

PHOTO:
GRAND OPENING, BROEN SHOPPING,
ESBJERG, DENMARK



TK DEVELOPMENT A/S | CVR NO. 24256782 | 16 JUNE 2017
VESTRE HAVNEPROMENADE 7 | 9000 AALBORG | DENMARK

INTERIM REPORT Q1

2017/18

(1 February 2017 - 30 April 2017)

FINANCIAL PERFORMANCE IN Q1 2017/18

- The profit before tax for Q1 2017/18 was DKK 0.1 million, as compared with a loss of DKK 4.1 million in Q1 2016/17. The loss after tax was DKK 0.9 million compared with a loss of DKK 3.7 million for Q1 2016/17.
- Total assets amounted to DKK 2,893.9 million at 30 April 2017 against DKK 2,852.9 million at 31 January 2017. Consolidated equity stood at DKK 1,296.8 million at 30 April 2017, corresponding to a solvency ratio of 44.8%.

Breakdown by segment:

DKKm	Property development	Asset management	Unallocated
Profit/loss			
Profit/loss before tax	4.5	-1.6	-2.8
Balance sheet			
Development projects	955.8	-	-
Completed properties under asset management	-	1,174.0	-
Other asset management projects	-	108.7	-
Other assets	320.7	259.4	75.3
Total assets	1,276.5	1,542.1	75.3
Tied-up equity	711.3	527.9	57.6

OUTLOOK FOR 2017/18

- Management still expects a profit of DKK 100-120 million before tax for 2017/18, assuming a return on equity ratio of about 15% for the Group's property development activities.
- This forecast is based on Management's expectations, including time estimates, for a number of specific projects. Several of the Group's major development projects have been sold in whole or in part and are expected to contribute to the current financial year's results, including Strædet, Køge, Denmark, and the Amerika Have residential project in Copenhagen, Denmark. TK Development is recording good progress on the individual projects.

PROPERTY DEVELOPMENT

- TK Development handed over a retail park of about 3,200 sqm in Oskarshamn, Sweden, to the investor in the first quarter of 2017/18. In addition, TK Development sold a few minor plots of land and also generated fee income on a few projects.

■ Major development projects:

- Construction of BROEN Shopping, the new shopping centre in Esbjerg, Denmark, has been completed, and the centre opened as scheduled on 10 April 2017. The current occupancy rate is 91% of the total space (Q4 2016/17: 88%).
- The construction project in Køge, Denmark, is moving ahead. The project will be handed over to the investor in three phases. The first phase, comprising a cinema and restaurants, was completed in May 2017 and will be handed over to the buyer in July 2017. The main part of the project is still expected to be completed and handed over in autumn 2017, while a minor part is scheduled for completion in 2018. The retail project, of which 88% has been let (Q4 2016/17: 86%), has been sold under a conditional sale agreement to Finnish-based Citycon together with the parking facilities. The sale to Citycon is still expected to have a significant positive impact on results for the 2017/18 financial year as the completed part of the project is handed over to the investor.
- Construction of the Amerika Have residential project in Copenhagen, Denmark, was completed shortly after the reporting date, and the apartments that have been sold were handed over to the buyers in May 2017. 114 of the 121 apartments have been sold (Q4 2016/17: 104).
- Construction of the third phase of the Bielany residential project in Warsaw, Poland, is progressing according to plan, as is the pre-completion sale. 54% (Q4 2016/17: 45%) of the residential units have been sold.

ASSET MANAGEMENT

- The portfolio of completed properties in this business area, including joint venture projects, consists of 156,700 sqm and represented a value of DKK 1,593.1 million at 30 April 2017. Based on the current occupancy rate, annual net rent corresponds to a return on the carrying amount of 4.4% (Q4 2016/17: 4.3%). Based on full occupancy, the return on the carrying amount is estimated at 6.2% (Q4 2016/17: 6.2%).
- Detailed development and operating plans have been drafted for each property, and the plans are generally progressing as planned.

The expectations stated in this interim report, including earnings forecasts, are inherently subject to risks and uncertainties, and actual results may differ from the guidance

SUMMARY

provided. Expectations may be impacted by factors generally affecting the sector as well as the factors referred to under Risk management and in note 2 to the consolidated financial statements in the Group's annual report for 2016/17, Accounting estimates and judgments, including the valuation of the Group's project portfolio.

Any questions regarding this interim report may be directed to Frede Clausen, President and CEO, tel. +45 8896 1010.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKKm	Q1 2017/18	Q1 2016/17	Full year 2016/17
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FINANCIAL HIGHLIGHTS

Net revenue	60.0	45.7	401.5
Gross profit/loss	21.0	18.9	83.1
Income from investments in joint ventures	5.8	5.2	48.8
Operating profit/loss (EBIT)	7.9	4.7	51.8
Financing, etc.	-8.0	-9.0	-38.5
Profit/loss before tax and writedowns, etc.	0.4	-2.4	25.5
Profit/loss before tax	0.1	-4.1	13.8
Profit/loss for the period	-0.9	-3.7	7.1
Comprehensive income for the period	3.1	-4.3	8.0
Balance sheet total	2,893.9	2,855.1	2,852.9
Investment properties	53.1	53.2	53.1
Total project portfolio	2,185.4	2,011.7	2,155.2
Equity	1,296.8	1,281.4	1,293.7
Cash flows for the period	-7.4	2.3	4.8
Net interest-bearing debt, end of period	1,273.6	1,086.1	1,196.2

KEY RATIOS

Return on equity (ROE)*)	-0.3%	-1.1%	0.6%
Solvency ratio (based on equity)	44.8%	44.9%	45.3%
Equity value in DKK per share	13.2	13.1	13.2
Price/book value (P/BV)	0.9	0.5	0.7
Number of shares, end of period	98,153,335	98,153,335	98,153,335
Earnings per share (EPS) in DKK	0.0	0.0	0.1
Dividend in DKK per share	0	0	0
Listed price in DKK per share	11.6	6.8	9.7

* Annualized.

The calculation of key ratios is based on the 2015 guidelines issued by The Danish Finance Society.

PROFIT/LOSS

The profit before tax for Q1 2017/18 was DKK 0.1 million, as compared with a loss of DKK 4.1 million in Q1 2016/17. The loss after tax was DKK 0.9 million compared with a loss of DKK 3.7 million for Q1 2016/17.

Revenue came to DKK 60.0 million, up from DKK 45.7 million in Q1 2016/17. The gross profit was DKK 21.0 million against DKK 18.9 million for the same period of 2016/17. Gross profit primarily reflects the impact of projects handed over in the property development business – mainly Danish projects – the operation of the Group's wholly-owned completed properties and fee income.

