

# Investor Presentation

As per 30 September, 2023

Vasakronan

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# Agenda

1. Vasakronan Overview	4
2. Business Description	10
3. Swedish Real Estate Market Overview	19
4. Financials	24
5. Funding	30
6. Appendix	37



# 1. Vasakronan Overview

# Vasakronan in Brief

Property Value  
SEK **181** billion

Contracted Rent  
SEK **9.3** billion

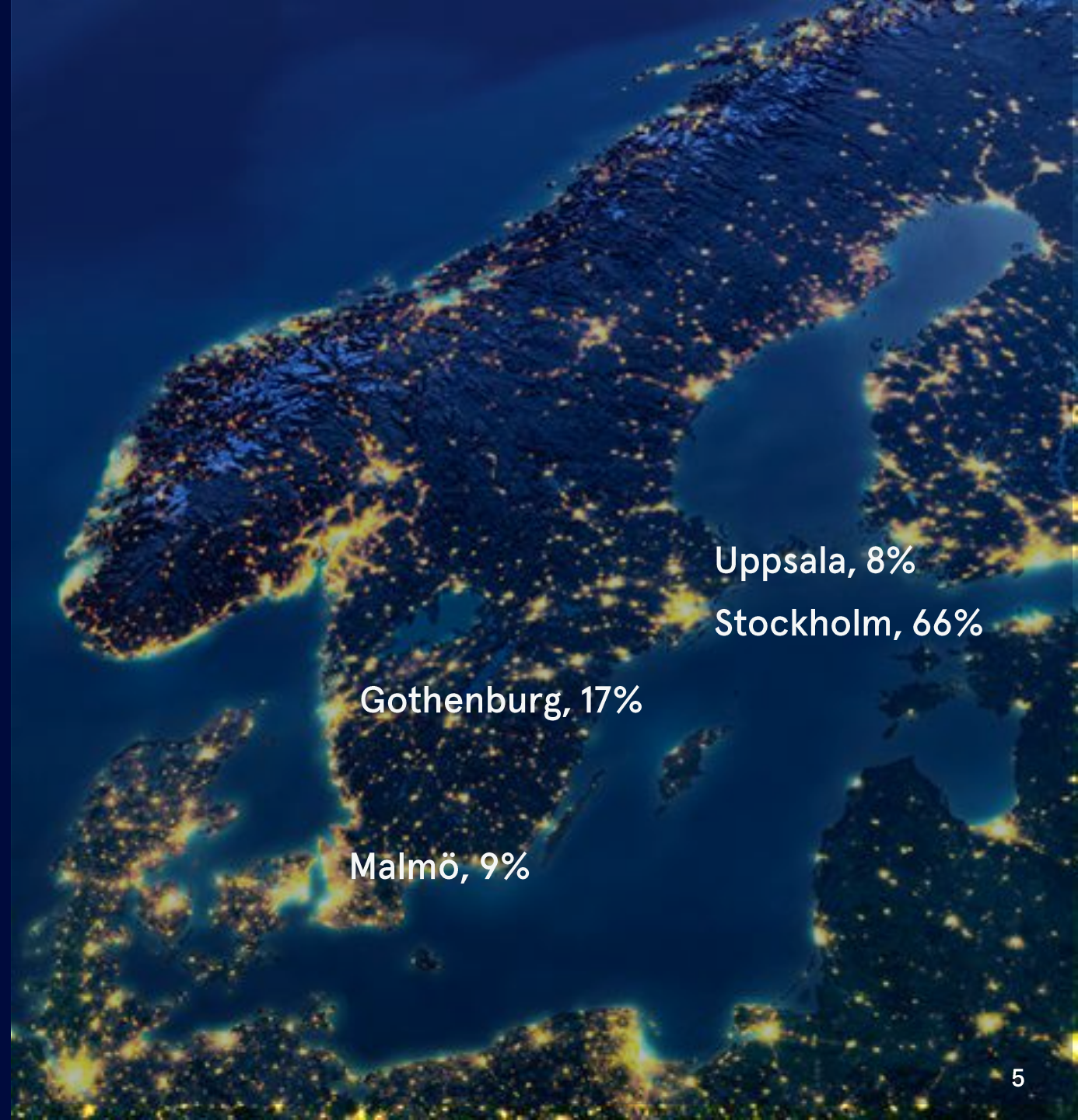
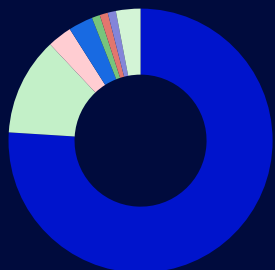
Area, sq. m.  
**2.4** million

No of Properties  
**166**

No of Employees  
**301**

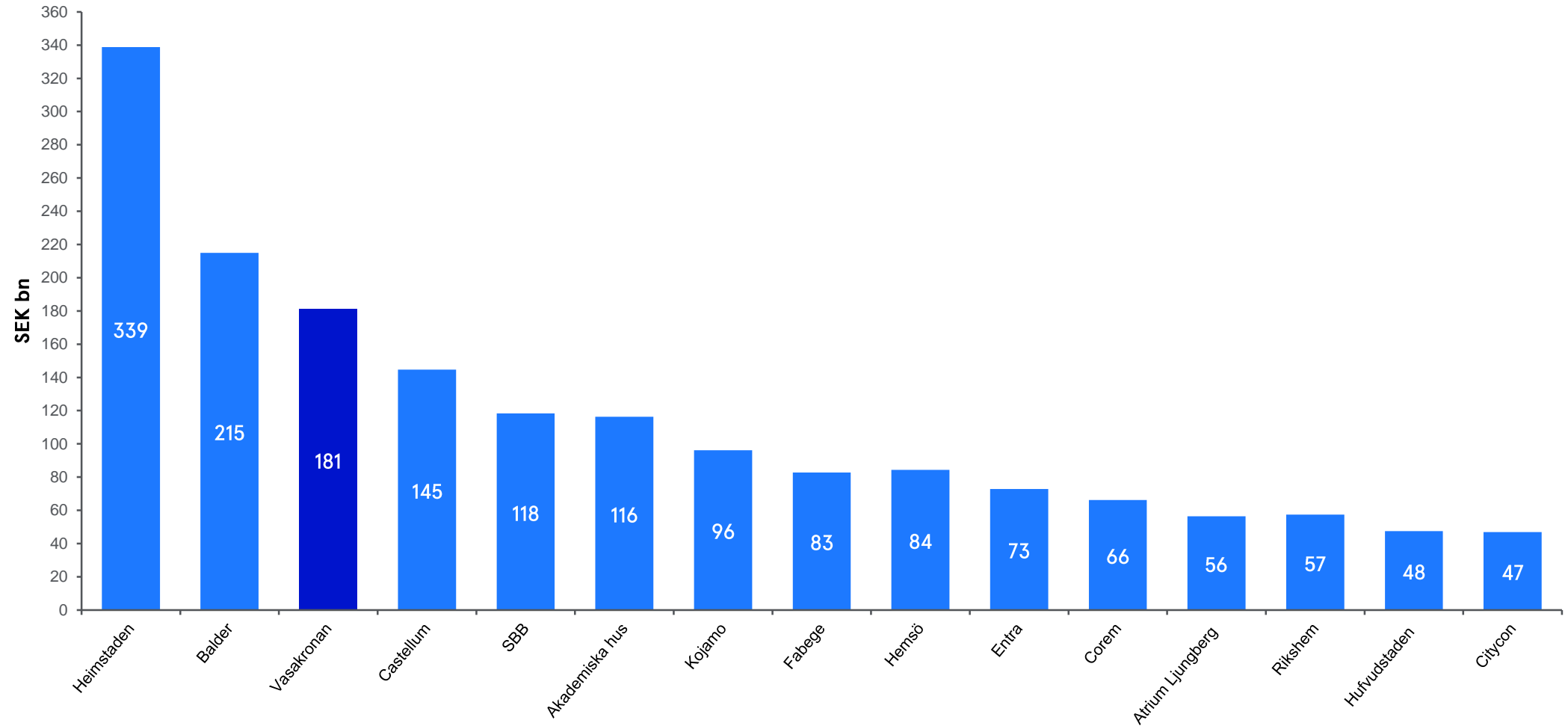
Owners  
First, Second, Third  
and Fourth Swedish  
National Pension  
Fund

Contracted rent by  
property type



# One of the largest Real Estate Co in the Nordics

Investment property value, SEK bn



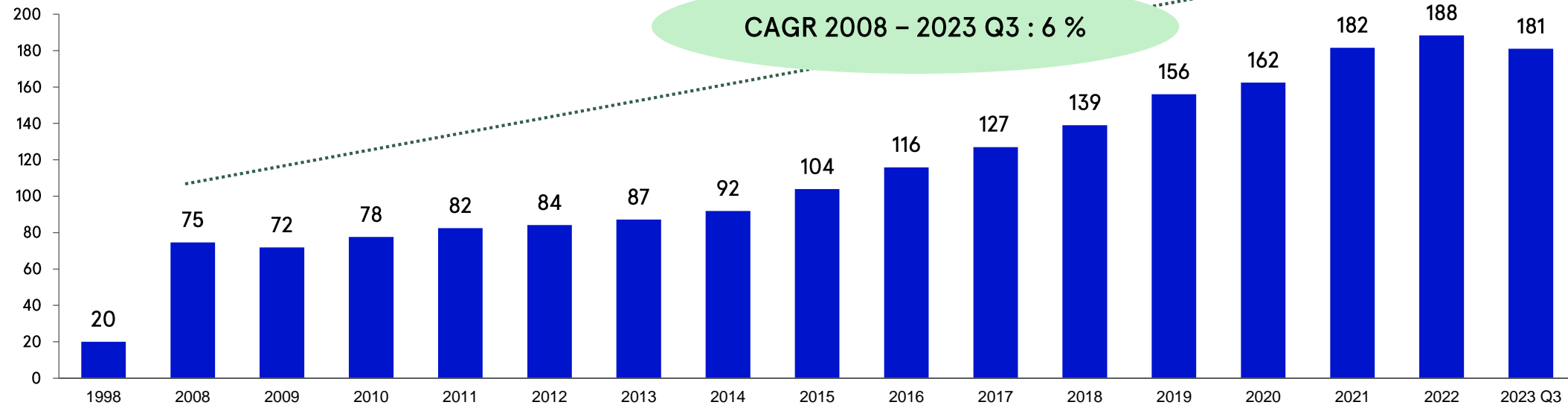
Source: Q3 2023 report of each of the companies above.

