitability for the Group and/or adverse effects on the value of the Group's properties. In addition, delays in projects may decrease profitability. The profitability is also affected by defects and shortcomings that are discovered and taken care of subsequent to access (Sw. *eftermarknadsåtgärder*).

The Company considers the probability of any of the abovementioned risks occurring to be low. If the risk were to occur, the Company considers the potential negative impact to be low.

Genova does not conduct any construction business activities on its own and depends upon contractors for all construction. This results in a vulnerability in relation to the reliability and ability of the contractors with whom Genova is co-operating. If Genova fails to enter into, or enters into ambiguous or inadequate, agreements with contractors, Genova will be exposed to the risk of sub-contractors not delivering in accordance with Genova's expectations. Contractors may also fail to fulfil agreed terms, for example regarding costs, quality and delivery time. Such deficient fulfilment may be due to financial difficulties of the contractor concerned, which prevent the relevant contractor to deliver in accordance with agreed terms. The possibility to implement profitable property projects is, among other things, affected by Genova's contracted construction works being delivered and produced at the agreed price and within the agreed time, as Genova's property projects may otherwise be delayed and become more costly, with negative consequences for Genova's other operations, its brand and its results. During 2019, a construction contractor working for Genova, went bankrupt and Genova took on the responsibility to complete the assignment, which lead to delays and increased cost for Genova in the current project. Considering this experience, the Company considers the probability that contractors fail to deliver in accordance with Genova's expectations in the future to be low. The negative effects of such breach of contract depend on the nature and cause of the breach, the macroeconomic factor and its severity. For example, the potential negative impact of a contract breach due to financial difficulty of the contractor concerned, is considered to be high and primarily affect the Group's profitability and operational activities, while the potential negative impact of contract breach in terms of quality and delivery time is considered to be medium and primarily affect the Group's financial position and business.

Property costs

The Group's operating costs mainly consist of costs for heating, water, property maintenance, cleaning and insurance. In 2019, the operating costs amounted to SEK 37.5 million, *i.e.* SEK 220 per square meter. The Group has limited control over these costs. To the extent increases in such costs are not, directly or indirectly, compensated in accordance with the terms of tenancy agreements, or by renegotiation of tenancy agreements such as in relation to rent increases, it could have a material negative impact on the Group's results (see risk factor "Changes to the value of the Group's properties" above). The Company considers the probability of an increase in the relative operating costs (*i.e.* without taking into account a larger property portfolio and an altered product mix) to be low. If the risk were to occur, the Company considers the potential negative impact to be low.

Maintenance costs are attributable to actions that intend to maintain the properties' original standard and value. In addition to maintenance costs, unexpected expenses related to adjustments for tenants normally arise. In 2019, maintenance costs amounted to SEK 7.6 million, *i.e.* SEK 45 per square meter (which corresponds to a decrease from SEK 65 per square meter for 2018). Unexpected and large renovation needs may entail significant expenses for the Group. The Company considers the probability of the risk occurring to be high. If the risk were to occur, the Company considers the potential negative impact to be low.

Risks related to acquisitions, disposals and other transaction-related risks

The Company's operations continuously involve property transactions. In the financial year 2019 the Group acquired 18 properties and divested one property. From January to March 2020 the Group acquired two properties and entered into agreement to divest 50 per cent of a property. Such transactions are associated with risks and uncertainties. Acquisitions of properties are for instance associated with uncertainty in relation to the handling of tenants, unexpected costs with respect to environmental clean-up, rebuilding and handling technical problems, decisions from authorities and the occurrence of disputes relating to the acquisition or the condition of the property. Such uncertainties may result in delays and increased and/or unexpected costs for the transaction and that the value of the acquired property will therefore be lower than expected. In connection with the disposal of a property, there is a risk that claims could be directed against the Group regarding, among other things, the condition of the disposed property and provided warranties.

The Company considers the probability of any of the risks occurring to be low. If any of the risks were to occur, the Company considers the potential negative impact to be low.