The profit from joint ventures was DKK 5.8 million, up from DKK 5.2 million in Q1 2016/17. The contribution from the property development business includes a positive value adjustment, DKK 4.5 million, of the Group's ownership interest in BROEN Shopping and the operation of the centre since its opening on 10 April 2017. The contribution from asset management includes the operation of the Group's partially owned completed properties.

Staff costs and other external expenses amounted to DKK 18.7 million against DKK 19.3 million in Q1 2016/17.

Net financing expenses amounted to DKK 8.0 million against DKK 9.0 million in Q1 2016/17.

BALANCE SHEET

Total assets amounted to DKK 2,893.9 million against DKK 2,852.9 million at 31 January 2017.

The carrying amount of the Group's investment property is DKK 53.1 million, unchanged from 31 January 2017. In addition, TK Development has investment properties in joint ventures.

Net investments in and receivables from joint ventures amounted to DKK 485.9 million against DKK 474.1 million at 31 January 2017. The increase primarily relates to investments in BROEN Shopping and the share of the period's profit of joint ventures.

Deferred tax assets totalled DKK 73.8 million against DKK 75.4 million at 31 January 2017. The deferred tax assets relate exclusively to the Group's Danish activities, as the Group's foreign tax assets have been written down to DKK 0.

The total project portfolio amounts to DKK 2,185.4 million

against DKK 2,155.2 million at 31 January 2017. The increase derives from the investments made in projects in progress, including Strædet in Køge, and the decrease resulting from the handover of sold projects and prepayments from customers. Total prepayments from customers amounted to DKK 91.7 million at 30 April 2017 against DKK 72.5 million at 31 January 2017.

Projects in progress and completed projects also include the Group's portfolio of land. The land portfolio amounted to DKK 458 million at 30 April 2017, as compared with DKK 453 million at 31 January 2017. When the last phase of the Bielany residential project in Warsaw is commenced, the land portfolio will be reduced by DKK 100 million.

Deposits in escrow accounts amounted to DKK 13.4 million against DKK 23.4 million at 31 January 2017. This amount consists largely of prepayments from customers, which are released upon the handover of projects subject to specific conditions being met.

Cash and cash equivalents totalled DKK 3.2 million against DKK 10.5 million at 31 January 2017. TK Development's total cash resources came to DKK 65.3 million against DKK 50.5 million at 31 January 2017. See note 5 to the interim report.

Consolidated equity stood at DKK 1,296.8 million against DKK 1,293.7 million at 31 January 2017. The solvency ratio at 30 April 2017 was 44.8% compared with 45.3% at 31 January 2017. A strong solvency ratio is a key priority for Management, and the aim is to maintain a solvency ratio of at least 40%.

The Group's liabilities totalled DKK 1,597.1 million at 30 April 2017, up from DKK 1,559.2 million at 31 January 2017. The increase reflects higher payables to credit institutions and lower trade payables.

STATEMENT OF CASH FLOWS

Cash flows for the period were a net outflow of DKK 7.4 million against a net inflow of DKK 2.3 million for the same period the year before.

Cash flows from operating activities were a net outflow of DKK 64.0 million (Q1 2016/17: net outflow of DKK 44.6 million), reflecting a higher net investment in projects, an increase in funds tied up in receivables, a decrease in trade payables and a decrease in funds tied up in escrow accounts.



FINANCIAL PERFORMANCE IN Q1 2017/18 AND OUTLOOK FOR 2017/18

Cash flows from investing activities were a net outflow of DKK 3.4 million (Q1 2016/17: net outflow of DKK 2.4 million).

Cash flows from financing activities were a net inflow of DKK 60.0 million, reflecting the raising of project funding for projects in progress and a reduction of other payables to credit institutions (Q1 2016/17: net inflow of DKK 49.3 million).

FINANCIALS

Net interest-bearing debt amounted to DKK 1,273.6 million at 30 April 2017 against DKK 1,196.2 million at 31 January 2017. At 30 April 2017, project funding of DKK 410.2 million was due by the end of January 2018. Most of these facilities are expected to be repaid before maturity upon handover of the relevant projects to investors.

In the first quarter of 2017/18, TK Development extended its operating and project funding agreement with its main banker until 30 April 2018.

TK Development's projects are generally financed by traditional bank funding. One of the Group's partly owned companies in Poland has also raised a mezzanine loan in connection with re-financing of the property. Due to a high loan-to-value ratio, the loan is subject to a number of covenants. This entails a greater need to monitor and follow up on the agreed covenants.

OUTLOOK FOR 2017/18

Management still expects a profit of DKK 100-120 million before tax for 2017/18, assuming a return on equity ratio of about 15% for the Group's property development activities.

This forecast is based on Management's expectations, including time estimates, for a number of specific projects. Several of the Group's major development projects have been sold in whole or in part and are expected to contribute to the current financial year's results, including Strædet, Køge, Denmark, and the Amerika Have residential project in Copenhagen, Denmark. TK Development is recording good progress on the individual projects.

The expectations stated in this interim report, including earnings forecasts, are inherently subject to risks and uncertainties, and actual results may differ from the guidance provided. Expectations may be impacted by factors generally affecting the sector as well as the factors referred to under Risk management and in note 2 to the consolidated financial statements in the Group's annual report for 2016/17, Ac-

counting estimates and judgments, including the valuation of the Group's project portfolio.

MARKET CONDITIONS

Management's overall assessment of the market conditions facing the property sector in general and TK Development in particular is unchanged relative to the most recently published assessment. For a detailed description of this assessment, reference is made to TK Development's annual report for 2016/17.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date that may affect the Company's financial position.

BOARD OF DIRECTORS

The four board members standing for re-election were re-elected at the annual general meeting held in April 2017. The Board of Directors subsequently elected Peter Thorsen as Chairman and Henrik Heideby as Deputy Chairman.

RISK MANAGEMENT

The Group's principal risk factors are described in the annual report for 2016/17.

SEGMENT RESULTS / PROPERTY DEVELOPMENT

SEGMENT RESULTS

TK Development's segments comprise property development and asset management activities.