As of 30 September 2023. FX-rate EUR/SEK 11,53 NOK/SEK 1,02

# Timeline & Key Events

Consistent growth over a period of two decades. Focus on markets with high growth and liquidity

Continuously improved quality in the portfolio through transactions and project development amounting to SEK 2-4 bn per annum



- AP Fastigheter established by the AP-funds

- AP Fastigheter acquires Vasakronan SEK 41 bn
- Certified according to ISO 14001

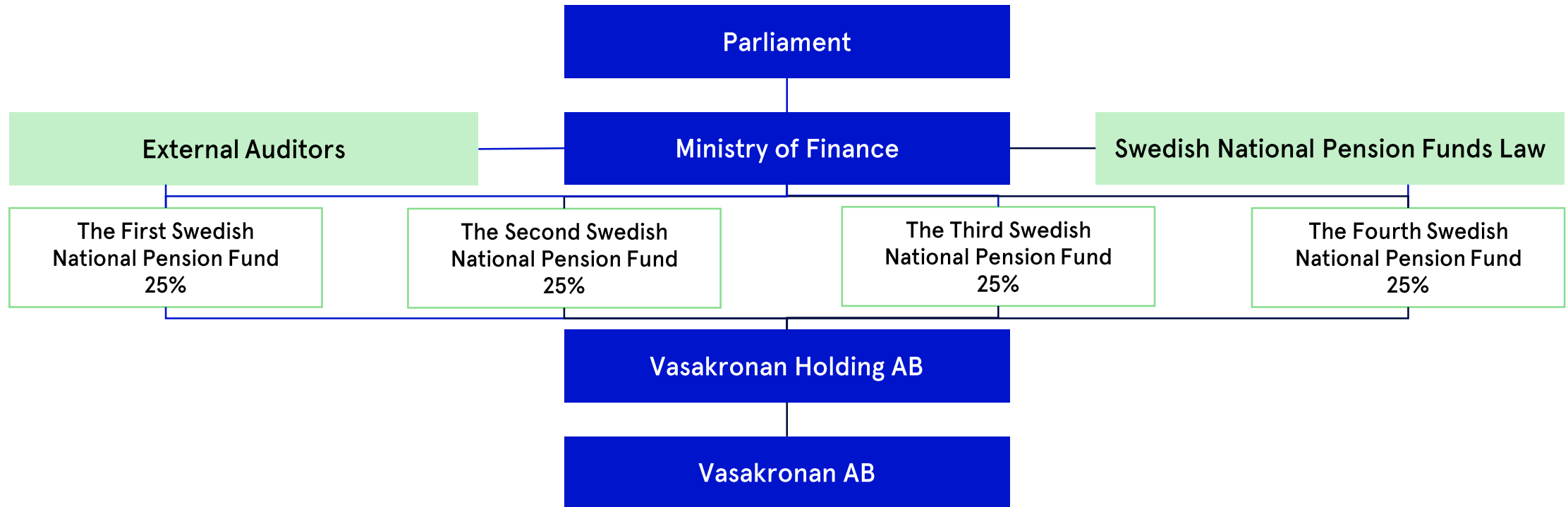
- Divestment of a portfolio of residential properties for SEK 5 bn (Rikshem)
- Signs Sweden's first Green lease agreement

- Issues the world's first Corporate green bond

- Rating assigned by Moody's – A3

# The AP-Funds' Role in the Swedish Pension System

Vasakronan is the Swedish National Pension Funds' main exposure to the Nordic office market



## COMMENTS

- AP-Funds are closed-end buffer-funds and part of the Swedish national income pension system
- All AP-Funds are independent of the government. The funds' operations are regulated by the Swedish National Pension Funds Act
- The AP-funds support Vasakronan with a credit commitment of SEK 18 bn and CoC-clause in all funding



# Assigned A3 (stable) Rating by Moody's

"One of the largest real estate companies by asset value in the Nordics with a dominant position in Sweden's most attractive office markets"

"100% ownership by AP funds, and ultimately the government, and our expectation of extraordinary support"

1

Long-term Government related owners (AP 1-4)

2

24% of rental revenues stem from creditworthy government and public sector tenants

3

Largest real estate company in Sweden with dominant position in prime office locations

4

Substantial amount of liquidity supported by a credit facility from the owners amounting to SEK 18 bn

5

High share of environmentally certified properties with high ratings

6

LTV policy below 55 %

7

The project portfolio by nature includes a speculative element but represents a relatively small part of total asset



by **MOODY'S**  
with Stable outlook

## 2. Business Description



# Sustainable investments in long-term attractive markets and areas

## Investment strategy

### Growth markets

The focus is on locations with strong economic growth and highly liquid transaction markets.

### Attractive areas

The holdings comprise centrally located, sustainable properties in areas with excellent communication links.

### Workplaces, retail and service

The holdings are focused on attractive premises for offices, city retail and local services.

### Urban development and active management

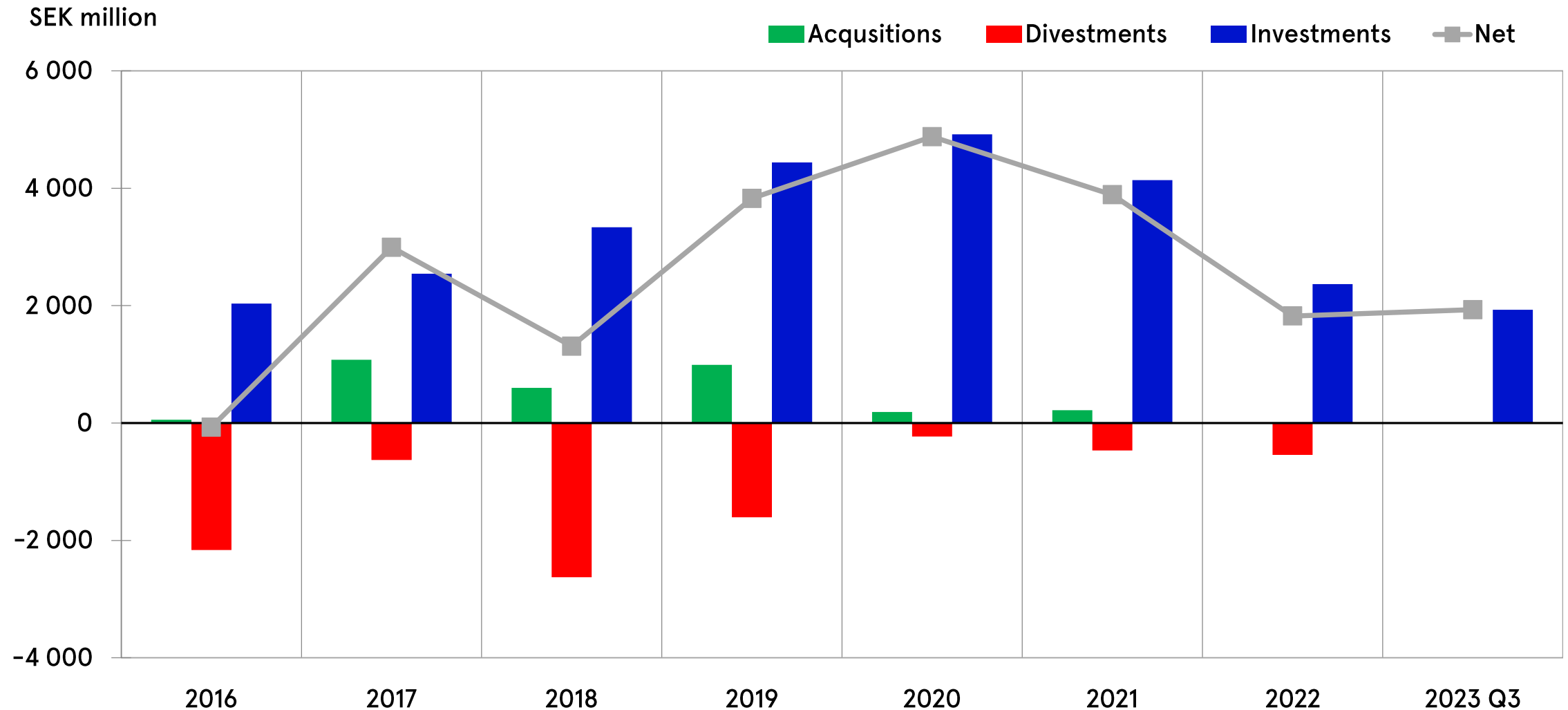
Continuous development of our neighbourhoods and our property portfolio to meet demand and to improve quality.

### Transactions and project development

The size of the project portfolio, and acquisitions and divestments of properties are based on market conditions.



# An Investment Strategy with Focus on Return and Quality

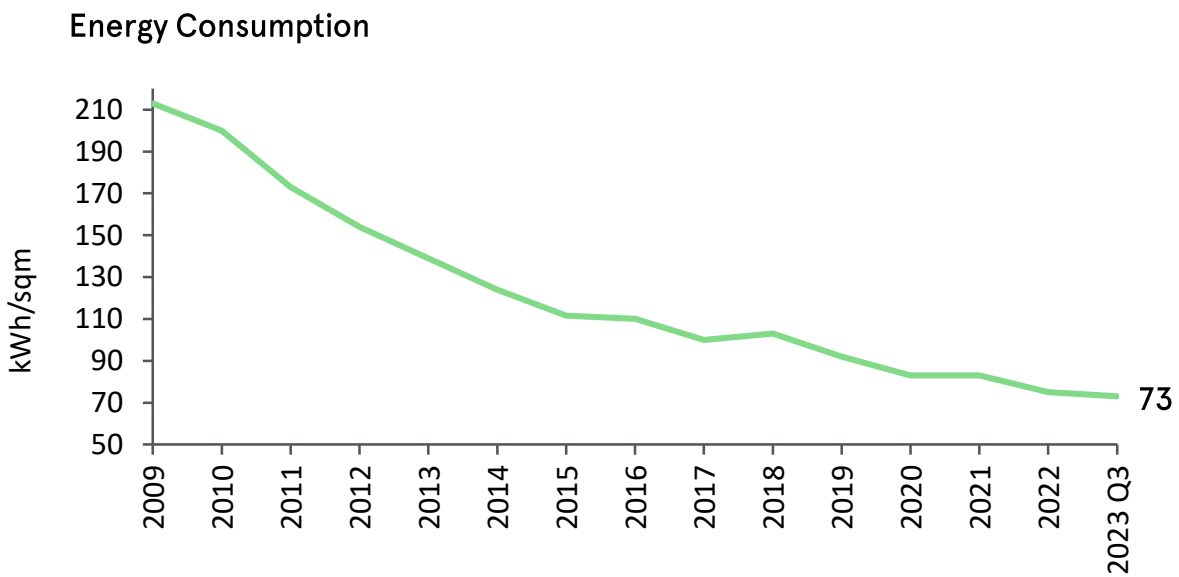




# A Sustainable Business Model

## COMMENTS

- Since 2009, energy consumption has decreased by 65%
- Renewable energy purchasing has reduced carbon emissions (Scope 1 and Scope 2) by approximately 90% since 2006
- Vasakronan’s target is to become climate neutral across the entire value chain (including scope 3) by 2030
- Solar photovoltaic systems on site as well as off site, is currently producing electricity equivalent to 12 percent of landlord controlled electricity demand



## 2023 GRESB Standing Investments Benchmark Report



## 2023 GRESB Development Benchmark Report



Share of environmentally certified properties

**94%**

Investment portfolio

Of all properties...

**88%**

...are rated LEED Gold or higher



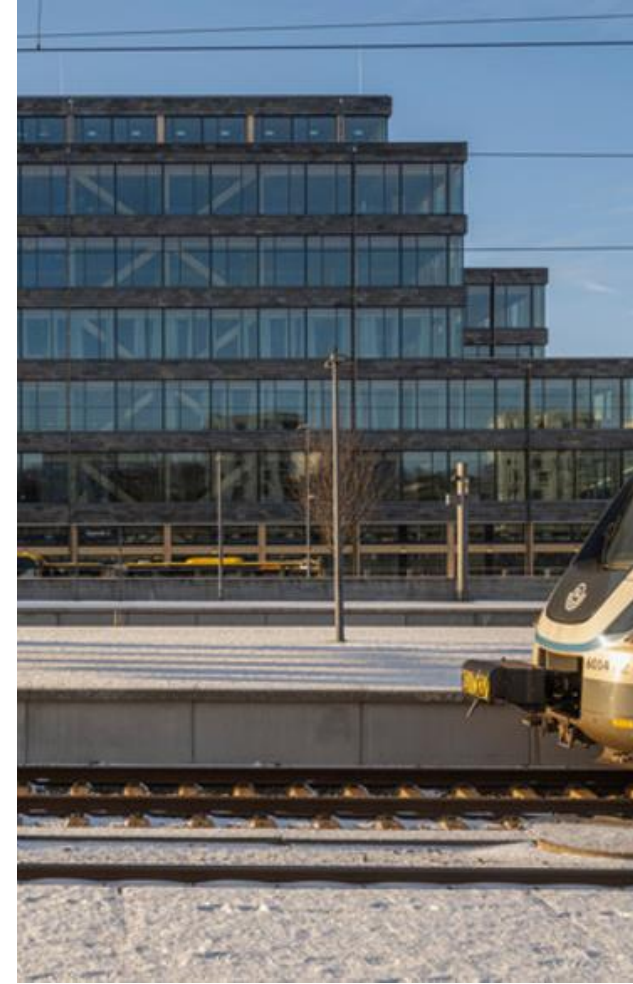
Sergelhusen,  
Stockholm CBD



Läppstiftet,  
Gothenburg CBD



Aura,  
Malmö



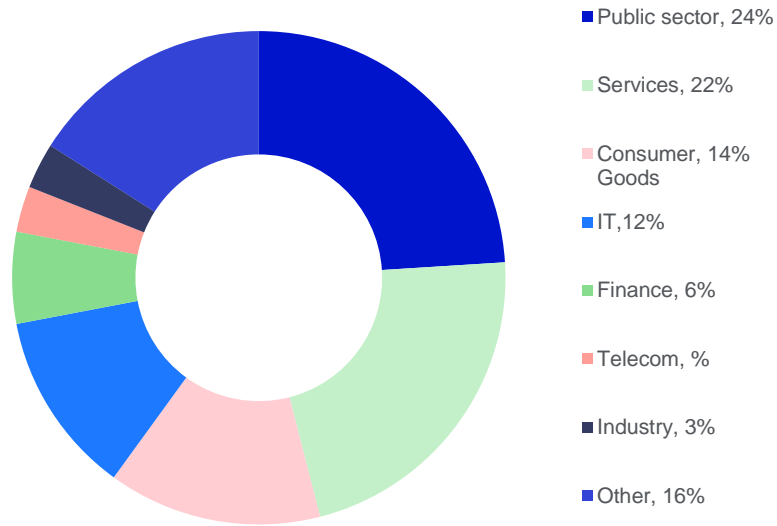
Magasin X,  
Uppsala

# Modern and High Quality Portfolio in Prime Locations

# Diversified Public and Multi Tenant Base

98% of contracted commercial lease agreements are linked to inflation or fixed index, with a large share of quartely index (2/3)