The Group currently has one building under construction for a tenant owned association. When the Group sells properties to tenant owned associations, in addition to customary warranties regarding the property, the Group provides certain guarantees and undertakings in relation to the project, among other things, guarantees in relation to the financial calculation of the project (implying that the Group shall compensate the tenant owned association if the estimated costs set forth in the project financial calculation are exceeded) and in relation to the economic plan of the project. The Group has also committed to acquire unsold condominiums, and the Group is consequently affected by any reduced desire and ability to pay for housing units produced by the Group. The fulfillment of these guarantees and undertakings could lead to material costs for the Group. The Company considers the probability of the risk occurring to be medium. If the risk were to occur, the Company considers the potential negative impact to be low.

The Group is also regularly a guarantor for financing arrangements entered into by tenant owned associations for the purpose of financing the associations' acquisitions of the Group's housing development projects. In the event that such tenant owned association is unable to service its debt obligations and the value of pledged property would prove to be less than the tenant owned association's debts, the lenders may invoke the commitments made by the

Group. Such commitments amounted in total to approximately SEK 126 million as per 31 March 2020. There is a risk that the expected incomes calculated by a tenant owned association are not realised or that a tenant owned association for other reasons is unable to meet their financial commitments, which would trigger the Group's payment obligations under the commitments made by the Group, resulting in material costs for the Group. The Company considers the probability of the risk occurring to be low. If the risk were to occur, the Company considers the potential negative impact to be low.

Technical risks

The Group's property management, project development and property acquisitions are associated with technical risks which include risks associated with the technical status of the property, such as the risk for construction errors, other latent defects and deficiencies, damages and pollution. If such technical problems would occur they may cause delays of planned property development projects, or increased costs for upgrading and management of the Group's properties (including measures needed in respect of properties already disposed of). Any technical deficiencies in the properties developed by the Group may also constitute a breach of warranties that the Group has made to acquirers of such properties, which in turn may lead to increased costs for the Group – see for example "Risks related to acquisitions, disposals and other transaction-related risks" above. The Company considers the probability of the abovementioned risks occurring to be medium. If the risks were to occur, the Company considers the potential negative impact to be medium.

Role distribution and dependence on key people

Genova's organisation is built around a number of individuals with many years of experience in property management, project development, financing and marketing. Its own capacity is complemented by purchased services, in order to give the organisation flexibility and capacity to handle large project volumes despite its limited size. Genova's narrow organisation may cause the Group to incur losses due to inadequate routines regarding, among other things, role distribution, internal control, appropriate administrative systems, competence development and access to reliable valuation and risk models.

Due to the limited size of the organisation, the Group and its operations are further dependent on a number of key people, including Genova's senior executives. Through their experience, these key people have built good relationships with actors in the property market in Sweden and these key people are therefore important for a successful development of the Group's business.

If Genova's procedures fail or lead to incorrect decisions or if key people leave Genova, it could have a medium negative impact on Genova's operational activities. The Company considers that the probability of the risk occurring is low.

Legal and regulatory risks

The Group is subject to political decisions that affects the operations

In order for the Group's properties and building rights to be used and developed as intended, different permits and rulings, including, zoning plans, building permits and other forms of land parcelling are required, which are granted by local authorities and municipalities, both on a political and an official level. There is a risk that decisions and rulings are delayed and/or that the Group is not granted the permits or the decisions needed to conduct and develop the Group's operations as intended or that the intended projects only could be carried out at higher costs and/or lower development rate than expected or with delays. This could also have an impact on the value of the Group's properties. Furthermore, there is a risk that permits are appealed, and that processes are therefore significantly delayed, or that established practice and/or the political environment in which the Group operates changes in an undesirable way for the Group. The Company considers the probability of any of the risks occurring to be high. As per 31 March 2020, Genova was an applicant in four matters regarding building permits and involved in 22 planning procedures. If any of the risks were to materialise, the Company considers the potential negative impact to be high.