PERFORMANCE IN Q1 2017/18 (DKKM)

Profit/loss	Q1 2017/18	Property development	Asset management	Unallocated
Revenue	60.0	44.8	15.2	-
Gross profit/loss	21.0	9.2	11.8	-
Income from investments in joint ventures	5.8	5.4	0.5	-0.1
Costs, including amortisation/depreciation of non-current assets	18.9	11.3	4.9	2.7
Operating profit/loss	7.9	3.3	7.4	-2.8
Income from investments in associates	0.2	0.2	-	-
Financing, net	-8.0	1.0	-9.0	-
Profit/loss before tax	0.1	4.5	-1.6	-2.8
Tax on profit/loss for the period	1.0			
Profit/loss for the period	-0.9			

BALANCE SHEET STRUCTURE AT 30 APRIL 2017 (DKKM)

Balance sheet	30 Apr 2017	Property development	Asset management	Unallocated
Assets				
Investment properties	53.1	-	53.1	-
Investments in joint ventures	284.7	177.4	107.3	-
Non-current receivables	198.1	82.3	115.8	-
Other non-current assets	85.1	8.6	1.4	75.1
Projects in progress or completed	2,185.4	955.8	1,229.6	-
Current receivables	66.8	37.6	29.2	-
Cash and cash equivalents, escrow accounts, etc.	20.7	14.8	5.7	0.2
Assets	2,893.9	1,276.5	1,542.1	75.3
Equity and liabilities				
Equity	1,296.8	711.3	527.9	57.6
Credit institutions	1,494.4	514.5	979.9	-
Other payables	102.7	50.7	34.3	17.7
Equity and liabilities	2,893.9	1,276.5	1,542.1	75.3
Solvency ratio	44.8%	55.7%	34.2%	76.5%

PROPERTY DEVELOPMENT

The Group's primary business area is real estate development, termed property development. The Group's strategic focus is property development in Denmark, Sweden and Poland.

Property development – Denmark, Sweden and Poland		
DKKm	Q1 2017/18	Q1 2016/17
Revenue	44.8	30.2
Gross profit/loss	9.2	7.7
Profit/loss of joint ventures	5.4	4.0
Profit/loss before tax	4.5	2.6
	30 Apr 2017	31 Jan 2017
Balance sheet total	1,276.5	1,240.1
Tied-up equity	711.3	704.0

Projects handed over

Retail park, Oskarshamn, Sweden

In Oskarshamn, TK Development has completed a retail park project of 3,200 sqm. The project was handed over to the investor in Q1 2017/18 along with an option to expand the project by 4,700 sqm. The retail park has been fully let (Q4 2016/17: 100%).

In addition, TK Development sold a few minor plots of land and generated fee income on a few projects.

Project portfolio

At 30 April 2017, the development potential of the project portfolio represented sold projects of 35,000 sqm and remain-



PROPERTY DEVELOPMENT

ning projects of 344,000 sqm, a total of 379,000 sqm as compared with 382,000 sqm at 31 January 2017.

Until the opening of BROEN Shopping in April 2017, TK Development was involved in construction projects comprising more than 120,000 sqm and is currently involved in construction projects comprising more than 90,000 sqm. These projects are progressing satisfactorily.

The projects in the pipeline are moving ahead at a good pace due to robust tenant and investor interest. The Group is working on a number of major projects which support Management's expectations of meeting its strategic goal of a return on

equity of 15-20% p.a. before tax in the property development business.

PROJECT OUTLINE

The outline below lists the key projects in the property development portfolio. The outline includes projects in wholly-owned companies as well as in joint ventures. In addition, TK Development's activities include a number of small and medium-sized projects in the Group's primary segments – the retail, office and residential segments – as well as combinations of these segments.

Project	City/town	Country	Segment	TKD's ownership share of area (sqm)	TKD's ownership interest	Construction start/expected construction start	Opening/expected opening
Completed							
BROEN Shopping	Esbjerg	DK	Retail	10,430	35%	May 2015	April 2017
In progress							
Strædet	Køge	DK	Mix	25,300	100%	March 2015	May 2017/autumn 2017/2018
Amerika Have	Copenhagen	DK	Residential	3,125	25%	September 2015	May 2017
Domus Vista	Frederiksberg	DK	Residential	5,300	100%	October 2016	January 2018
Havnehus 1, Østre Havn	Aalborg	DK	Residential	2,450	50%	February 2017	Spring 2018
MetroBielany, Bielany, phase 3	Warsaw	PL	Residential/services	15,650	100%	June 2016	Spring 2018
Not initiated							
Vasevej	Birkerød	DK	Residential	1,900	100%	-	-
Aarhus South, phase 2	Aarhus	DK	Retail	2,800	100%	2017	2018
Ejby Industrivej	Copenhagen	DK	Office	6,300	100%	-	-
Østre Havn/Stuhls Brygge	Aalborg	DK	Mix	16,800	¹⁾ 50%	Continuously	Continuously
Kulan commercial district	Gothenburg	SE	Mix	55,000	100%	2019	2021
Arninge Entré commercial district	Stockholm	SE	Mix	60,000	100%	2018	2020
Retail park, Södertälje	Södertälje	SE	Retail	8,000	100%	Mid-2017	Mid-2018
Retail park, Söderhamn	Söderhamn	SE	Retail	10,000	100%	2017	2018
MetroBielany, Bielany, phase 4	Warsaw	PL	Residential/services	12,530	100%	Spring 2018	Autumn 2019
Bytom Retail Park	Bytom	PL	Retail	21,400	100%	Continuously	Continuously
Property development, total floor space				approx. 257,000			

¹⁾ Share of profit on development is 70%

COMPLETED PROJECTS

BROEN Shopping, shopping centre, Esbjerg, Denmark

Together with CapMan Real Estate, TK Development has built a new shopping centre in Esbjerg, BROEN Shopping, of about 29,800 sqm at Esbjerg Station. The centre opened on 10 April 2017. TK Development's ownership interest is 35%.

91% of the total space has been let (Q4 2016/17: 88%). Tenants include Kvickly, H&M, Fitness.dk, Bahne, Kings & Queens, Imerco, Sportmaster, Gina Tricot, Café Vivaldi, Niensens, Deichmann, etc.

Plans are afoot to expand the centre with a cinema, and a lease agreement has been concluded with Nordisk Film Cinemas regarding the establishment of an eight-screen cinema in connection with the centre. The local plan work required for this purpose has been initiated. The cinema is expected to open its doors in autumn 2018.

PROJECTS IN PROGRESS**Strædet, development of town centre, Køge, Denmark**

Adjacent to Køge Station and the town centre shopping area, TK Development is building a project of about 34,300 sqm, comprising a retail project of about 19,000 sqm, public service facilities of just under 9,000 sqm, including a town hall and a rehabilitation centre, and residential units of about 6,300 sqm. In addition, the project comprises parking facilities of about 13,000 sqm. The building rights for the town hall and the rehabilitation centre have been sold to Køge Municipality.