Contracted Rent by Sector,  
% of Property Portfolio



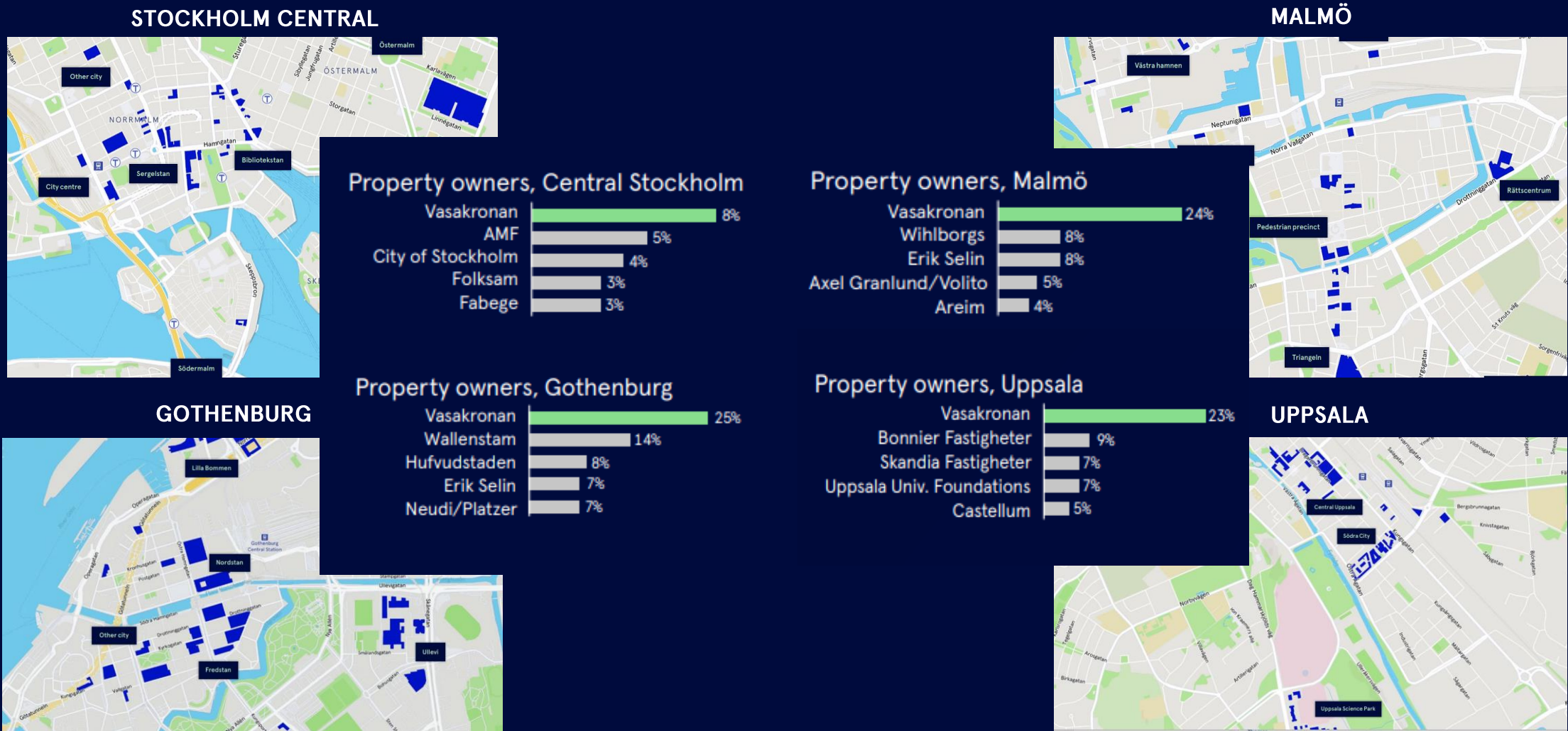
4 030 Commercial Contracts  
(residential and garage not included)

TOP TEN TENANTS	TYPE	SHARE IN %
Swedish Police Authority	Public	3%
Ericsson	Private	3%
Swedish Prison and Probation Service	Public	2%
The Swedish Tax Agency	Public	2%
H&M (Offices and stores)	Private	2%
King	Private	2%
Försäkringskassan (Social insurance agency)	Public	2%
EY	Private	1%
Swedish National Courts Administration	Public	1%
Scandic	Private	1%
TOTAL		18%



# Market Share by Region

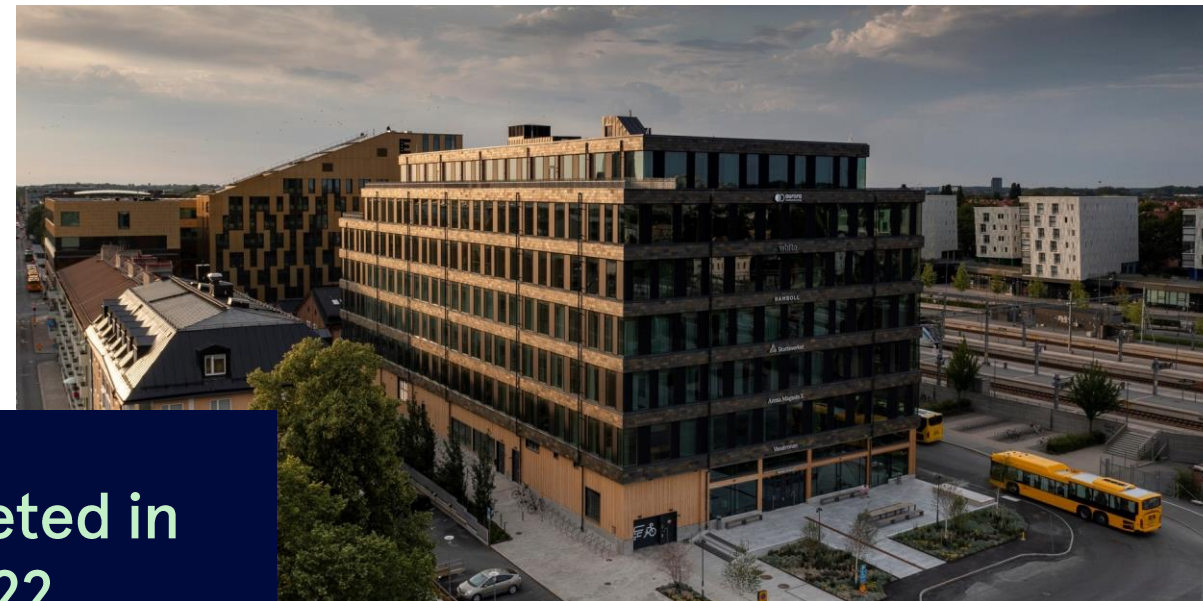
Vasakronan, the largest property owner in its key operating cities and can thus offer customers greater flexibility



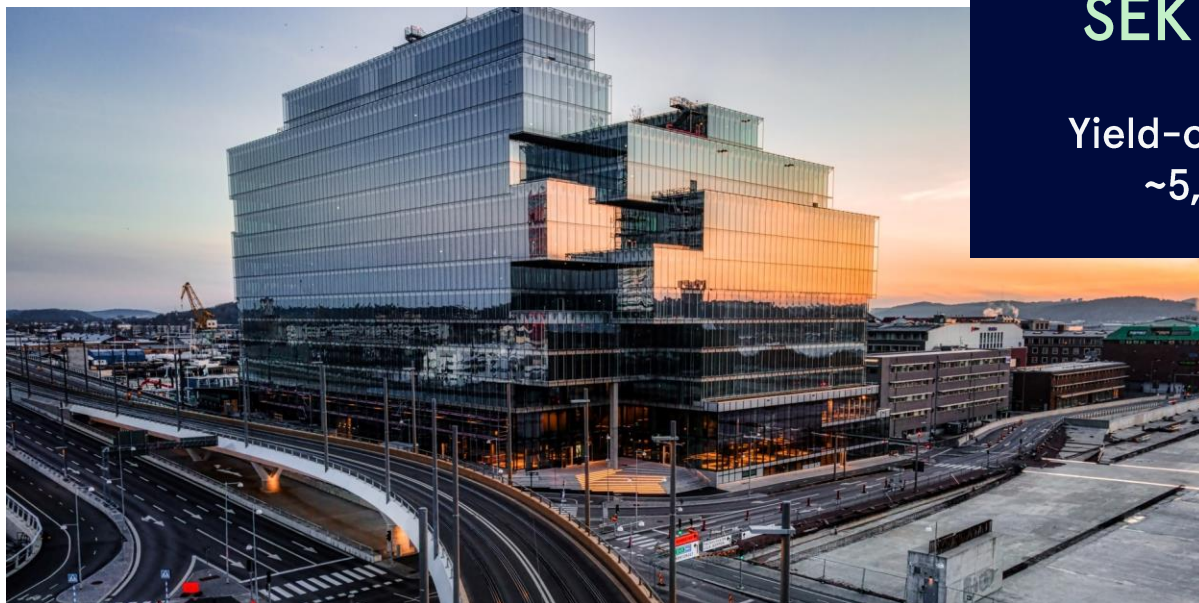




Sundbyberg C : Nya Kronan, 44 400 sqm



Uppsala C: Magasin X, 11 500 sqm



Gothenburg C : Platinan, 53 700 sqm



Stockholm, Medborgarplatsen: Nattugglan, 15 000 sqm

Completed in  
2022

SEK 5 bn

Yield-on-cost:  
~5,5 %





Stockholm: Hästskoplatset, Hamngatan, 9 100 sq.m.



Uppsala: Lumi, Södra City, 15 000 sq.m.



Gothenburg: Kaj 16, 30 000 sq.m.



Stockholm: Grev Tureplan, Birger Jarlsgatan, 8 500 sq.m.