Property operations are also materially affected by more general political decisions by way of laws, regulations and other decisions by authorities regarding for example planning and construction processes, taxes and fees, construction requirements (e.g. safety requirements, environmental requirements, building standards, material requirements, etc.) and the rent control in the housing market. These rules and regulations are subject to changes, both due to political decisions and the legal interpretation of the rules and regulations. For example, in autumn 2019 a Court of Appeal (Sw. *Hovrätt*) ruling led to rent reductions for a number of newly-built rental apartments in Uppsala. If the regulatory framework were to change, or if Genova's interpretation of existing laws and regulations prove to be incorrect, this could have a material negative impact on the Group's operations. The Company considers the probability of the risk occurring to be low. If the risk were to occur, the Company considers the potential negative impact to be high.

Since 2017, developers may apply for so-called investment grants (Sw. *investeringsstöd*) for construction of rental apartments and student housing. The investment grant comes with certain requirements, inter alia in terms of rental levels (which must not exceed a certain level), tenant agencies (through municipal housing agencies or otherwise pursuant to open and transparent principles) and energy usage. Genova's business model does not involve receiving investment grants and Genova does not receive such grants for any ongoing project. However, competitors of Genova, with projects in the same area as Genova, may receive investment grants, which leads to lower rental levels in the area. In the longer term, investment grants could thus have adverse effects on rental levels in the areas also where Genova's properties are located. The Company considers the probability of the risk occurring to be high. If the risk would materialise, the Company considers the potential negative impact to be low, since the impact is deemed to be geographically isolated.

Agreements (such as land development agreements) and procedures (such as zoning plan procedures) in the public sector, and the procedures relating thereto, are often subject to a more extensive review and publicity than commercial agreements between private parties. The publicity and the political aspects of publicly procured agreements with municipalities and authorities imply an increased risk in relation to the Group's reputation. Negative publicity concerning the Group, regardless of its truthfulness, could have a material negative impact on the Group's operations. The Company considers the probability of any of the risks occurring to be high. If the risk were to materialise, the Company considers the potential negative impact to be medium.

The Company is from time to time dependent on temporary building permits in order for the Company, or its tenants, to be able to carry out planned operations on the property. In the event that such a temporary building permit would not be granted or extended, planned or ongoing use of the property may need to be changed or discontinued, which could adversely affect the Company's investment property portfolio. The company considers the probability of the risk occurring to be low. If the risk were to occur, the Company considers the potential negative impact to be medium.

Tax risks

The Group's operations are conducted in accordance with the Group's interpretation of applicable laws and regulations and current practice within the area of tax, and in accordance with advice from tax consultants. However, it cannot be ruled out, that the Group's interpretation of applicable tax laws and regulations is incorrect or that such regulations or practice changes, possibly with retroactive effect. The Group may also, from time to time, be subject to tax audits which may result in additional tax or fees to be payable. At the time of preparation of the Prospectus, Genova Veddesta Fastighet AB is subject to a tax audit regarding VAT for the period 2016-2019. Auditing of the current type may be carried out for an extended period of time and this generally means that any tax increases cannot be ruled out before the audit has been completed. The Group's tax situation is also affected by whether transactions between companies within the Group are considered to be market-priced and whether the Group's applied allocation principles, when allocating purchase value to properties, are considered to be correct.

Some senior executives have been offered and have acquired shares in companies within the Group. In September 2019, the Company repurchased such shares from senior executives through share exchange transactions, resolved pursuant with the so-called Leo Act (Sw. *Leo-lagen*). The Group believes that these transactions have been conducted on market terms. However, if any of these transactions are not considered to have been entered into on market terms, there is a risk that additional taxes, interest or fees will be imposed on the Group.

Changes in tax rules

Tax is a significant cost item for the companies in the Group. The Group's operations are affected by tax rules in force at any time and changes to these rules will thus have an effect on the Group. Changes to the property tax and other taxes such as corporate tax, VAT and other governmental charges as well as rules regarding tax exempted disposals of shares could thus have a negative impact on the Group's operations and results.