The retail project of about 19,000 sqm has been sold under a conditional sale agreement to Finnish-based Citycon together with parking facilities of about 13,000 sqm. The project will be handed over to Citycon in three phases. The first phase, comprising a cinema and restaurants, was completed in May 2017 and will be handed over to the buyer in July 2017. The main part of the project is expected to be completed and handed over in autumn 2017, while a minor part is scheduled for completion in 2018. The sale to Citycon is expected to have a significant positive impact on results for the 2017/18 financial year as the completed part of the project is handed over to the investor.

The current occupancy rate for the total retail project is 88% (Q4 2016/17: 86%). Tenants include Irma, Fakta, H&M, Bones, Kings & Queens, Sportigan, Wagner, Gina Tricot, Deichmann and a six-screen Nordisk Film cinema.

In the context of the 6,300 sqm residential project, TK Development is currently working on the development of about 3,000 sqm of housing units in Rådhusstrædet. A total of 28 residential units will be constructed, consisting of both owner-occupied units and two-storey town houses. The pre-completion sale has begun. Construction will be carried out in connection with the rest of the project, and the residential units will be ready for handover at the end of 2017.

Amerika Have, residential project, Copenhagen, Denmark

Kommanditaktieselskabet Danlink Udvikling (DLU), owned 50/50 by Udviklingselskabet By & Havn I/S and TK Development, is developing a project at Amerika Plads in a 50/50 joint venture with AP Pension. The project – Amerika Have – comprises residential units of about 12,000 sqm and business premises of about 500 sqm targeting the general public. A total of 121 high-quality apartments have been constructed, 114 of which have been sold (Q4 2016/17: 104). The process of developing, constructing and selling the project has progressed satisfactorily. Construction has been completed, and the units

sold have been handed over to the respective buyers after the end of the reporting period. Profits from the sale of the project are recognised as the units are handed over to their respective buyers, i.e. from May 2017.

Domus Vista, youth housing units, Frederiksberg, Copenhagen, Denmark

In Frederiksberg, TK Development has sold a 5,300 sqm youth housing project under a conditional sale agreement to Koncenton, which has taken over the letting process as part of the deal. Construction started in October 2016, and the completed project is expected to be handed over to the investor in January 2018.

Østre Havn/Stuhrs Brygge, Aalborg, Denmark

In the area previously occupied by Aalborg Shipyard at Stuhrs Brygge, TK Development is developing a retail and residential park through a company owned 50/50 with Frederikshavn Maritime Erhvervspark. A number of projects are currently being planned, including 7,000 sqm of youth housing units, for which the building rights have been sold to a housing association, 12,000 sqm of rental housing units, 13,000 sqm of owner-occupied units and 13,000 sqm of offices plus parking facilities.

One of the planned projects comprises about 7,400 sqm of owner-occupied prime location units at Beddingen. The pre-completion sale of the apartments has begun. Construction is scheduled to commence in mid-2017, and the apartments are expected to be ready for occupation in late 2018.

The rental units will be constructed in three phases, the first phase consisting of a rental property of about 4,900 sqm. This project has been sold under a conditional sale agreement to a private investor, who will also handle the letting process. The sale will be executed on a forward funding basis, meaning that the investor will pay for the project in step with project completion. Construction began in early 2017 and is scheduled to be completed and handed over to the buyer in spring 2018.

MetroBielany, residential project, Bielany, Warsaw, Poland

In Warsaw, TK Development is developing a residential project of owner-occupied units totalling about 51,000 sqm. The project is being built in four phases, and the first two phases, totalling 22,700 sqm, have been completed and for the most part sold and handed over to private users.

The third phase will comprise about 15,650 sqm and consist of 263 residential units and service facilities. Construction com-



menced in June 2016 with completion of the residential units scheduled for spring 2018. The construction and the pre-completion sale are progressing satisfactorily. 54% (Q4 2016/17: 45%) of the units have been sold.

SELECTED PROJECTS NOT INITIATED

Østre Havn/Stuhrs Brygge, Aalborg, Denmark

For a description of this project, reference is made to Projects in progress above.

Arninge Entré, commercial district, Stockholm, Sweden

In Arninge in Stockholm, the municipal authorities have chosen TK Development as their preferred partner for the development of an area that is to serve as the entry point to the town centre of Arninge. TK Development is currently engaged in the planning process together with the municipal authorities. The project is expected to comprise about 60,000 sqm, primarily retail stores, with a possibility for including office premises as well. Both tenants and investors have shown considerable interest in the project, and work on the planning, letting and sale will proceed during the months to come. Construction is expected to commence in 2018 with completion scheduled for 2020.

Retail park, Södertälje, Sweden

TK Development is currently developing a retail park of about 8,000 sqm in Södertälje. Leases for about 70% of the total space (Q4 2016/17: 70%) have been signed, including with a supermarket, and tenants are showing a good amount of interest in the remaining premises. Construction is expected to commence in mid-2017 with completion scheduled for mid-2018.

Amerika Have, residential project, Copenhagen - completed in April 2017



ASSET MANAGEMENT

The Group's asset management activities comprise the operation of the Group's completed properties and investment properties as well as plots of land and development projects in the markets where the Group wishes to discontinue its activities in the longer term.

As announced in December 2015, the Group aims to sell its asset management activities within three to five years counting from December 2015 and to distribute the tied-up equity thus released to its shareholders.

The timing of the sale of assets under management is continuously assessed taking into account the best interests of the Company's shareholders. This assessment balances factors such as the risk and potential of prolonged maturing of an asset against the time of dividend distribution and the possibility of reducing overheads.

Asset management		
DKKm	Q1 2017/18	Q1 2016/17
Revenue	15.2	15.5
Gross profit/loss	11.8	11.2
Profit/loss of joint ventures	0.5	1.2
Profit/loss before tax	-1.6	-4.1
	30 Apr 2017	31 Jan 2017
Balance sheet total	1,542.1	1,535.9
Tied-up equity	527.9	529.5
Number of centre employees	15	16

The Group's asset management activities generated a loss before tax of DKK 1.6 million for Q1 2017/18 against a loss of DKK 4.1 million for Q1 2016/17.

The total portfolio of completed properties under asset management, including joint venture properties, amounted to DKK 1,593.1 million at 30 April 2017 against DKK 1,591.5 million at 31 January 2017.

Based on the current occupancy rate, annual net rent from the total portfolio corresponds to a return on the carrying amount of 4.4%^{*)} (Q4 2016/17: 4.3%), which conceals some variation in the returns on individual centres. Rental income is still affected by vacancies, short-term rent discount agreements with tenants and improvement initiatives that have not yet materialised in full. Based on full occupancy, the return on the carrying amount is expected to be 6.2%^{*)} (Q4 2016/17: 6.2%).

^{*)} Before preferred return for a joint venture partner in Polish projects.

