

GENOVA

Press release

Stockholm 27 October 2023

Genova Property Group Interim Report January–September 2023

January–September 2023 period

- Rental income amounted to SEK 377.1m (286.0), an increase of 32%.
- Net operating income amounted to SEK 280.7m (206.1), an increase of 36%.
- Income from property management decreased 44% to SEK 42.5m (95.6), of which income from property management attributable to shareholders was SEK -18.3m (55.1), corresponding to SEK -0.40 (1.31) per share. The decline was mainly due to increased interest expense and negative changes in the value of joint ventures.
- Net income for the period amounted to SEK -201.9m (415.7), corresponding to SEK -6.53 (8.01) per share. The decline was mainly due to negative changes in the values of properties.
- Long-term net asset value attributable to shareholders decreased 7% to SEK 3,431.6m (3,703.0), corresponding to SEK 75.23 (88.21) per share.

July–September 2023 quarter

- Rental income amounted to SEK 122.6m (100.3), an increase of 22%.
- Net operating income amounted to SEK 94.3m (73.8), an increase of 28%.
- Income from property management decreased 53% to SEK 18.4m (39.3), of which income from property management attributable to shareholders was SEK -3.2m (24.0), corresponding to SEK -0.07 (0.57) per share. The decline was mainly due to increased interest expense.
- Net income for the period amounted to SEK -54.1m (73.2), corresponding to SEK -1.65 (0.95) per share.

Significant events during and after the end of the quarter

Third quarter July–September 2023

- In July, an agreement was signed to divest two fully leased hotel properties in Palma, Majorca, for approximately EUR 35m, corresponding to about SEK 400m. The properties are not of a long-term strategic nature for the company and are low-leveraged, and the divestment provided Genova with net liquidity of approximately SEK 350m, which will be used to reduce the company's indebtedness. The exit date was 18 October 2023.
- In September, a 15-year rental agreement was signed for the Söderhällby 1:9 property in Uppsala, with approximately 5,000 sqm and an annual rental value of approximately SEK 9m. The letting will involve leasehold improvements, where Genova's total investment commitment is expected to be approximately SEK 40m. The tenant will gain accession to 4,000 sqm on 1 April 2024, and the remaining area in 2025.

Events after the end of the quarter

- Bond loan with ISIN SE0013222593 (senior unsecured bonds 2019/2023) and a final maturity date of 30 September 2023 was fully repaid. The total remaining amount that was redeemed amounted to SEK 410m after Genova cancelled its previously repurchased bonds of SEK 115m in connection with the redemption.
- After the end of the period, Genova divested a property in Uppsala at an underlying property value of SEK 50m, which is in line with book value. The property has a lettable area of approximately 3,300 square meters with warehouse and light industry and is fully let with an annual rental value of approximately SEK 4.0m. Average remaining contract term is 1.0 years. Exit date is planned to November 1, 2023.

CEO'S STATEMENT

Genova's property management and project development performed well during the period and we grew organically with occupancy of completed rental apartments. At the same time, income from property management is burdened by higher interest expense and negative value changes in associated companies. We continued our methodical efforts to strengthen liquidity and reduce interest expense and, among other things, divested non-strategic assets. After the end of the period, we also redeemed a bond loan with existing liquidity.

During the period, rental income increased 32% and net operating income 36%, mainly due to a larger investment property portfolio and completed projects. Income from property management decreased to SEK 42.5m compared with SEK 95.6m in the preceding year, mainly due to higher interest expense and negative changes in the value of associated companies. We recognised negative value changes of SEK 368m from the properties, mainly due to increased yield requirements. Overall, this had a negative impact on net asset value per share.

Financing

Genova continued working to reduce indebtedness and strengthen liquidity. During the period, we raised new equity of approximately SEK 200m and completed property sales for approximately SEK 500m, which freed up about SEK 400m in liquidity. After the end of the period, we redeemed an outstanding bond loan of SEK 410m. In 2023, Genova has been focused on being well equipped for the maturity of our bond, and the fact that we could manage the maturity with existing liquidity is positive. Overall, this means that we strengthened the balance sheet and reduced our interest expense by approximately SEK 50m on an annual basis.

Property management

Our existing property portfolio generates favourable earnings. During the quarter, several large lettings of commercial premises were completed and we have a steady economic occupancy rate of 93% with long-term rental agreements, an average of 5.1 years. Most of our rental agreements are linked to inflation via annual CPI indexation, which from January 2024 will have a positive effect on our earnings capacity.

Investments

One of Genova's strengths is the combination of investment properties with stable cash flows and profitable project development of rental units and premises that creates organic growth. Ongoing projects in Enköping, Knivsta, Norrtälje and Upplands-Bro are progressing well and to date this year, approximately 180 tenants have occupied newly developed rental apartments. It is positive that we are seeing unchanged strong demand for the apartments that we develop. In our core markets of Stockholm and Uppsala and other growth regions, underlying demand for rental apartments is strong, not least in line with the sharp decline in housing construction. We believe that this situation will continue. Genova's work with ongoing zoning plans is therefore important for being able to commence new construction where we believe it will create long-term value. One project with great potential is located in Skarpnäck, where we are partnering with the City of Stockholm to plan a new district with residential units, grocery stores, a school and so forth in an attractive location with good access to public transport.

In the prevailing market uncertainty, we need to act both here and now and apply a longer perspective in order to secure the business both operationally and financially. Genova will continue to work pro-actively to strengthen the balance sheet and improve our net financial position. At the same time, we will continue to invest in profitable project development in order to create long-term value. We are determined to emerge stronger when the market recovers.

Michael Moschewitz, CEO

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About Genova

Genova Property Group AB (publ) is a modern property company with a personal touch that owns, manages and develops properties with focus on Greater Stockholm area and Uppsala Region. On 30 September 2023, the value of the company's property portfolio amounted to approximately SEK 10.3 billion with a lettable area of approximately 370,000 sqm and the company held approximately 9,000 building rights for residential units. Genova's share has been listed on Nasdaq Stockholm since June 2020.

This information is such information that Genova Property Group AB (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 27 October 2023 at 8.00 a.m. CEST.

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