As the Group's operations are capital intensive, the Group is affected by the new interest deduction limitation rules that entered into force in Sweden on 1 January 2019. The new rules are based on EU Directive 2016/1164 concerning the establishment of rules against tax avoidance practices that directly affect the functioning of the internal market. The new rules entail a general limitation for interest deductions within the corporate sector by introducing a so-called EBITDA-rule. The limitation is introduced in such a way that a company is only given the right to deduct a negative net interest income (the difference between the company’s deductible interest expenses and its taxable interest income) corresponding to a maximum of 30 per cent of the company’s taxable EBITDA. In connection with the introduction of the general interest deduction limitation rules, the corporate tax rate was also reduced, in a first step to 21.4 per cent (as per 1 January 2019) and in a second step from 21.4 per cent to 20.6 per cent (as per 1 January 2021).

As per 31 March 2020, the Group’s total outstanding interest bearing debt amounted to SEK 3,056 million, with an average interest rate of 2.4 per cent (excluding the Company’s bond loan; and including such bond loan, 3.1 per cent). Depending on how the Group’s capital structure and operating profit looks like in the future, the new rules, despite the reduction in the corporate tax rate, may have a material adverse effect on the Group’s results.

The Company considers that the probability of changes in tax legislation, or in practice, that result in changes in the Group’s tax position to be high. If the risk were to occur, the Company considers the potential negative impact to be high.

Risks related to accounting rules and uncertainty in estimates

The Group is affected by the accounting rules applicable in the jurisdictions in which the Group operates, including IFRS and other international accounting standards. The Group’s accounting, financial reporting and internal control may in the future be affected by changes of or altered practices in relation to applicable accounting rules. For example IFRS 9 and IFRS 15 came in to force in January 2018 and IFRS 16 came into force in January 2019, and these standards are all applicable to the Group. This could result in uncertainty regarding the Group’s accounting, financial reporting and internal control.

The Group’s accounting, financial reporting and internal control are conducted in accordance with the Group’s interpretation of the currently applicable accounting rules, and there is a risk that the Group’s interpretation of such rules is incorrect. There is also a risk that changes to applicable accounting rules or an altered application of the now applicable accounting rules could affect the Group’s financial result, balance sheet and equity. The Company considers the probability of the risk occurring to be low. If the risk were to occur, the Company considers the potential negative impact to be medium.

Accounting in accordance with IFRS and generally accepted accounting principles require the management to make assumptions. Assets and liabilities, income, costs and additional information accounted for are affected by assessments and assumptions. The actual outcome may however differ from the assessments and assumptions made. At the time of an acquisition or sale of a property by the Group, different assessments and assumptions may be made, for instance regarding the probability of changes to zoning plans, obtaining of building permits or that an additional purchase price will be payable, and changes to such factors could affect the Group’s earnings and financial position, inter alia due to changes to the value of the Group’s properties. The Company considers the probability of incorrect assessments and assumptions to be low. If the risk were to occur, the Company considers the potential negative impact to be low.

Environmental risks

According to Swedish legislation, the main rule is that the business operator, either current or former, is responsible for the remediation of a contaminated property. There can be, or in the past there may have been, tenants on the properties owned directly or indirectly by the Group who conduct operations that may require remediation in accordance with the Environmental Code (1998:808) (Sw. *miljöbalken (1998:808)*).

If no operator can perform or pay for the remediation of a contaminated property, the party who has acquired the property is responsible for the remediation if the party knew of, or at the time ought to have discovered, the contaminations. On 31 March 2020, the Group owns 44 investment properties and development projects comprising 5,487 building rights, all of which include property-owning. This means that remediation claims under certain circumstances may be directed against the Group for cleaning-up or after-treatment due to the occurrence of, or suspicion of, contamination in the ground, water areas or groundwater, in order to ensure the properties are in such condition as required by the Environmental Code. If any of the Group's properties turns out to be contaminated, this could limit the Group's intended use of the property, lead to significant costs for after-treatment and/or have adverse effects on the value of the Group's properties.