Ongoing  
developments

SEK 4,2 bn

Capitalised: 34%  
Occupancy rate: 58%

# 3. Swedish Real Estate Market Overview



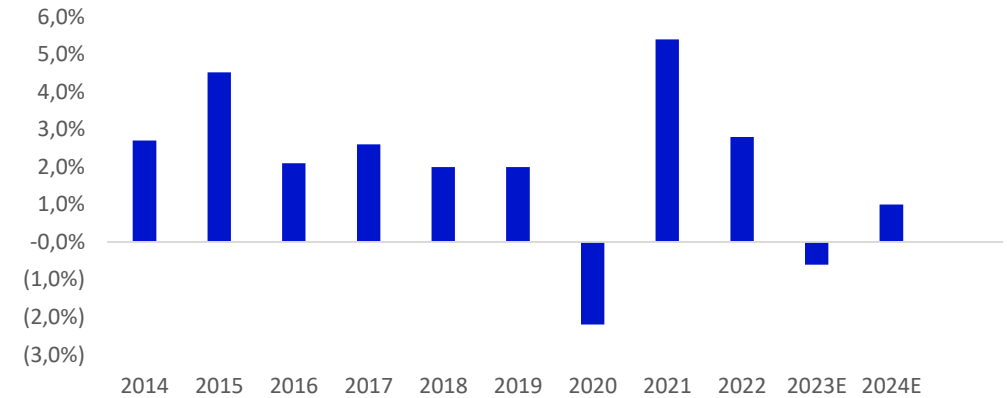
# Market Overview

## COMMENTS

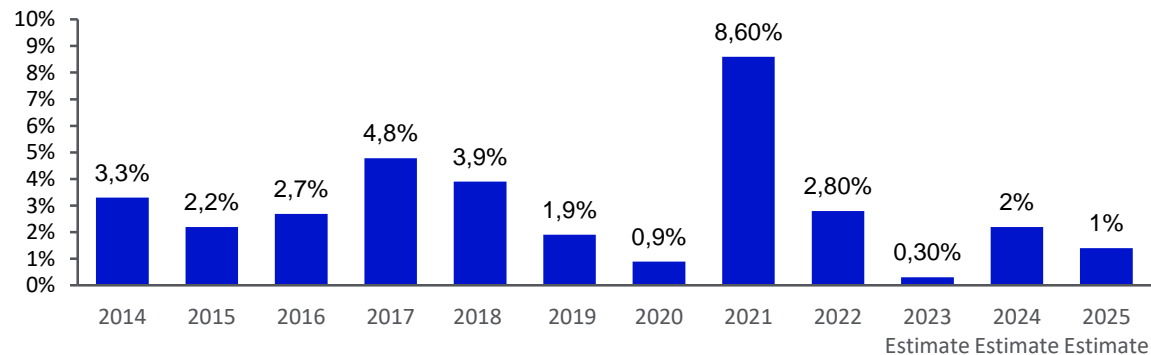
- Demand remains high for modern office premises in central locations in all areas where Vasakronan owns property and rent levels are stable
- Transaction volumes in Q3 2023 has been low in a historical perspective
- The labour market remains strong with several sectors experiencing labour shortages

## GDP GROWTH

GDP growth in Sweden, annual change in %, fixed prices. E=Estimate

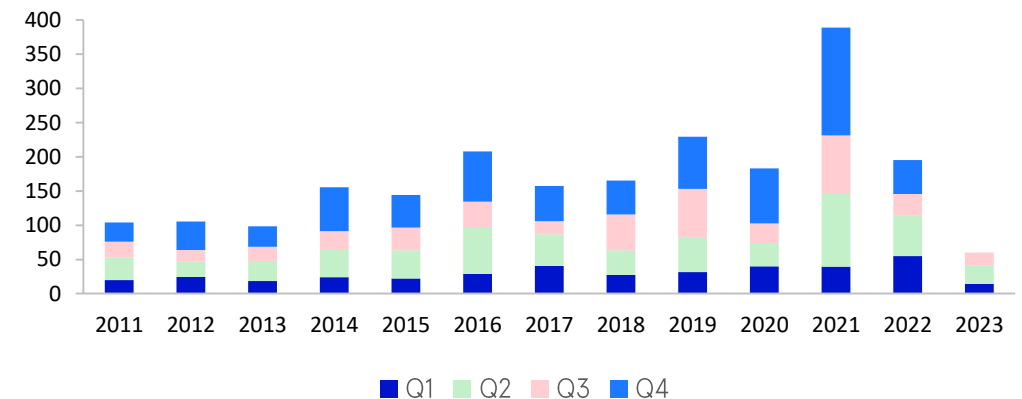


## Office employment in metropolitan regions



## LOW ACTIVITY IN THE SWEDISH PROPERTY MARKET

Transaction volume, SEK bn

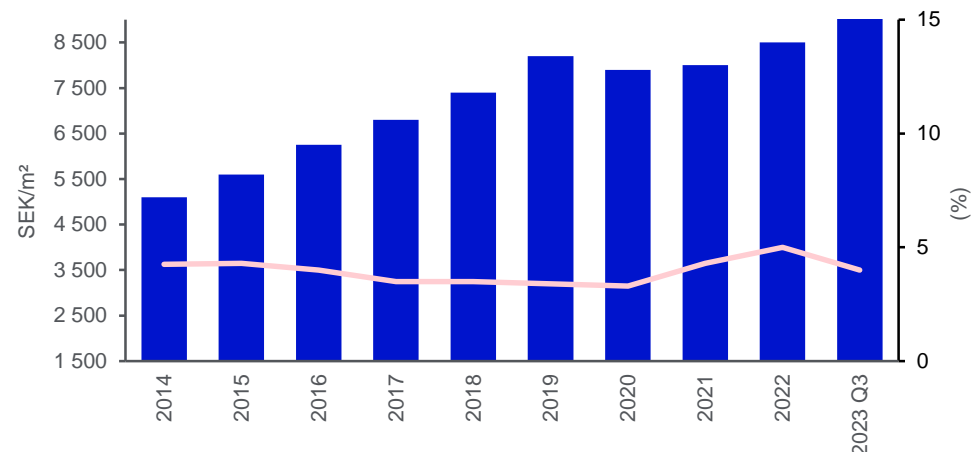




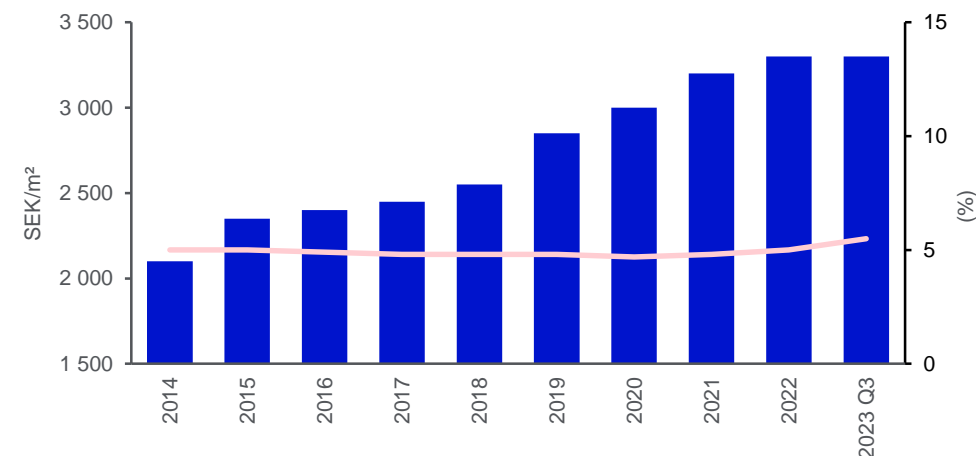
# Market Rents and Vacancies – Offices

Stable office rents at a high level in all markets

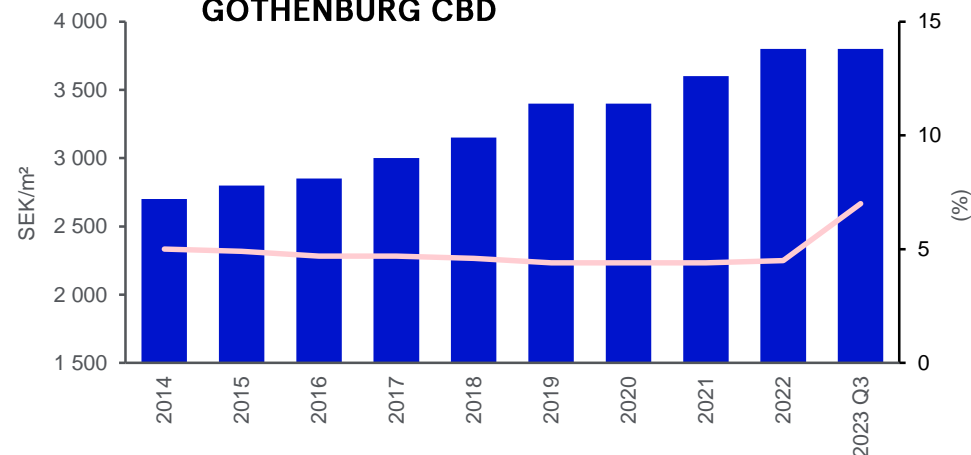
## STOCKHOLM CBD



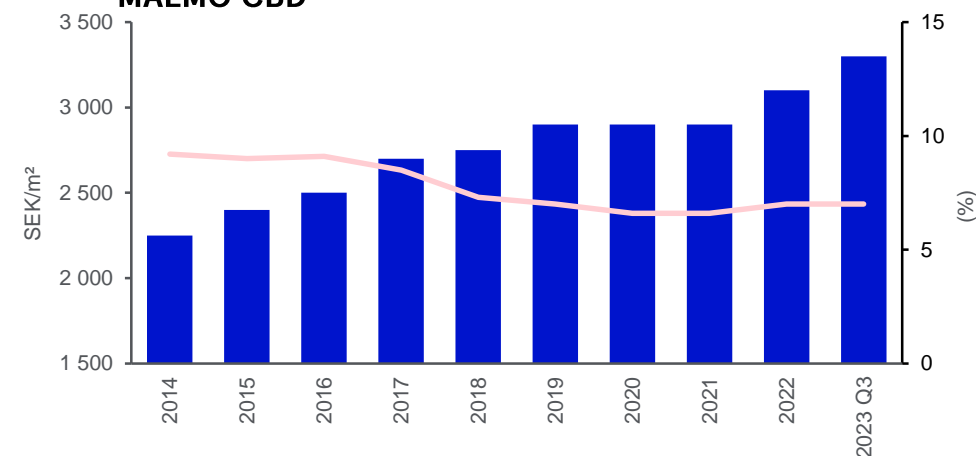
## UPPSALA INNER CITY



## GOTHENBURG CBD



## MALMÖ CBD



Source: Cushman & Wakefield. As of 30 September 2023.

■ Rent / sqm    — Vacancies, %

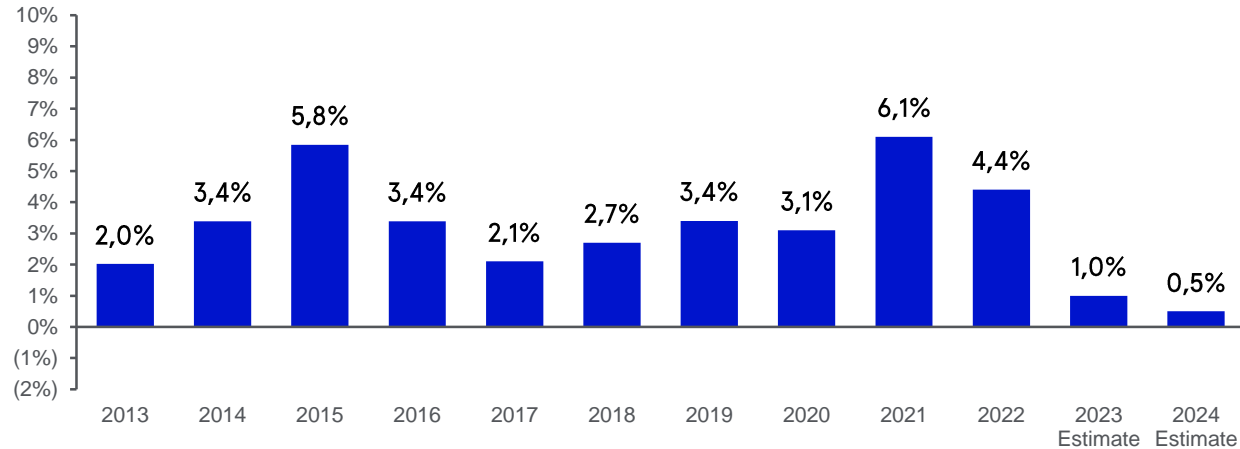
# Retail Market Overview

## COMMENTS

- People returned to the city centres and physical retail grew after the pandemic. This was also confirmed by Vasakronan's own city retail index
- Turnover is back at pre-pandemic levels
- E-commerce companies are establishing omnichannel concepts
- Retailers are in prime retail locations opening flagship stores
- Vasakronan is converting some secondary retail space into office space

## RETAIL SALES

Growth in Total Retail Sales, %



As of 30 September 2023.