The Group's completed properties under asset management at 30 April 2017:

	Country	Type	TKD's ownership interest	Project area sqm	Current occupancy rate
Projects in wholly-owned companies					
Completed projects					
Sillebroen Shopping, Frederikssund	Denmark	Shopping centre	100%	26,400	93%
Galeria Sandecja, Nowy Sącz	Poland	Shopping centre	100%	17,500	95%
Most Retail Park	Czech Republic	Retail park	100%	6,400	69%
Aabenraa	Denmark	Retail park	100%	4,200	81%
Brønderslev	Denmark	Retail property	100%	1,200	100%
Investment properties					
Lüdenscheid	Germany	Mix	100%	14,000	50%
Joint venture projects					
Galeria Nowy Rynek, Jelenia Góra	Poland	Shopping centre	30%	24,800	93%
Galeria Tarnovia, Tarnów	Poland	Shopping centre	30%	17,000	94%
Ringsted Outlet	Denmark	Outlet centre	50%	13,200	89%
Amerika Plads, underground car park	Denmark	Car park	50%	32,000	n/a
Total				156,700	

SILLEBROEN SHOPPING, SHOPPING CENTRE, FREDERIKSSUND, DENMARK

Opening	March 2010
Leasable area	26,400 sqm, including about 4,000 sqm of supermarket units
Occupancy rate	93% (Q4 2016/17: 92%)
Footfall 2016	3.4 million

Planned operational measures:

- Assess spillover effects of cinema opening and on this basis proactively optimise the tenant mix.
- Carry on additional marketing and image building campaigns after cinema opening.
- Sign agreements with new tenants to further strengthen Sillebrosen's position as a preferred shopping destination.

As an important step towards increasing customer flows and growing Sillebrosen's revenue, an agreement was made with Nordisk Film Cinemas on the establishment of a cinema of about 1,400 sqm in the centre, and the new cinema opened in August 2016. The positive effect of the cinema opening is an important contribution to the continued optimisation of the tenant mix.

Overall, the centre's tenant mix improved considerably in 2016 despite the closing of Fona. In addition to the new Nordisk Film cinema, Imerco, Søstrene Grene and Normal also opened new retail stores in the centre. Fakta closed its supermarket at the beginning of 2017. The footfall index for the opening months of 2017 was 101 relative to the same period of 2016, and the revenue index was 92, reflecting the shutdown of the Fona and Fakta stores.

After the reporting date, a lease has been signed with Fitness.dk, which will open a fitness centre in September 2017 when the premises have been refurbished. Management believes this addition will help attract more customers and strengthen the centre's position as a preferred shopping destination for the area's consumers.

GALERIA TARNOVIA, SHOPPING CENTRE, TARNÓW, POLAND

Opening	November 2009
Leasable area	17,000 sqm, including a supermarket of about 2,000 sqm
Occupancy rate	94% (Q4 2016/17: 93%)
Footfall 2016	1.8 million

Planned operational measures:

- Relocate tenants to create a better customer flow in the centre.
- Assess spillover effects of cinema opening and on this basis proactively optimise the tenant mix.

- Change temporary leases to ordinary leases on terms and conditions that are satisfactory to the Group.
- Carry on additional marketing and image building campaigns after cinema opening.
- Boost the occupancy rate.

Galeria Tarnovia is owned through a joint venture with Heitman, and TK Development's ownership interest is 30%. Galeria Tarnovia is faced with a strong competitive environment in Tarnów. In an effort to upgrade the centre and bolster its competitive position, the tenant composition has been changed, which has helped increase the footfall. In addition, a cinema opened in December 2016, and several new tenants have moved in, significantly improving the centre's overall occupancy rate.

The effects of these measures are beginning to filter through. The revenue index for 2016 was 105 relative to 2015, and the footfall index was 101. December 2016 saw the highest revenue and the largest number of visitors in any one month since the centre opened. The positive trend has continued into 2017, and the revenue index for the first few months of 2017 was 125 relative to the same period of 2016, while the footfall index was 124.

In connection with a refinancing of the centre in 2016, the joint venture raised a mezzanine loan. The loan agreement contains a number of covenants to be met at specific intervals in order for the loan to be upheld. In order for the agreed covenants to be met also going forward, the occupancy rate needs to increase even further.

GALERIA NOWY RYNEK, SHOPPING CENTRE, JELENIA GÓRA, POLAND

Opening	October 2015
Leasable area	24,800 sqm, including a supermarket of about 2,400 sqm
Occupancy rate	93% (Q4 2016/17: 93%)
Footfall 2016	3.7 million

Planned operational measures:

- Replace weak tenants.
- Let vacant premises.
- Optimise the tenant mix.
- Launch strong marketing and image building campaigns.

In Jelenia Góra, TK Development has developed and built a shopping centre of about 24,800 sqm in a joint venture with Heitman. The Group's ownership interest is 30%. The shopping centre opened in October 2015 and currently has an occupancy rate of 93%. Since the centre opened, efforts have been ongoing to optimise the tenant mix by replacing weak tenants

with more robust tenants/concepts – key elements in successfully operating a new centre.

The main focus in 2017 is on growing revenue by strengthening the centre's appeal. This can be achieved by means of strong marketing and image building campaigns to raise customer awareness of the centre and by further improving the tenant mix and attracting other and new concepts, including a fitness chain with which negotiations are currently ongoing. The revenue index for the opening months of 2017 was 115 relative to the same period of 2016, and the footfall index was 100.

The above initiatives are essential elements of the long-term plan for the centre, which sets out to restore satisfactory operational results within the next few years and thus enable the centre to fetch a satisfactory price in a potential sale.

GALERIA SANDECJA, SHOPPING CENTRE, NOWY SĄCZ, POLAND

Opening	October 2009
Leasable area	17,500 sqm, including a hypermarket of about 5,000 sqm
Occupancy rate	95% (Q4 2016/17: 95%)
Footfall 2016	2.1 million

Planned operational measures:

- Retain a high occupancy rate.
- Change temporary leases to ordinary leases on terms and conditions that are satisfactory to the Group.
- Optimise the tenant mix by placing traditional tenants on the ground floor.
- Upgrade the first floor with discount stores offering a wide range of low-price products.

Having been strongly affected for a while by a competing centre that opened in autumn 2013, Galeria Sandecja is once again rallying. Various initiatives implemented in 2015, including efforts to create a strong mix of tenants on the ground floor and improve the first floor, helped stop the negative trend in revenue and footfall in early 2016. The revenue index for 2016 was 114 relative to 2015, and the footfall index was 101. The revenue index for the first few months of 2017 was 110 relative to the same period of 2016, and the footfall index was 101.