If changes to legislation and authority requirements were to occur this may lead to increased costs for remediation or after-treatment for current or in the future acquired properties. Furthermore, future changes in applicable laws and regulations and authority requirements may lead to increased costs for the Group and delay the Group's intended development of properties.

The Company considers the probability of any of the risks occurring to be low. If any of the risks were to occur, the Company considers the potential negative impact to be medium.

Financial risks related to Genova

Financing and liquidity risks

The Group is mainly financed by interest bearing debt. As per 31 March 2020, the Group's total outstanding interest bearing debt amounted to approximately SEK 3,056 million (of which approximately SEK 2,380 million to credit institutions). During 2019, approximately SEK 1,300 million of debt relating to the Group's investment properties were refinanced for 5 years with credit institutions. Part of the Group's operations consists of project development, which may be delayed or suffer from unexpected or increased costs due to factors which may be outside of the Group's control, which may in turn cause that projects are not completed before the loans fall due, or that such increased costs are not covered by existing loan agreements. In case the Company is unable to obtain new financing or refinance existing facilities, or is only able to obtain such financing on unfavourable terms, it could, among other things, lead to increased costs and lower revenues and have a material negative effect on the Group's operations in general. The Company considers the probability of the risk of not being able to obtain new financing or refinance existing facilities to be low, however, the probability significantly increases in the event of a material deterioration of the macroeconomic development or a decrease in value of the Group's properties. If the risk occurs and the Company is not able to obtain new financing or refinance existing facilities, the Company considers the potential negative impact to be high.

As per 31 March 2020, the Group has liquidity of SEK 403.5 million, including an unutilised overdraft facility of SEK 50 million and a revolving credit facility of SEK 195 million. The Group's credit facility is subject to conditions consisting of a number of financial ratios and a number of non-financial ratios. The financial ratios include the loan-to-value ratio and the interest-coverage ratio. In the event that access to current financing changes (see risk factor "Dependence on available financing alternatives" above) and / or the macroeconomic conditions otherwise change in a way that affects the Group's results, financial position and cash flows (see risk factor "Macroeconomic factors" above), for example as a result of the outbreak of Covid-19 (see the risk factor "Risks related to the outbreak of Covid-19" above), it could adversely affect the Group's access to liquid assets, which could lead to a working capital deficit in the Group. The company considers that the probability of the risk occurring is low. If the risk should occur, the Company considers that the potential negative impact is high.

Interest expense risks

The Group is financed mainly through interest bearing debt in addition to equity. Interest expenses are among the main cost items for the Group, amounting to approximately SEK 21.7 million for the period January-March 2020 and SEK 66.1 million for the financial year 2019. The interest expenses are mainly affected by the, from time to time, current interest rate levels. Interest rate expenses are affected by, besides the volume of interest bearing debt, the level of current market interest rates, the credit institutions' margins and the Group's strategy regarding interest rate fixation. As per 31 March 2020, the Group's average interest rate amounted to 2.4 per cent (excluding the Company's bond loan; and including such bond loan, 3.1 per cent).

The market interest rates are mainly affected by the expected inflation rate. The short interest rates in Sweden, such as three months STIBOR[2], which constitutes the basis for determining the interest in a majority of the Group's loan agreements as per 31 March 2020, is mainly affected by the Swedish National Bank's (Sw. *Riksbanken*) repo rate (Sw. *reporänta*), which is a steering mechanism in the monetary policy. If the inflation is expected to increase, the repo rate is expected to increase and *vice versa*. If three months STIBOR would have been 0.5 percentage points higher for 2019, the Group's interest costs during such financial year would have been SEK 74.7 million. The larger the share of the Group's interest bearing loans covered by interest rate fixation and the longer such interest rate fixation periods are, the longer time before a change in the base interest rate would affect the Group's interest expenses. Increased interest rates and increased interest expenses could lead to changes in fair market values, changes in cash flows and fluctuations in the Group's results. The

[2] The interest rate administrated and calculated by Nasdaq OMX Nordic (or by such other party which assumes the administration or calculation of such interest) and which is monitored by a committee appointed by the Swedish Banking Association and which is published on relevant page in the information system Thomson Reuters for a period corresponding to the current interest period in SEK.