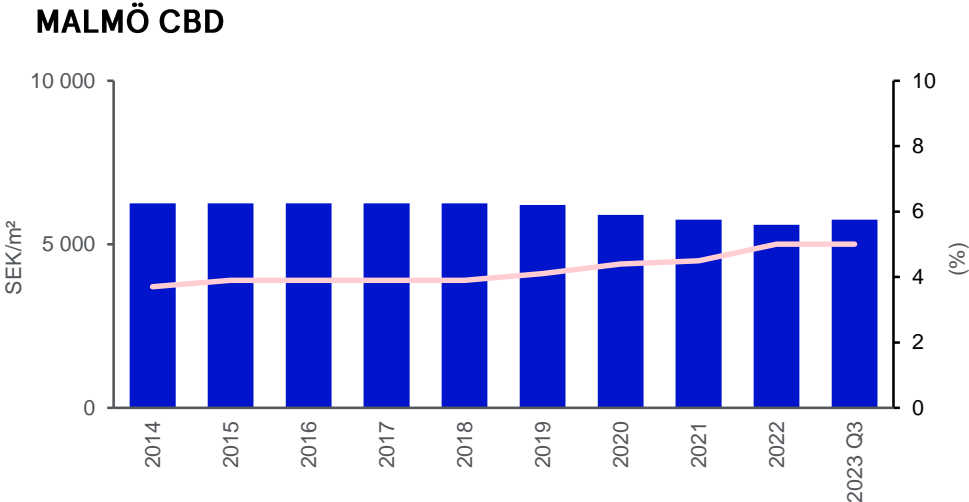
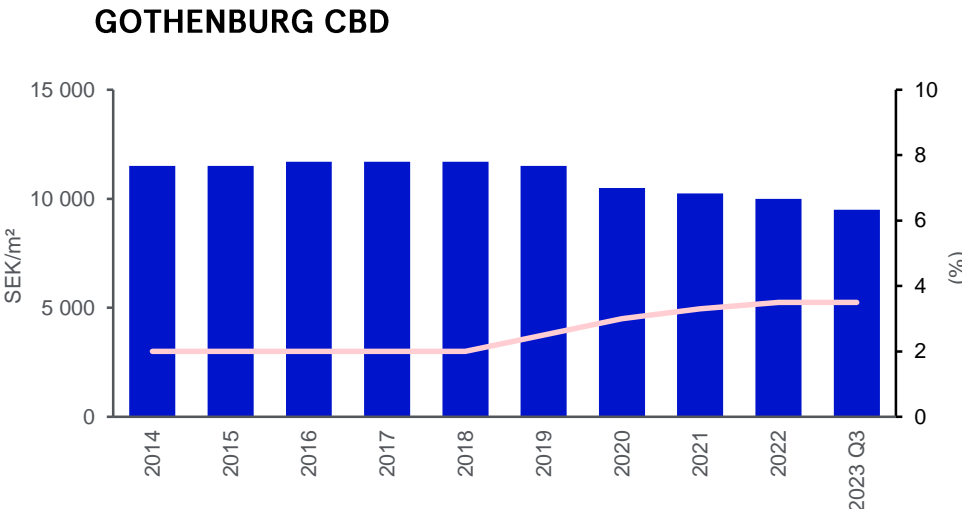
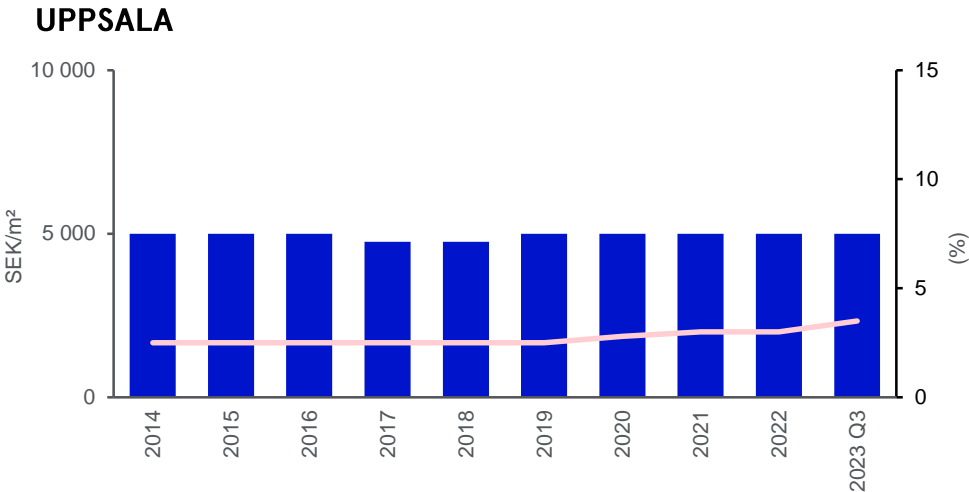
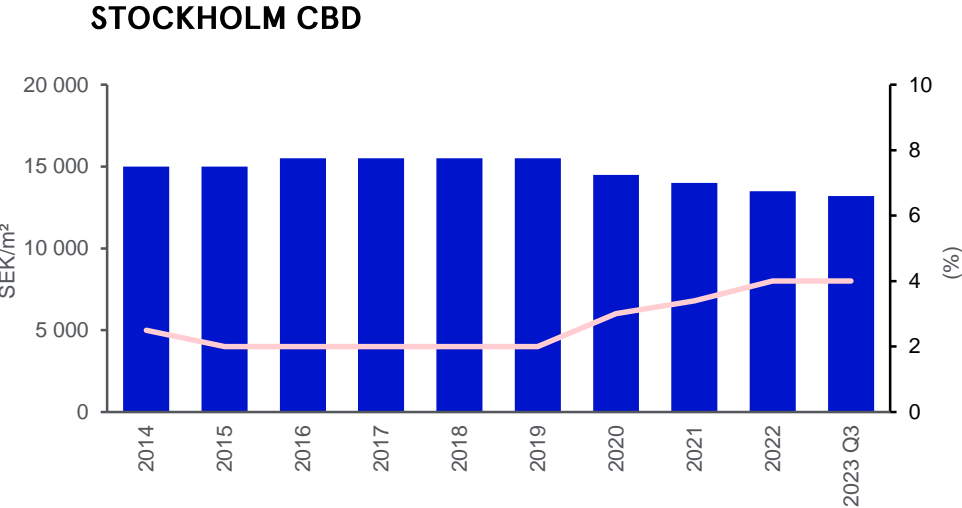
## ARKADEN GOTHENBURG



## SERGELGATAN STOCKHOLM CBD



# Market Rents and Vacancies – Retail Premises



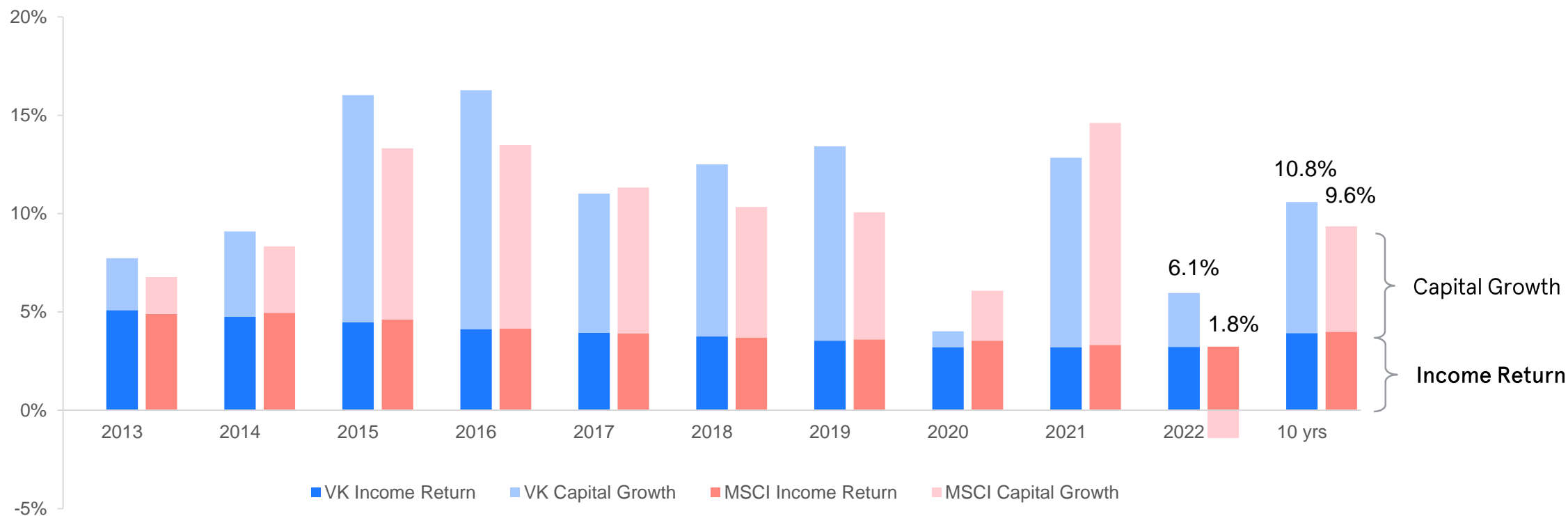
■ Rent / sqm    — Vacancies, %

# 4. Financials



# Total Return

Business target – a total return of at least 6.5% over a period of ten years, and a total return of 0.5% above the industry average



## COMMENTS

- Vasakronan has delivered a better total return than the Swedish Property Index MSCI for seven out of ten years
- External valuation is carried out twice a year by independent firms of appraisers pursuant to the RICS Red Book

MSCI Swedish Property Index<sup>(1)</sup>  
Vasakronan

Notes: (1) MSCI Index excludes Vasakronan.  
Source: MSCI Swedish Property Index.

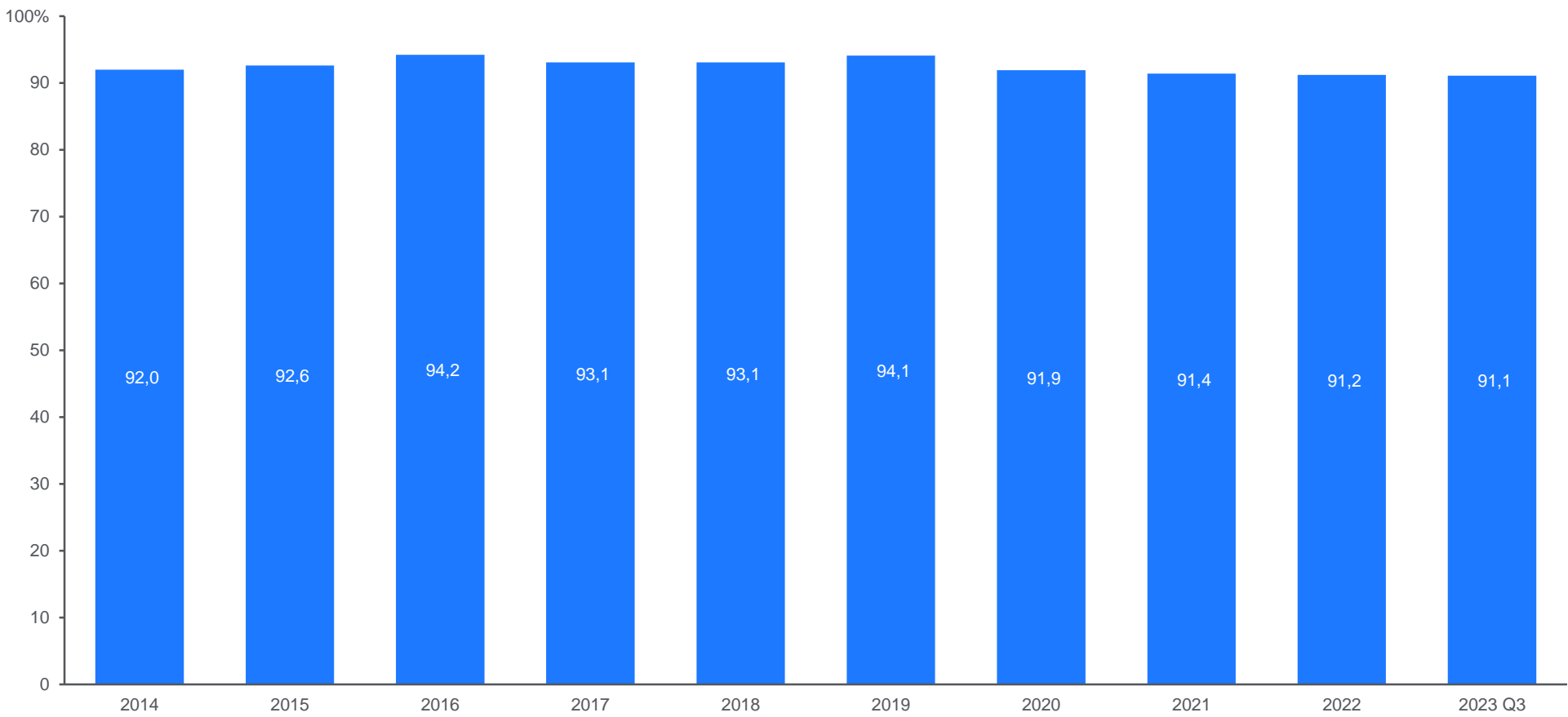
# Stable Occupancy Rate

Occupancy rates have been stable over the cycle.