In light of the improved situation, a clear letting strategy for the next year has been defined with initial focus on converting short-term leases into ordinary leases with long non-cancelable periods. The process is ongoing, and several short-term leases have already been converted into ordinary leases. At the same time, the centre's food court has been upgraded, and there are plans to move a few tenants around and expand a

number of units.

These measures are essential elements of the long-term plan for the centre, which sets out to restore satisfactory operational results within the next few years and thus enable the centre to fetch a satisfactory price in a potential sale.

RINGSTED OUTLET, DENMARK

Opening	March 2008
Leasable area	13,200 sqm
Occupancy rate	89% (Q4 2016/17: 85%)
Footfall 2016	1.6 million

Planned operational measures:

- Optimise the tenant mix through proactive dialogue with tenants.
- Boost the occupancy rate (dialogue is ongoing with several potential tenants).
- Make preparations for contemplated expansion of the centre with a second phase.

In the opening months of 2017, Ringsted Outlet continued the favourable development of the past few years. The footfall index for the first few months of 2017 was 113 relative to the same period of 2016, and the revenue index was 107.

Continuous efforts are being made to optimise the tenant mix, and a number of new tenants opened outlets in the centre in 2016. Schiesser and Lindt both opened outlets in spring 2017. In addition, leases have been signed with Ecco and Betty Barclay, which both opened outlets in June 2017, and with two other interesting tenants, both of which are planning to open in mid-2017. As a result, the occupancy rate has gone up to 89%. At the same time, constructive dialogue is ongoing with several potential tenants, and it is expected that an even stronger outlet centre will emerge in the course of the next year.

Ringsted Outlet is a 50/50 joint venture. The other 50% stake is owned by CapMan Real Estate. In the next few years, TK Development and CapMan Real Estate will continue to develop Ringsted Outlet and further explore the possibilities for expanding the centre.



STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE BOARD ON THE INTERIM REPORT

The Board of Directors and the Executive Board have today considered and approved the interim report of TK Development A/S for the three months ended 30 April 2017.

The interim report, which has not been audited or reviewed by the Company's auditors, has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the Group's financial position at 30 April 2017 and of the results of the Group's operations and cash flows for the three months ended 30 April 2017.

Furthermore, in our opinion, the management commentary includes a fair review of the development in the Group's operations and financial matters, the results for the period and the Group's financial position in general as well as a description of the principal risks and uncertainties facing the Group.

Aalborg, 16 June 2017

EXECUTIVE BOARD

Frede Clausen
President and CEO

Robert Andersen
Executive Vice President

BOARD OF DIRECTORS

Peter Thorsen
Chairman

Henrik Tonsgaard Heideby
Deputy Chairman

Arne Gerlyng-Hansen

Kim Haugstrup Mikkelsen

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

DKKm	Note	Q1 2017/18	Q1 2016/17	Full year 2016/17
Net revenue		60.0	45.7	401.5
Project costs	4	-39.0	-26.8	-318.4
Gross profit/loss		21.0	18.9	83.1
Income from investments in joint ventures		5.8	5.2	48.8
Gross profit/loss including income from investments in joint ventures		26.8	24.1	131.9
Other external expenses		4.6	5.2	21.2
Staff costs		14.1	14.1	58.5
Total		18.7	19.3	79.7
Profit/loss before financing and depreciation		8.1	4.8	52.2
Depreciation and impairment of non-current assets		0.2	0.1	0.4
Operating profit/loss		7.9	4.7	51.8
Income from investments in associates		0.2	0.2	0.5
Financial income		2.3	2.0	9.9
Financial expenses		-10.3	-11.0	-48.4
Total		-7.8	-8.8	-38.0
Profit/loss before tax		0.1	-4.1	13.8
Tax on profit/loss for the period		1.0	-0.4	6.7
Profit/loss for the period		-0.9	-3.7	7.1

EARNINGS PER SHARE IN DKK

Earnings per share (EPS)		0.0	0.0	0.1
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COMPREHENSIVE INCOME STATEMENT

Profit/loss for the period		-0.9	-3.7	7.1
Items that may be re-classified to profit/loss:				
Foreign-exchange adjustments, foreign operations		5.3	0.5	3.4
Value adjustment of available-for-sale financial assets		0.0	0.0	0.1
Value adjustment of hedging instruments		0.1	-0.7	-0.3
Tax on other comprehensive income		-1.4	0.2	-1.4
Other comprehensive income after tax from joint ventures		0.0	-0.6	-0.9
Other comprehensive income for the period		4.0	-0.6	0.9
Comprehensive income for the period		3.1	-4.3	8.0



CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

DKKm	Note	30 Apr 2017	31 Jan 2017
ASSETS			
Non-current assets			
Other fixtures and fittings, tools and equipment		1.3	1.3
Property, plant and equipment		1.3	1.3
Investment properties		53.1	53.1
Investment properties		53.1	53.1
Investments in joint ventures		284.7	277.2
Investments in associates		5.1	4.9
Receivables from joint ventures		189.2	185.3
Receivables from associates		8.9	8.9
Other securities and investments		4.9	5.0
Financial assets		492.8	481.3
Deferred tax assets		73.8	75.4
Other non-current assets		73.8	75.4
Non-current assets		621.0	611.1
Current assets			
Projects in progress or completed		2,185.4	2,155.2
Trade receivables		18.8	10.7
Receivables from joint ventures		12.0	11.6
Receivables from associates		1.2	0.0
Other receivables		10.7	13.4
Prepayments		24.1	12.9
Receivables		66.8	48.6
Other securities and investments		4.1	4.1
Deposits in blocked and escrow accounts	5	13.4	23.4
Cash and cash equivalents	5	3.2	10.5
Current assets		2,272.9	2,241.8
ASSETS		2,893.9	2,852.9

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

DKKm	Note	30 Apr 2017	31 Jan 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		98.2	98.2
Other reserves	6	-4.4	-8.4
Retained earnings		1,203.0	1,203.9
Equity		1,296.8	1,293.7
Liabilities			
Provisions		0.4	0.9
Deferred tax liabilities		14.2	13.8
Non-current liabilities		14.6	14.7
Credit institutions		1,494.4	1,433.3
Trade payables		49.3	72.7
Corporate income tax		3.5	2.9
Provisions		1.8	1.9
Other debt		28.9	28.4
Deferred income		4.6	5.3
Current liabilities		1,582.5	1,544.5
Liabilities		1,597.1	1,559.2
EQUITY AND LIABILITIES		2,893.9	2,852.9



CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 February 2016	98.2	-9.3	1,196.8	1,285.7
Profit/(loss) for the period	0.0	0.0	-3.7	-3.7
Other comprehensive income for the period	0.0	-0.6	0.0	-0.6
Total comprehensive income for the period	0.0	-0.6	-3.7	-4.3
Equity at 30 April 2016	98.2	-9.9	1,193.1	1,281.4
Equity at 1 February 2017	98.2	-8.4	1,203.9	1,293.7
Profit/(loss) for the period	0.0	0.0	-0.9	-0.9
Other comprehensive income for the period	0.0	4.0	0.0	4.0
Total comprehensive income for the period	0.0	4.0	-0.9	3.1
Equity at 30 April 2017	98.2	-4.4	1,203.0	1,296.8

CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT

DKKm	Q1 2017/18	Q1 2016/17	Full year 2016/17
Operating profit/loss	7.9	4.7	51.8
Adjustments for non-cash items:			
Income from investments in joint ventures	-5.8	-5.2	-48.8
Depreciation and impairment	0.4	1.8	12.6
Provisions	-0.6	-0.7	-3.3
Foreign-exchange adjustment	0.9	-1.6	-1.9
Increase/decrease in investments in projects, etc.	-19.8	7.8	-130.8
Increase/decrease in receivables	-18.0	-2.4	35.6
Dividend from joint ventures	0.0	26.2	40.3
Increase/decrease in receivables from joint ventures	-2.5	-0.3	-1.6
Sale of joint ventures	0.0	0.0	4.6
Investments in joint ventures	0.0	-3.6	-5.4
Changes in deposits on blocked and escrow accounts	10.4	-57.5	72.8
Increase/decrease in payables and other debt	-23.5	2.2	2.2
Cash flows from operations	-50.6	-28.6	28.1
Interest paid, etc.	-15.5	-16.8	-63.4
Interest received, etc.	2.2	1.9	8.6
Corporate income tax paid	-0.1	-1.1	-5.8
Cash flows from operating activities	-64.0	-44.6	-32.5
Investments in equipment, fixtures and fittings	0.0	0.0	-0.8
Sale of equipment, fixtures and fittings	0.0	0.0	0.1
Increase/decrease in receivables from joint ventures	-1.9	-1.5	-1.0
Investments in joint ventures	-1.6	-1.0	-6.6
Purchase of securities and investments	0.0	0.0	-5.9
Sale of securities and investments	0.1	0.1	13.2
Cash flows from investing activities	-3.4	-2.4	-1.0
Raising of project financing	120.4	90.4	210.9
Reduction of project financing/repayments, credit institutions	-60.4	-41.1	-172.6
Cash flows from financing activities	60.0	49.3	38.3
Cash flows for the period	-7.4	2.3	4.8
Cash and cash equivalents, beginning of year	10.5	5.6	5.6
Foreign-exchange adjustment of cash and cash equivalents	0.1	0.0	0.1
Cash and cash equivalents, end of period	3.2	7.9	10.5

The figures in the cash flow statement cannot be inferred from the consolidated financial statements alone.



CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

The Interim Report is presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and Danish disclosure requirements for listed companies.

No interim financial statements have been prepared for the Parent Company. The Interim Report is presented in DKK, which is the presentation currency for the Group's activities and the functional currency of the Parent Company. The Interim Report has not been audited or reviewed by the Company's auditor.

With effect from 1 February 2017, TK Development has implemented the new and amended standards that are effective for financial years starting on or after 1 February 2017. The implementation of new and amended standards has not resulted in any changes in accounting policies.

The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2016/17, which are in accordance with International Financial Reporting Standards as adopted by the EU. For a detailed description of the accounting policies applied, reference is made to TK Development's annual report for 2016/17.

In connection with the annual report for 2016/17, income from investments in joint ventures was reclassified to operating profit or loss. As a consequence, the presentation of cash flows concerning joint ventures was changed. Such cash flows are now included in cash flows from operating activities or cash flows from investing activities based on a specific assessment of the actual circumstances in each joint venture. Comparative figures for Q1 2016/17 in both the income statement and the cash flow statement have been restated accordingly.

NOTE 2. UNCERTAINTY IN RECOGNITION AND MEASUREMENT

In connection with the preparation of the Interim Report, Management makes a number of accounting estimates and judgments that materially affect the interim financial statements, particularly as concerns the measurement of the Group's ongoing and completed projects and the Group's deferred tax assets. The most significant uncertainties are the same as those prevailing at the time of preparing the Annual Report for 2016/17.

NOTE 3. SEGMENT INFORMATION

Internal reporting in TK Development is based on the business areas property development and asset management. Property development activities comprise the development of real property in Denmark, Sweden and Poland. Asset management activities comprise the Group's completed, operating properties and investment properties in all the Group's markets, as well as plots of land and development projects in the markets where the Group wishes to discontinue its activities in the longer term, viz. the Czech Republic, Germany, Finland, The Baltic States and Russia.

DKKm	Property development	Asset management	Unallocated	Total
30 Apr 2017				
Net revenue, external customers	44.8	15.2	0.0	60.0
Profit/loss before tax	4.5	-1.6	-2.8	0.1
Segment assets	1,276.5	1,542.1	75.3	2,893.9
Segment liabilities	565.2	1,014.2	17.7	1,597.1
30 Apr 2016				
Net revenue, external customers	30.2	15.5	0.0	45.7
Profit/loss before tax	2.6	-4.1	-2.6	-4.1
Segment assets	1,166.9	1,604.9	83.3	2,855.1
Segment liabilities	522.0	1,031.9	19.8	1,573.7

CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. PROJECT COSTS

DKKm	Q1 2017/18	Q1 2016/17	Full year 2016/17
Project costs	38.7	25.1	306.7
Impairment losses on projects in progress or completed projects	0.3	1.7	11.7
Project costs, total	39.0	26.8	318.4

NOTE 5. LIQUIDITY RESERVES

DKKm	30 Apr 2017	31 Jan 2017
The liquidity reserves break down as follows:		
Cash and cash equivalents	3.2	10.5
Unutilized operating credit facilities	48.7	16.6
Total	51.9	27.1
Deposited funds for later release	13.4	23.4
Total liquidity reserve	65.3	50.5

NOTE 6. OTHER RESERVES

DKKm	Reserve for value adjust- ment of avail- able-for-sale financial assets	Reserve for value adjustment of hedging instruments	Reserve for foreign exchange adjustments	Total
Other reserves at 1 February 2016	-0.1	-1.5	-7.7	-9.3
Other comprehensive income:				
Other comprehensive income after tax in joint ventures	0.0	-0.1	-0.5	-0.6
Exchange-rate adjustment, foreign operations	0.0	0.0	0.5	0.5
Value adjustment of hedging instruments	0.0	-0.7	0.0	-0.7
Deferred tax on other comprehensive income	0.0	0.1	0.1	0.2
Other comprehensive income, total	0.0	-0.7	0.1	-0.6
Other reserves at 30 April 2016	-0.1	-2.2	-7.6	-9.9
Other reserves at 1 February 2017	0.0	-1.7	-6.7	-8.4
Other comprehensive income:				
Exchange-rate adjustment, foreign operations	0.0	0.0	5.3	5.3
Value adjustment of hedging instruments	0.0	0.1	0.0	0.1
Deferred tax on other comprehensive income	0.0	0.0	-1.4	-1.4
Other comprehensive income, total	0.0	0.1	3.9	4.0
Other reserves at 30 April 2017	0.0	-1.6	-2.8	-4.4

NOTE 7. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There have been no significant changes in the Group's contingent assets and contingent liabilities since the most recently published Annual Report.