Company considers the probability of any of the risks occurring to be medium. If any of the risks were to occur, the Company considers the potential negative impact to be medium.

Credit risk

The Group's existing and potential counterparties/tenants could end up in such a financial position that they can no longer continuously pay agreed rents on time or otherwise refrain from fulfilling their obligations pursuant to tenancy agreements entered into. It may also happen that the Group is not paid for the properties that the Group has entered into agreements to sell to companies or tenant-owner associations. These preliminary agreements are binding pursuant to the Tenant-Owners Act (1991:614) (Sw. *bostadsrättslagen (1991:614)*, but it cannot be excluded that the persons who entered into preliminary agreements, when a condominium is to be signed, lack the ability to pay the contribution in accordance with the preliminary agreement or otherwise do not fulfil their obligations pursuant to the agreement, which ultimately may affect the warranties the Group has submitted to the tenant-owner association concerned (see risk factor "Risks related to acquisitions, disposals and other transaction-related risks" above). The Group has also entered into, and may enter into, preliminary agreements concerning properties that have not yet been completed. If such preliminary agreements are not complied with by counterparties, the Group may not receive full compensation for the counterparty's failure to enter into a rental agreement in accordance with the preliminary agreement. The ability of the Group's counterparties to fulfil entered into agreements with the Group is affected by the macroeconomic conditions (see risk factor "Macroeconomic factors" above), for example as a result of the outbreak of Covid-19 (see risk factor "Risks related to the outbreak of Covid-19" above), which could adversely affect the Group's access to liquid assets and lead to a working capital deficit in the Group. The Company considers the probability of the risk occurring to be low. If the risk, that a single counterparty is unable to fulfil its commitments to the Group should occur, the Company considers the potential negative impact to be low but the negative impact increases to high if several counterparties end up in the same situation. The Company considers the probability of the risk occurring to be low but the probability significantly increases in the event of a material deterioration of the macroeconomic development.

Financial covenants

The Group has interest bearing loan financing from credit institutions and the bond market. As per 31 March 2020, the Group's total outstanding interest bearing debt amounted to approximately SEK 3,056 million (of which approximately SEK 2,380 million to credit institutions). The Group's interest bearing debt to credit institutions is secured by mortgages and pledges over properties, promissory notes (within the Group), shares in subsidiaries and by parent company guarantees. Companies within the Group has also issued guarantees for loans taken by tenant owned associations in relation to their acquisition of development projects from the Group.

Some of the Group's loan agreements and bond terms stipulate certain financial covenants. The financial covenants in such agreements are, at least in the short term, negatively affected when the Group acquires properties financed by loans from external creditors or in the event of value deterioration of the Group's properties. In the event that the Group could not meet the financial covenants in its loan agreements, it could lead to such loans, as well as other loans, such as the Company's bond loans, which contain cross-default conditions (*i.e.* an event of default due to an event of default occurring under another credit agreement or financial obligation) being terminated prior to maturity and that pledges over assets or guarantee commitments are enforced by the relevant creditor, which could have a material adverse effect on the Group's operations and financial position, lead to increased costs and/or a decrease in the Group's available assets. Some loan agreements, entered into by the Group, sets forth that the lender may terminate the agreements should the security provided be deemed to be insufficient or if the principal shareholders cease to own more than 50 per cent of the Shares and votes in the Company. The Group is, amongst other, subject to financial covenants entailing that the Group's equity ratio may not be less than 25 per cent and that the Group's net debt may not exceed 70 per cent of the Group's property value. Consequently, a general decline in the property market (see risk factors "Macroeconomic factors" and "Changes to the value of the Group's properties" above) could mean that the Group doesn't meet its financial covenants, which in turn may lead to termination of loan agreements and the enforcement of pledges or guarantees and/or otherwise adversely affect the Company's operations. The Company considers the probability of the risk occurring to be medium. If the risk were to occur, the Company considers the potential negative impact to be high.