Offices  
90,5%

Retail  
94,4%

OCCUPANCY RATE %

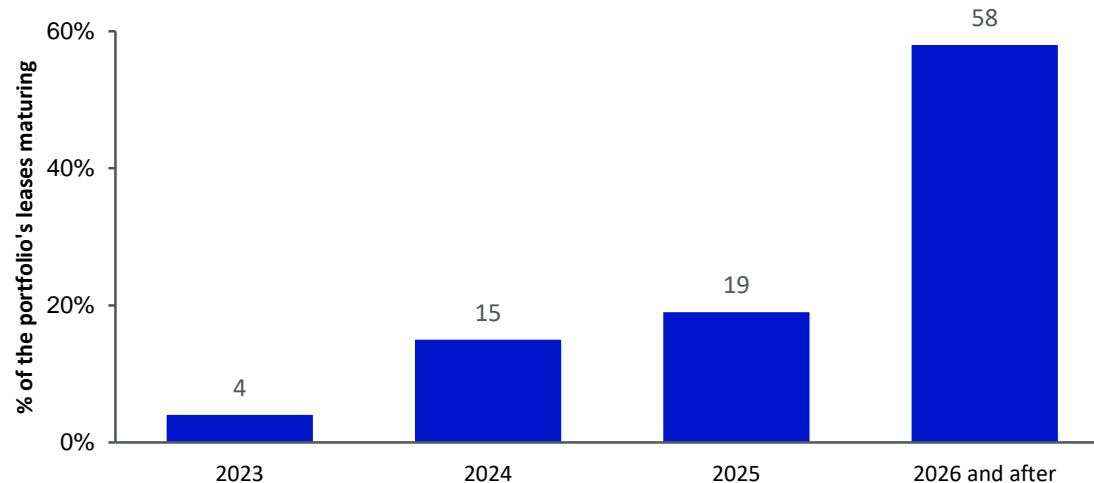


# Lease Agreements and Contract Renewals

98% of contracted commercial lease agreements are linked to inflation or fixed index, with a large share of quartely index (2/3)

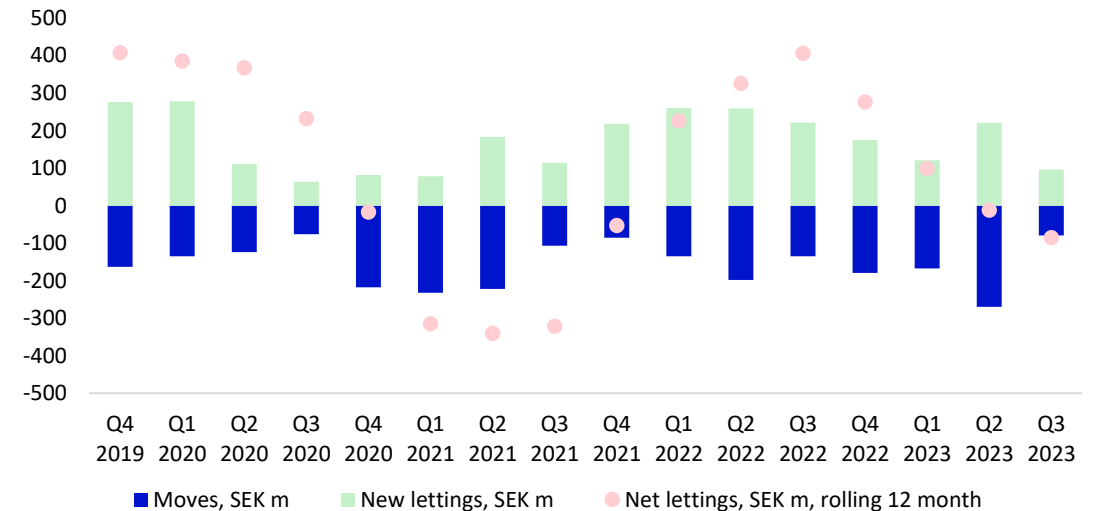
## DURATION IN CONTRACT PORTFOLIO <sup>1)</sup>

Average Term 3,3 Years (Share, %)



## LEASING VOLUMES

SEK m



## COMMENTS

- An average lease agreement in the Swedish market is between 3 and 7 years
- Lease agreements up to 25 years in properties built for special purposes, for example courts and life science
- Due to rising rents the result of renegotiations for the period amounted to 2% above index

1) Garage, 3% and Residential 1% is not included in average duration of the contract portfolio

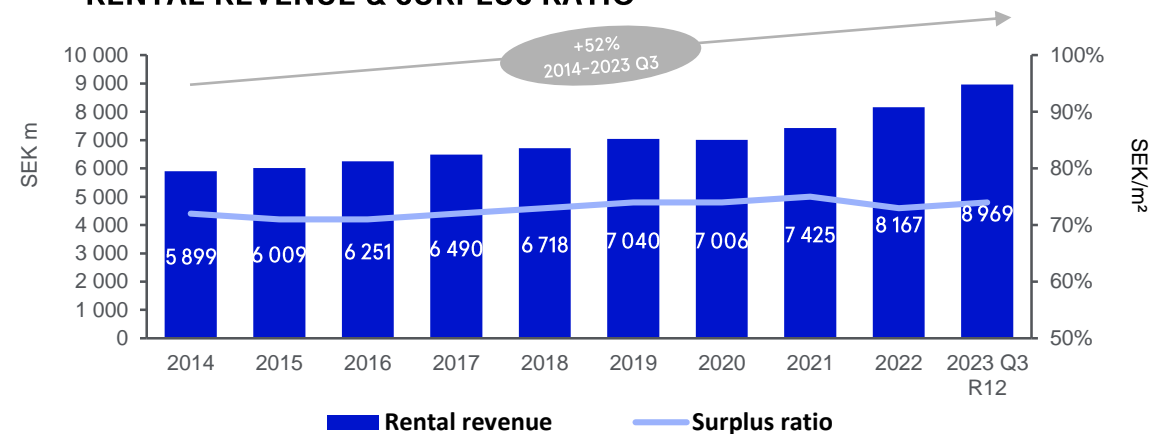
# Income Statement

Rental revenue has improved over time

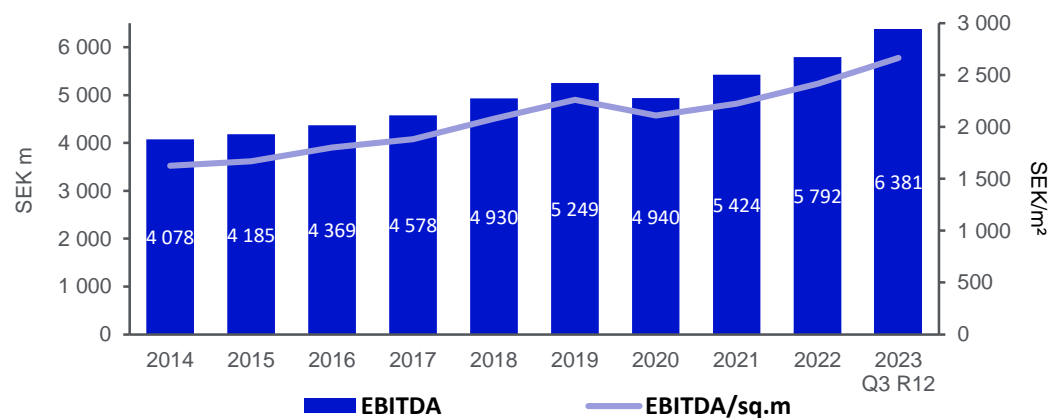
## COMMENTS

- Tenants normally pay for heating, cooling, waste management and property tax
- Lease agreements are adjusted according to inflation with a protection against deflation
- Rental revenue has increased approximately 52% compared to 2013

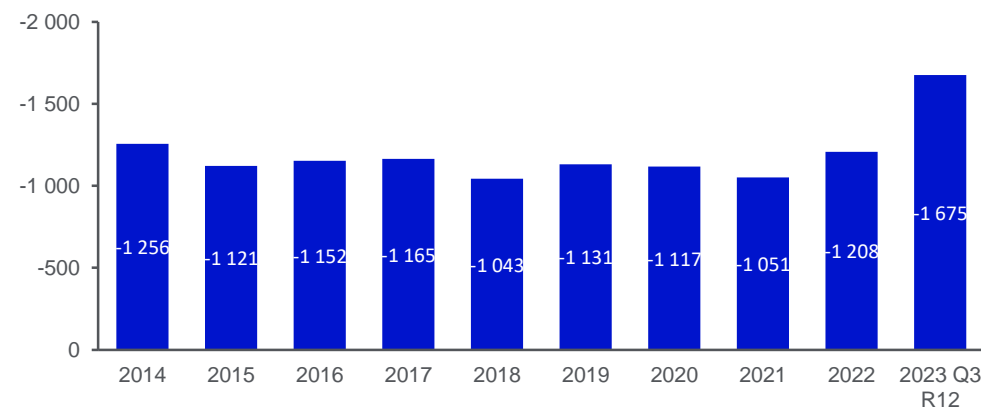
## RENTAL REVENUE & SURPLUS RATIO



## EBITDA



## NET INTEREST EXPENSES





# Capital Structure and Interest Coverage Ratio

LTV has been below 50% since 2014 and ICR has been way above the minimum of 2.0 times

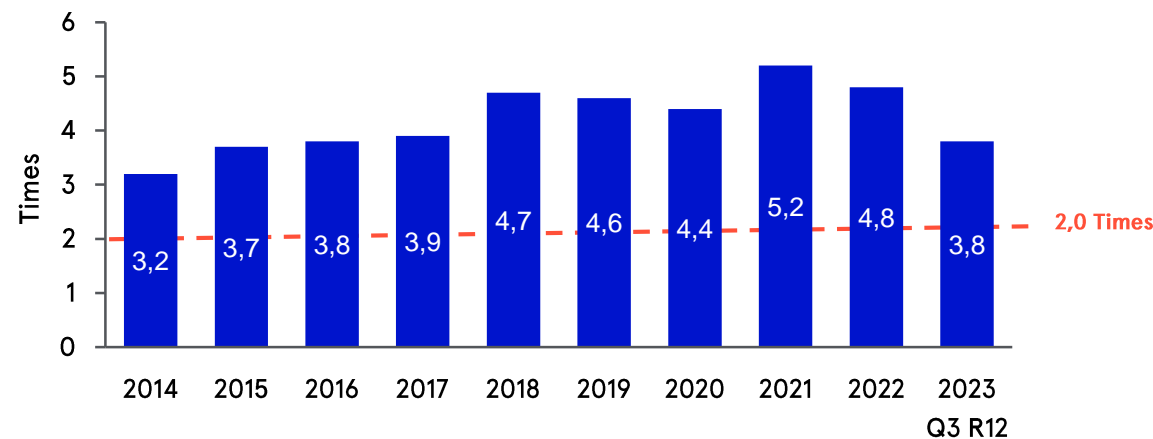
## ICR & LTV TARGET

- Interest Coverage Ratio has improved substantially and is well above the minimum of 2.0 times
- LTV shall have maximum of 55 percent
- LTV has been below 50 percent since 2014
- LTV is accepted be lower at times of high property values and vice versa

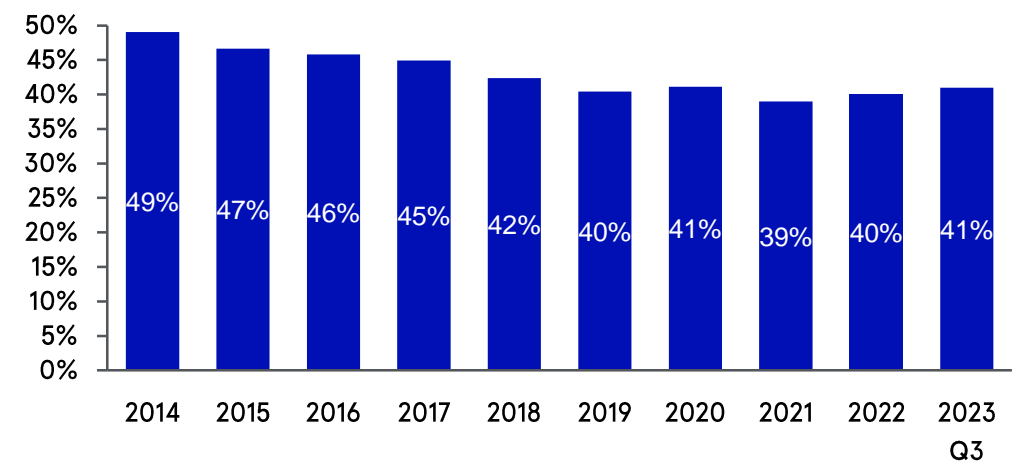
## DIVIDEND POLICY

- Under normal circumstances dividends shall correspond to 40–60 percent of the Group's profit before value changes and after taxes
- In order to avoid over capitalization, larger dividend can be paid in periods of rising property values
- In times of negative property value development, dividends may need to be lower or none, and if required, capital injection will be requested from the owners

## INTEREST COVERAGE RATIO



## LOAN TO VALUE



# 5. Funding

# Government Backed Ownership Structure

Vasakronan is the Swedish National Pension Funds' strategic investment in the Swedish office market. Therefore, they are supporting the Company with a RCF and CoC clauses on all debt instruments.