NOTE 8. TRANSACTIONS WITH RELATED PARTIES

The Company has no related parties with a controlling interest.

The Company has the following related parties:

- Board of Directors and Executive Board (and their related parties)
- Joint ventures and associates.

DKKm	30 Apr 2017	31 Jan 2017	30 Apr 2016
Board of Directors and Executive Board (and their related parties):			
Fees for Board of Directors	0.4	1.3	0.4
Salaries, etc., Executive Board	1.8	7.4	1.8
Joint ventures:			
Fees	0.7	2.2	0.4
Interest income	2.2	7.5	1.8
Receivables (balance)	201.2	196.9	197.5
Associates:			
Fees	1.1	0.9	0.0
Interest income	0.0	0.1	0.0
Receivables (balance)	10.1	8.9	5.8

No security or guarantees had been furnished for balances owing to or by related parties at the reporting date or at 31 January 2017. Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. No impairment was made in Q1 2017/18 to provide for any probable losses on such receivables (Q1 2016/17: DKK 0 million).

NOTE 9. FINANCIAL INSTRUMENTS

TK Development has no significant financial instruments that are measured at fair value. The carrying amount of the Group's financial instruments is generally equal to the fair value.

During the period under review, no changes were made to the classification within the fair-value hierarchy. There have been no changes in the Group's situation or the financial markets that materially affect the disclosures regarding financial instruments measured at fair value as appearing from the Group's Annual Report for 2016/17.

TK Development A/S

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24256782

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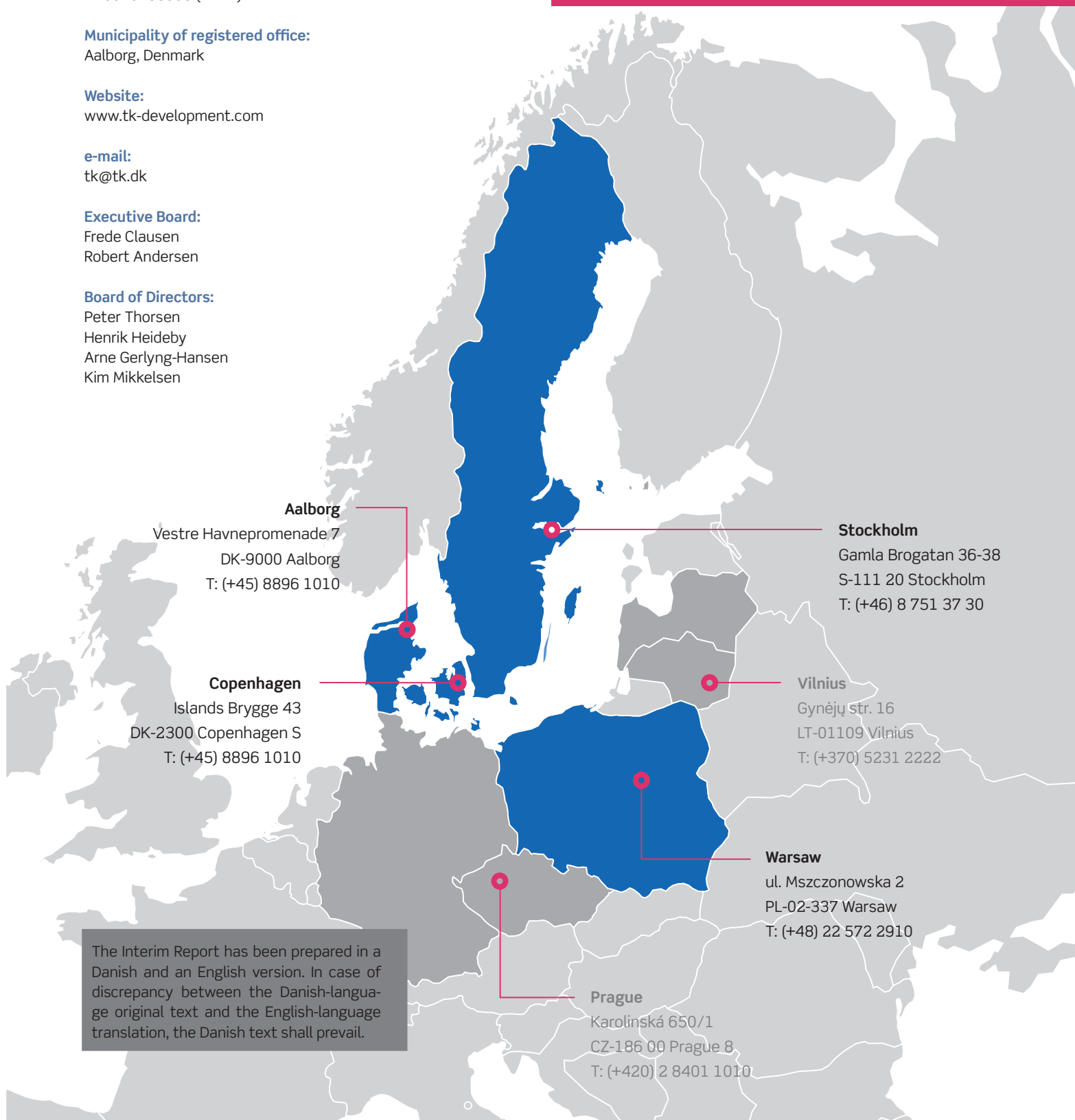
e-mail:
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Executive Board:
Frede Clausen
Robert Andersen

Board of Directors:
Peter Thorsen
Henrik Heideby
Arne Gerlyng-Hansen
Kim Mikkelsen

The Group's mission

The overall mission of TK Development is to create added value by developing real property. The Group is a development and service enterprise specialising in being the productive and creative liaison between tenants and investors.



The Interim Report has been prepared in a Danish and an English version. In case of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.