Risk factors specific and material to the Ordinary Shares and the Offering

The price of Genova's Ordinary Shares may be volatile and potential investors may lose all or part of their investment

The price in the Offering has been decided through a tender procedure (so-called book building) and is therefore based on the demand for the Ordinary Shares and the overall market conditions at the time of the Offering (se section "Terms and Conditions"). The final Offering price has been determined by the Company's board together with the selling shareholders Micael Bile (through Tranviks udde AB) and Andreas Eneskjöld (through Manacor Group AB) and Carnegie Investment Bank AB (publ) ("**Carnegie**"). This price will not necessarily reflect the price that investors in the market are willing to buy and sell the Ordinary Shares for after the Offering.

Significant fluctuations in price and volume may also occur as a result of a changed perception in the stock market regarding the Group, the Ordinary Shares and their direct returns and various circumstances and events, such as changes in applicable law and other rules and regulations that affect the Group's earnings, operations and development. For example, the stock market may consider that potential property- and market-specific as well as macroeconomic factors may affect the Group's operations, earnings and development to such a negative extent that significant fluctuations in the share price for the Ordinary Shares occurs (see "Macroeconomic factors" and "Changes to the value of the Group's properties" above). In addition, the Group's earnings and prospects may be lower than the expectations of stock markets, analysts or investors.

The risk, that significant fluctuations in the share price for the Ordinary Shares occurs, is considered to be high (see risk factor "Risks related to the outbreak of Covid-19" above). If the risks occur with respect to the Ordinary Shares, it may result in the price of the Ordinary Shares falling to a level below the price of the Ordinary Shares in the Offering and that investors in the Offering make a loss upon the divestment of the Ordinary Shares.

Genova has shareholders with significant influence

As per the day for the Prospectus, Genova has issued 30,721,966 Ordinary Shares and 4,000,000 preference shares (the "**Preference Shares**" and together with the Ordinary Shares the "**Shares**"). Micael Bile (board member in Genova) holds, through companies, prior to the Offering 58.00 per cent of the total number of Shares and 64.31 per cent of the total number of votes in Genova, Andreas Eneskjöld (board member in Genova) holds, through companies, prior to the Offering 24.80 per cent of the total number of Shares and 27.55 per cent of the total number of votes in Genova and Michael Moschewitz (CEO of Genova) holds, through companies, before the Offering 6.26 per cent of the total number of Shares and 6.92 per cent of the total number of votes in Genova. Following the Offering, provided that the Offering is fully subscribed and the overallotment option described in the Prospectus (the "**Overallotment Option**") is fully utilised, Micael Bile, through companies, will hold 45 per cent of the total number of Shares and 44.6 per cent of the total number of votes in Genova, Andreas Eneskjöld, through companies, will hold 20.5 per cent of the total number of Shares and 20.3 per cent of the total number of votes in Genova and Michael Moschewitz, through companies, will hold 5.4 per cent of the total number of Shares and 5.4 per cent of the total number of votes in Genova. Thus, even after the completion of the Offering, Micael Bile, Andreas Eneskjöld and Michael Moschewitz will, together and individually, have the opportunity to exercise significant influence over the Group and a significant control over issues that the Company's shareholders vote on, including among other things, dividend on the Shares, approval of the income statement and balance sheet, election and dismissal of board members, capital increases, reductions in share-capital and changes in the Company's articles of association. This means that the ability for other shareholders to exercise influence in the Company through their voting rights may be limited. The Company considers that the risk, that the principal shareholders will exercise their voting rights in a manner that is not consistent with what is best for the minority shareholders, is low.