## CREDIT FACILITY

- Vasakronan has a SEK 18 bn revolving credit facility with the owners.
- The agreement has a constant maturity and can be terminated with a notice period of 24 months
- The commitment can be used for general corporate purposes
- Gives extremely strong liquidity position and lowers risk of short-term funding

## CHANGE OF CONTROL

- The change of control clause covers all our capital market and bank funding. It is one example of our owners' long-term commitment which provides security to our investors
- Change of Control occurs when the aggregate holdings of AP Funds ceases to represent at least 51 per cent. of the total voting rights represented by the shares and the rating is lowered by at least one full rating notch



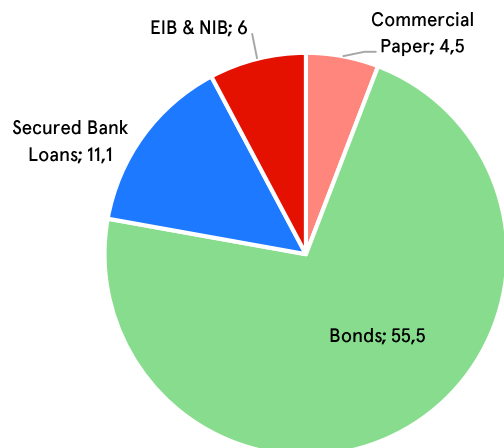
# Diversified Funding

## With high proportion of green financing

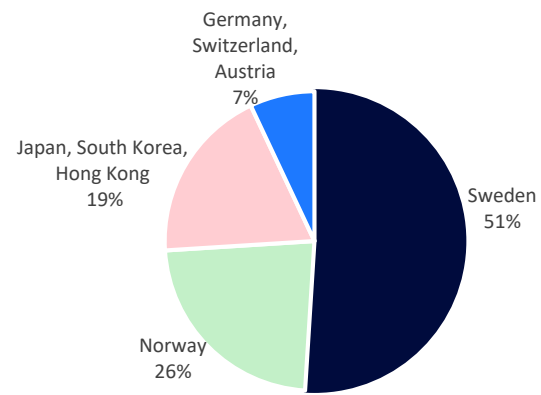
### COMMENTS

- Vasakronan has a diversified funding with a broad investor base
- Vasakronan has issued bonds in seven currencies
- Limited Secured LTV at 5 percent of Total Assets
- First corporate in the world to issue a Green Bond and a Green Commercial Paper
- Second Opinion from S&P Shades of Green

DEBT PORTFOLIO, 77,1 SEK BN



BONDS, INVESTORS %



### LARGE PROPORTION OF GREEN FUNDING



# Vasakronan's Green Finance Framework

Vasakronan's Green Bonds raise funds for projects with environmental benefits

## COMMENTS

- Second Opinion from S&P Shades of Green
- The proceeds from Vasakronan's green bonds are financing the following green projects;
  - New construction- LEED Platina and at least 25 percent below current building regulation (Swedish BBR code)
  - Renovation of existing buildings - LEED Platina and a reduction of PED of at least 40%
  - Existing buildings - LEED Gold, EPC A or an energy performance (PED) within the top 15% most efficient buildings
  - Solar energy projects



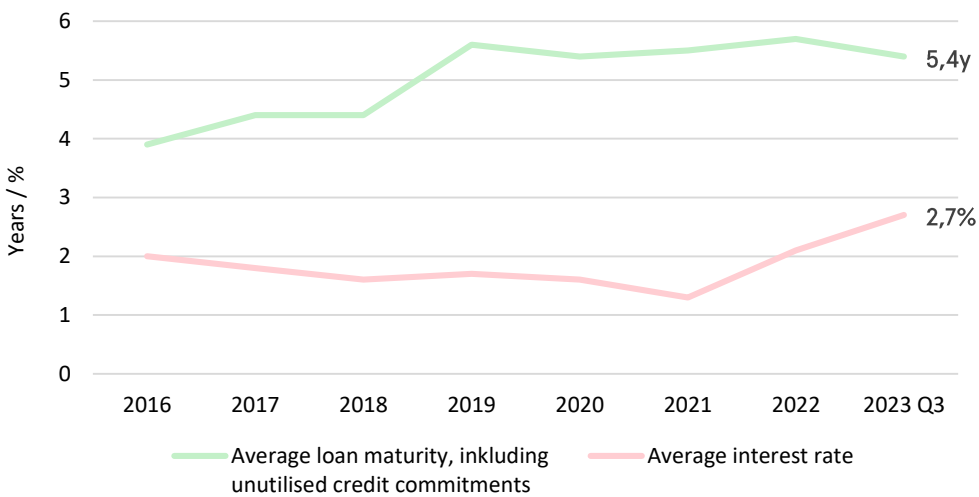
# Debt Overview

Low risk due to long Average Fixed Interest Term and long Average Loan Maturity

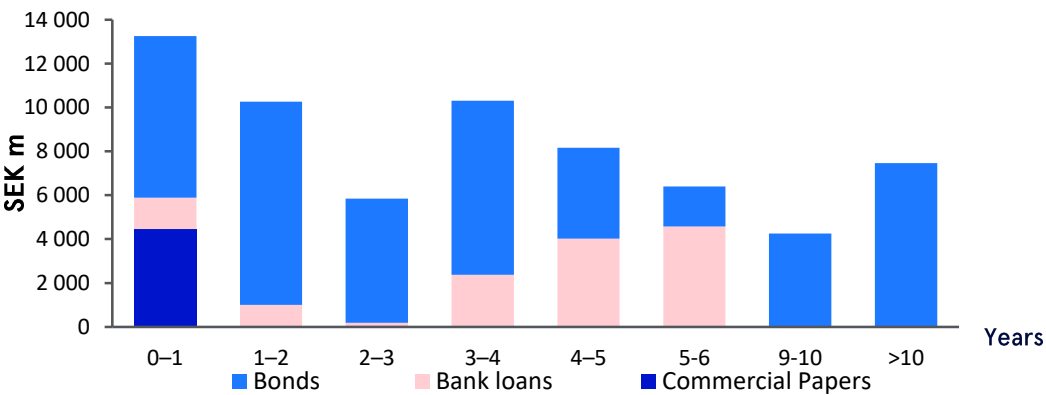
## COMMENTS

- Credit facility from owners and cash covers all debt maturities and cash flows within 18 months
- Short term debt has been replaced by longer tenors
- Long average fixed interest rate maturity of 3,5 years

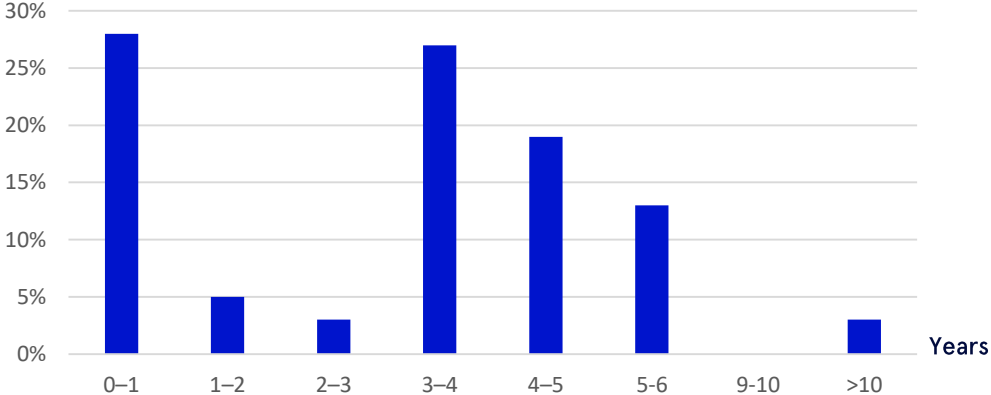
## AVERAGE INTEREST RATE AND AVERAGE LOAN MATURITY



## DEBT MATURITY PROFILE, AVERAGE OF 5,4 YEARS



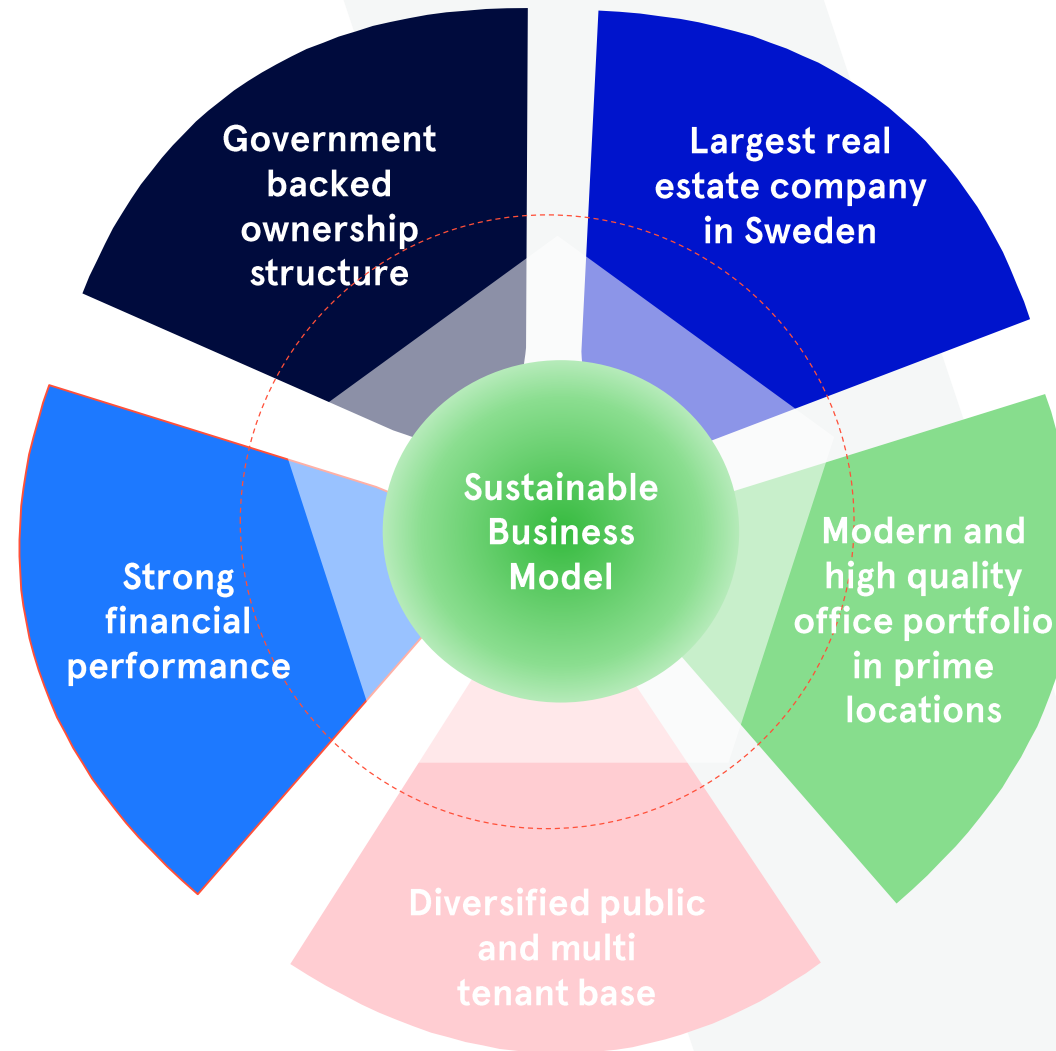
## INTEREST RATE MATURITY PROFILE



As of 30 September 2023.