The Company's ability to distribute dividend is dependent on several factors

The Company may distribute dividends only if there are profits available for distribution and if the general meeting decides so. The size of any future dividend that the Company may distribute depends on several factors, including its future earnings, financial position, cash flow and capital costs and must appear justifiable considering the requirements that the nature, scope and risks of the business impose on the size of equity, consolidation needs, liquidity and position in general. In addition, according to the Company's articles of association, the Company's 4,000,000 Preference Shares have priority to an annual dividend amounting to SEK 10.50 per Preference Share before any dividend is paid to Ordinary Shares. If no such preference share dividend has been paid, or if only a dividend of less than the annual preference share distribution of SEK 10.50 per preference share has been distributed, the Preference Shares entitle the holder to receive an amount, in addition to future preference share dividend, corresponding to the difference between what should have been paid in the annual preference share distribution and the amount paid (and this amount should take precedence before any distribution to Ordinary Shares).

There is a risk that Genova's business will not develop in a way that will enable future distributions to the Preference Shares and thus not to the Ordinary Shares. There is also a risk that Genova's general meeting will not decide on any dividend. These risks may have a high material adverse effect on investors' direct return from Preference Shares and / or Ordinary Shares. The risks may also affect Genova's ability to attract investors whose investment decisions, in relation to the Ordinary Shares, depend on the possibility of receiving dividend.

Dividend cap in terms of lending

According to Genova's existing dividend policy, the board considers that value creation for the Company's shareholders in the next few years is best done through reinvestment of the cash flow in the business, which may result in a low or non-dividend on Ordinary Shares. Although conditions for dividend distribution to Ordinary Shares arise, the terms and conditions of the Company's bond loan contain dividend distribution restrictions, insofar as the Company may not distribute any share dividends unless certain financial covenants are met (see "Financial covenants" above). If such financial conditions are not met, a dividend requires that the Company obtain approval from the lender or, where applicable, the bondholders' agent. Accordingly, there is a risk that the Company will not receive such approvals, which would mean that no dividend can be distributed to the Ordinary Shares even if there are distributable funds. If no dividend can be distributed, it would have a high material adverse effect on investors' direct return. The Company considers the risk, that dividends cannot be made because the financial covenants are not met and that the Company does not receive the required approval from the lender, bondholders or the agent, to be low.

Future share issues may adversely affect the value of the Ordinary Shares and lead to dilution

Genova may in the future seek financing on the capital market through issue of additional shares, bond loans or other securities. Such issues may affect the price of the Ordinary Shares negatively and lead to dilution of economic rights and voting rights for existing shareholders. Provided that the Offering is fully subscribed and the Overallotment Option is fully utilised, the Offering will for example mean a dilution (calculated as the number of newly issued shares divided by the new total number of shares), for existing shareholders in the Company who do not participate in the Offering, of approximately 20.3 per cent of the Shares and 22.2 per cent of the votes.

Undertakings from Cornerstone Investors are not guaranteed

Länsförsäkringar Fondförvaltning AB, Lancelot Asset Management AB, funds managed or advised by Capital Research and Management Company and Skandia Fonder AB (together the "**Cornerstone Investors**") have undertaken to acquire Ordinary Shares in the Offering amounting to SEK 450 million. Provided that the Offering is fully subscribed and the Overallotment Option is fully utilised, the undertaking comprises Ordinary Shares amounting to 60 per cent of the total number of Ordinary Shares covered by the Offering and approximately 18 per cent of the total number of Shares in the Company after the Offering.

The undertakings from the Cornerstone Investors are, however, not guaranteed by bank guarantee, blocking funds, pledges or similar arrangements, which is why there is a risk that Cornerstone Investors will not fulfil their undertakings. Furthermore, the Cornerstone Investors' undertakings are subject to conditions. If any of these conditions are not met, there is a risk that Cornerstone Investors will not meet their undertakings, which could have a material adverse effect on the execution of the Offering. The Company considers the probability of the risk occurring to be low.

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