# Key Credit Highlights





**Thank you!**

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**Johan Fredriksson, Portfolio Manager**  
[johan.fredriksson@vasakronan.se](mailto:johan.fredriksson@vasakronan.se)

# Appendix



# Financial Policy

Vasakronan has a conservative treasury policy with limited risk

POLICY			
FINANCIAL RISKS	FINANCIAL POLICY		ACTUAL AS AT 30 September
	<b>FINANCING RISK</b>		
	Average Loan Maturity, excluding unutilised credit commitments	At least 2 years	5.1 years
	Average Loan Maturity	-	5.4 years
	Loan Maturing 12 Months	Max 40%	17%
	Credit Facility from Owners and Cash/ Loan Maturity 12 Months	At least 100%	162%
	<b>INTEREST RATE RISK</b>		
	Interest Coverage Ratio	At least 2.0 times (last 12 months)	3.8 times
	Fixed Interest Term	At least 2 years	3.5 years
	Interest Maturity within 12 Months	Max 55%	28%
	<b>CREDIT RISK</b>		
	Counterpart's Rating	At least A-, or BBB+ for derivatives under CSAs	Fulfilled
	<b>CURRENCY RISK</b>		
	Currency Exposure without assets in foreign currency	Not allowed	Fulfilled
	Secured Debt/Gross Assets	Max 20%	5%

# Income statement

Amounts in SEK million	Jan-Sep 2023	Jan-Sep 2022	Jul-Sep 2023	Jul-Sep 2022	Oct 2022-Sep 2023	Jan-Dec 2022
Rental revenue	6,826	6,024	2,322	2,132	8,969	8,167
Operating expenses	-662	-630	-190	-215	-896	-864
Repairs and maintenance	-96	-83	-29	-29	-130	-117
Property administration	-334	-268	-96	-78	-445	-379
Property tax	-624	-632	-208	-298	-831	-839
<b>Total property expenses</b>	<b>-1,716</b>	<b>-1,613</b>	<b>-523</b>	<b>-620</b>	<b>-2,302</b>	<b>-2,199</b>
<b>Operating surplus</b>	<b>5,110</b>	<b>4,411</b>	<b>1,799</b>	<b>1,512</b>	<b>6,667</b>	<b>5,968</b>
Central administration	-86	-83	-26	-26	-119	-116
Result from participations in associates and joint ventures	-108	-29	-16	2	-230	-151
<b>Operating profit</b>	<b>4,916</b>	<b>4,299</b>	<b>1,757</b>	<b>1,488</b>	<b>6,318</b>	<b>5,701</b>
Financial income	100	10	39	8	120	30
Financial expenses	-1,394	-837	-492	-327	-1,795	-1,238
Interest expense lease liability; ground rents and land leases	-120	-120	-40	-40	-160	-160
<b>Profit after net financial items</b>	<b>3,502</b>	<b>3,352</b>	<b>1,264</b>	<b>1,129</b>	<b>4,483</b>	<b>4,333</b>
- Of which, income from property management	3,608	3,379	1,278	1,127	4,709	4,481
Change in value of investment properties	-9,160	11,028	-1,481	-2,140	-15,271	4,917
Depreciation of right-of-use assets	-5	-5	-2	-2	-7	-7
Change in value of financial instruments	-855	1,715	-600	-48	-1,279	1,291
Impairment of goodwill	0	-2	0	-2	0	-2
<b>Profit/loss before tax</b>	<b>-6,518</b>	<b>16,088</b>	<b>-819</b>	<b>-1,063</b>	<b>-12,074</b>	<b>10,532</b>
Current tax	-335	-294	-98	-106	-176	-135
Deferred tax	1,644	-3,008	270	337	2,720	-1,932
<b>Profit/loss for the period</b>	<b>-5,209</b>	<b>12,786</b>	<b>-647</b>	<b>-832</b>	<b>-9,530</b>	<b>8,465</b>
Of which, attributable to non-controlling interests	-3	-3	-1	-1	-3	-3
<b>Of which, attributable to the Parent Company shareholders</b>	<b>-5,206</b>	<b>12,789</b>	<b>-646</b>	<b>-831</b>	<b>-9,527</b>	<b>8,468</b>

Amounts in SEK million	Jan-Sep 2023	Jan-Sep 2022	Jul-Sep 2023	Jul-Sep 2022	Oct 2022-Sep 2023	Jan-Dec 2022
<b>Other comprehensive income<sup>1)</sup></b>						
<i>Items that may not be reclassified<sup>2)</sup></i>						
Pensions, revaluation	-	-	-	-	81	81
Restriction for surplus in pension plan with asset cap	-	-	-	-	-49	-49
Income tax on pensions	-	-	-	-	-7	-7
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>25</b>
<b>Total comprehensive income for the period<sup>1)</sup></b>	<b>-5,206</b>	<b>12,789</b>	<b>-646</b>	<b>-831</b>	<b>-9,502</b>	<b>8,493</b>
<b>Key metrics</b>						
Surplus ratio, %	75	73	77	71	74	73
Interest coverage ratio, multiple	3.8	5.2	3.8	4.9	3.8	4.8

1) Other comprehensive income is attributable in its entirety to the Parent Company shareholders. The absence of any potential shares means there is no dilutive effect.

2) Items that will not be reclassified to profit or loss.

# Balance Sheet

Amounts in SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2,020	2,017	2,018
<b>Property, plant and equipment (PPE)</b>			
Investment properties	181,088	194,037	188,317
Right-of-use assets, leaseholds and land leases	5,157	5,152	5,150
Equipment	136	102	153
	<b>186,381</b>	<b>199,291</b>	<b>193,620</b>
<b>Financial assets</b>			
Participations in associates and joint ventures	603	833	711
Receivables from joint ventures	0	20	0
Derivatives	6,376	6,339	6,173
Other non-current receivables	2,563	1,823	1,436
<b>Total financial assets</b>	<b>9,542</b>	<b>9,015</b>	<b>8,320</b>
<b>Total non-current assets</b>	<b>197,943</b>	<b>210,323</b>	<b>203,958</b>
<b>Current assets</b>			
Accounts receivable	66	35	67
Receivables from joint ventures	71	1	41
Current tax assets	0	0	52
Derivatives	45	384	255
Other current receivables, prepaid expenses and accrued income	1,892	1,383	1,228
Cash and cash equivalents	3,404	3,867	2,984
<b>Total current assets</b>	<b>5,478</b>	<b>5,670</b>	<b>4,627</b>
<b>TOTAL ASSETS</b>	<b>203,421</b>	<b>215,993</b>	<b>208,585</b>

Amounts in SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>84,558</b>	<b>94,064</b>	<b>89,767</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	63,916	64,578	66,484
Lease liability, leaseholds and land leases	5,158	5,153	5,151
Deferred tax liability	26,568	29,281	28,212
Derivatives	4,981	4,236	3,874
Other non-current liabilities	82	111	78
Provision for pensions	3	44	10
<b>Total non-current liabilities</b>	<b>100,708</b>	<b>103,403</b>	<b>103,809</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	13,226	14,098	10,941
Accounts payable	137	27	71
Liabilities joint ventures	23	23	23
Current tax liabilities	105	35	0
Derivatives	47	46	18
Other current liabilities, accrued expenses and deferred income	4,617	4,297	3,956
<b>Total current liabilities</b>	<b>18,155</b>	<b>18,526</b>	<b>15,009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>203,421</b>	<b>215,993</b>	<b>208,585</b>

# Cash Flow Statement

Amounts in SEK million	Jan-Sep 2023	Jan-Sep 2022	Jul-Sep 2023	Jul-Sep 2022	Oct 2022-Sep 2023	Jan-Dec 2022
<b>Operating activities</b>						
Operating surplus	5,110	4,411	1,799	1,512	6,667	5,968
Central administration	-86	-83	-26	-26	-119	-116
Add back amortisation and depreciation	35	22	14	7	58	45
Adjustment for other non-cash items	1	7	0	0	0	6
<b>Cash flow from operating activities before interest and tax</b>	<b>5,060</b>	<b>4,357</b>	<b>1,787</b>	<b>1,493</b>	<b>6,606</b>	<b>5,903</b>
Interest paid <sup>1)</sup>	-1,581	-1,034	-482	-350	-1,965	-1,418
Interest received	66	5	26	3	88	27
Taxes paid	-180	-180	-60	-60	-240	-240
<b>Cash flow before changes in working capital</b>	<b>3,365</b>	<b>3,148</b>	<b>1,271</b>	<b>1,086</b>	<b>4,489</b>	<b>4,272</b>
Increase (-)/decrease (+) in operating receivables	-666	-142	11	-122	-572	-48
Increase (+)/decrease (-) in operating liabilities	478	-3	56	306	693	212
<b>Cash flow from operating activities</b>	<b>3,177</b>	<b>3,003</b>	<b>1,338</b>	<b>1,270</b>	<b>4,610</b>	<b>4,436</b>
<b>Investing activities</b>						
Investments in existing properties	-1,931	-1,583	-643	-517	-2,714	-2,366
Property acquisitions	0	0	0	0	0	0
Property divestments	0	151	0	151	392	543
Other PPE, net	-14	-17	-2	-3	-84	-87
Acquisition of intangible assets	-4	-3	0	0	-4	-3
Disposals of net assets in Group companies	0	18	0	0	0	18
Transactions with associates and joint ventures	0	107	0	125	0	107
Other financial assets, net	0	-3	0	0	-1	-4
<b>Cash flow from investing activities</b>	<b>-1,949</b>	<b>-1,330</b>	<b>-645</b>	<b>-244</b>	<b>-2,411</b>	<b>-1,792</b>
<b>Cash flow after investing activities</b>	<b>1,228</b>	<b>1,673</b>	<b>693</b>	<b>1,026</b>	<b>2,199</b>	<b>2,644</b>

Amounts in SEK million	Jan-Sep 2023	Jan-Sep 2022	Jul-Sep 2023	Jul-Sep 2022	Oct 2022-Sep 2023	Jan-Dec 2022
<b>Financing activities</b>						
Dividend	0	-4,000	0	0	0	-4,000
Raised debt: interest-bearing liabilities	19,041	31,418	3,543	6,210	27,444	39,821
Repayment of debt: interest-bearing liabilities	-19,091	-28,161	-3,892	-7,817	-29,101	-38,171
Change in collateral	-750	-566	118	438	-817	-633
Redemption of financial instruments	-8	-18	0	-15	-188	-198
Transactions with non-controlling interests	0	0	0	0	0	0
<b>Cash flow from financing activities</b>	<b>-808</b>	<b>-1,327</b>	<b>-231</b>	<b>-1,184</b>	<b>-2,662</b>	<b>-3,181</b>
<b>Cash flow for the period</b>	<b>420</b>	<b>346</b>	<b>462</b>	<b>-158</b>	<b>-463</b>	<b>-537</b>
Opening balance, cash and cash equivalents	2,984	3,521	2,942	4,025	3,867	3,521
Cash flow for the period	420	346	462	-158	-463	-537
<b>Closing balance, cash and cash equivalents</b>	<b>3,404</b>	<b>3,867</b>	<b>3,404</b>	<b>3,867</b>	<b>3,404</b>	<b>2,984</b>

1) Interest paid includes interest on lease liabilities for ground rents and land leases.