

# Annual Report 2010/11

TK Development A/S, CVR no. 24256782



*Fashion Arena Outlet Center, Prague, Czech Republic*

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## SUMMARY

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- TK Development recorded a profit of DKK 73.6 million after tax, compared to DKK 25.4 million the year before. This performance meets expectations.
- In light of the prevailing market situation, Management considers the profit for the year satisfactory.
- Consolidated equity totalled DKK 1,866.0 million at 31 January 2011, corresponding to a solvency ratio of 40.4 %.
- The Group's 10,900 m<sup>2</sup> retail park in Uppsala, Sweden, was completed and opened fully let in March 2010. The retail park was sold, based on forward funding, and handed over to the investor, an institutional fund of German IVG Funds, in April 2010.
- The first phase of the Group's retail park in Danderyd, Sweden, with a total floor space of 12,700 m<sup>2</sup> was completed and opened fully let in October 2010. The retail park was sold on the basis of forward funding and handed over to the investor, the German investment fund Commerz Real, in January 2011.
- In addition, the Group has sold several plots of land, including the sale to a private investor of residential development rights for about 8,000 m<sup>2</sup> of the Group's land at Østre Havn, Aalborg, Denmark.
- The Group handed over total projects of about 42,500 m<sup>2</sup> in the 2010/11 financial year.
- The Group's shopping centre Sillebroen in Frederiksund, Denmark, opened as planned on 25 March 2010. The shopping centre has a current occupancy rate of 93 %, and negotiations with tenants for the remaining premises are ongoing. The shopping centre is performing satisfactorily, with a satisfactory influx of customers that meets expectations.
- The Group's total project portfolio amounted to DKK 3,425 million at 31 January 2011, of which DKK 2,107 million is attributable to projects that have been completed and thus generate cash flow. The annual net rent from the current leases amounts to DKK 146 million, equal to a return on cost of about 7 %. Negotiations for the sale of several of these projects are ongoing.
- In August 2010, the Group took over the development of a 5,400 m<sup>2</sup> property project at Trøjborgvej in Århus, Denmark. Construction, which started on the fully financed project at the end of 2010, is being carried out in cooperation with Nordica Real Estate A/S via a jointly owned project company in which the Group has a 20 % stake.
- In conjunction with the takeover of the Trøjborgvej project in Århus, Denmark, the Group sold two completed retail parks to the jointly owned project company.
- Based on satisfactory pre-construction letting, TK Development began building the second phase of the Fashion Arena Outlet Center, Prague, the Czech Republic, of about 7,000 m<sup>2</sup> in April 2010. Construction progressed as planned, and the second phase opened on schedule in October 2010.
- Construction started on a 10,000 m<sup>2</sup> extension to the Group's Czech investment property, the Futurum Hradec Králové shopping centre, in January 2011, with the opening scheduled for spring 2012. The current occupancy rate is 84 %.
- At 31 January 2011, the Group's project portfolio comprised 933,000 m<sup>2</sup> (31 January 2010: 957,000 m<sup>2</sup>).
- Since the beginning of 2010, the market situation has developed favourably. The general investment climate is marked by cautious optimism and a higher propensity to invest. There is increasing demand for real property from investors who continue to attach crucial importance to quality and location.
- Management believes that land prices, construction costs, rental rates and property prices have stabilized at a new level. The new price levels underpin the profitability of future property development, and new projects in the portfolio are expected to generate a normal profit.
- An Extraordinary General Meeting was held on 1 July 2010, at which the General Meeting resolved to carry out a capital increase in the form of a rights issue with total gross proceeds of DKK 210.3 million. The capital increase was implemented in August 2010.
- The capital increase has placed TK Development in a stronger position to seize the project opportunities in the present market.
- For the 2011/12 financial year, the Group still expects to generate a profit after tax of about DKK 100 million.
- The Group has a strong project portfolio that underpins expectations for another and higher earnings level in the following years.
- The Supervisory Board has adopted a dividend policy with the long-term aim of distributing a portion of the year's profit as dividends or alternatively via a share repurchase programme. This will always be done with due regard for the Group's capital structure, solvency, cash resources and investment plans.

*The expectations for future developments presented in this announcement, including earnings expectations, are naturally subject to risks and uncertainties and may be affected by various factors, such as global economic conditions and other significant issues, including credit-market, interest-rate and foreign-exchange developments. Reference is also made to the section "Risk issues" in this Annual Report.*

## COMPANY INFORMATION

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TK Development A/S: CVR no. 24256782 • TKD Nordeuropa A/S: CVR no. 26681006 • Euro Mall Holding A/S: CVR no. 20114800

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**Executive board:** Frede Clausen and Robert Andersen

**Supervisory board:** Niels Roth, Torsten Erik Rasmussen, Per Søndergaard Pedersen, Kurt Daell, Jesper Jarlbæk and Jens Erik Christensen

The Annual General Meeting will be held at 4 p.m. on 24 May 2011 at Aalborg Kongres & Kultur Center, Europahallen, Europa Plads 4, 9000 Aalborg.

## CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKKm	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Financial highlights:</b>					
Net revenue	2,719.1	2,586.8	1,052.4	1,369.9	576.9
Value adjustment, investment properties	111.0	44.5	57.7	-10.9	30.0
Gross profit/loss	623.9	553.8	375.0	200.5	256.0
Profit/loss from ordinary activities before financing	462.5	386.8	201.7	57.5	127.2
Financing, etc.	-126.3	-41.7	-33.4	-17.9	-53.2
Profit/loss before tax	335.7	345.4	168.0	39.4	74.2
Consolidated profit/loss	298.5	271.9	155.2	25.4	73.6
<b>Shareholders' share of profit/loss for the year</b>	<b>249.4</b>	<b>249.5</b>	<b>155.2</b>	<b>25.4</b>	<b>73.6</b>
<b>Balance sheet total</b>					
Balance sheet total	3,685.8	4,070.9	3,816.1	4,377.3	4,622.0
Property, plant and equipment	551.7	598.8	380.8	364.3	394.2
of which investment properties	533.7	584.6	366.5	355.1	358.6
Carrying amount of project portfolio	1,449.4	1,945.5	2,541.3	3,249.5	3,424.7
of which total project portfolio	1,491.1	1,998.3	2,541.3	3,253.5	3,424.7
of which prepayments received from customers	-41.7	-52.8	0.0	-4.0	0.0
Contracted work in progress	0.0	0.0	3.7	17.8	12.2
Equity excl. minority interests	1,153.7	1,439.9	1,506.0	1,593.4	1,866.0
<b>Equity</b>	<b>1,290.9</b>	<b>1,533.8</b>	<b>1,506.0</b>	<b>1,593.4</b>	<b>1,866.0</b>
Cash flows from operating activities	1,219.9	142.6	-331.7	-582.8	-182.7
Net interest-bearing debt, end of year	1,125.1	1,094.9	1,509.5	2,178.9	2,170.2
<b>Key ratios:</b>					
Return on equity (ROE)	24.3 %	19.2 %	10.5 %	1.6 %	4.3 %
Earnings before interest and tax (EBIT margin)	17.0 %	15.0 %	19.2 %	4.2 %	22.1 %
Solvency ratio (based on equity)	35.0 %	37.7 %	39.5 %	36.4 %	40.4 %
Equity value in DKK per share	38.7	48.3	50.5	53.4	44.4
Price/book value (P/BV)	2.0	1.2	0.4	0.5	0.5
Number of shares at period end	28,043,810	28,043,810	28,043,810	28,043,810	42,065,715
Average numbers of shares	28,038,214	28,043,810	28,043,810	28,043,810	35,095,222
Earnings (in DKK per share) (EPS-D)	8.4	8.4	5.2	0.9	2.1
Dividend (in DKK per share)	0.0	0.0	0.0	0.0	0.0
Listed price of shares (in DKK per share)	77	59	21	27	23
<b>Key ratios adjusted for the issue of warrants:</b>					
Return on equity (ROE)	24.3 %	19.2 %	10.5 %	1.6 %	4.3 %
Solvency ratio (based on equity)	35.0 %	37.7 %	39.5 %	36.4 %	40.4 %
Equity value in DKK per share	38.7	47.9	50.5	53.4	44.4
Diluted earnings per share (EPS-D) in DKK	8.4	8.3	5.2	0.9	2.1

The calculation of key ratios was based on the 2010 guidelines issued by the Danish Society of Financial Analysts. The solvency ratio has been calculated on the basis of year-end equity/total assets.

The comparative figures that include the number of shares have been corrected by an adjustment factor of 0.94 to show the effect of the capital increase implemented.



## TK DEVELOPMENT IN OUTLINE

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### Financial review

TK Development recorded a profit of DKK 73.6 million after tax, which reflects the recent profit estimate of about DKK 70 million after tax. The profit after tax for the 2009/10 financial year amounted to DKK 25.4 million.

In light of the prevailing market situation, Management considers the profit for the year satisfactory.

TKD Nordeuropa recorded a profit after tax of DKK 9.8 million (2009/10: DKK 23.9 million) and Euro Mall Holding DKK 57.1 million (2009/10: DKK 42.0 million). The profit after tax on the remaining Group activities amounted to DKK 6.7 million (2009/10: DKK -40.5 million).

The balance sheet total amounted to DKK 4,622.0 million at 31 January 2011 against DKK 4,377.3 million at 31 January 2010. Consolidated equity totalled DKK 1,866.0 million, and the solvency ratio stood at 40.4 %.

### Accounting policies

The consolidated and parent company financial statements for 2010/11 for the Group and TK Development A/S, respectively, are presented in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and in accordance with Danish disclosure requirements for annual reports prepared by listed companies.

The consolidated and parent company financial statements for 2010/11 have been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2010.

The implementation of the amended IAS 27, Consolidated and Separate Financial Statements, has changed the accounting treatment of transactions resulting in the acquisition/loss of control of ownership interests in subsidiaries in the Group. TK Development has sold a percentage of its ownership shares in a subsidiary and has thus relinquished control of the company. Therefore, the amendment had a monetary effect on the year. The Group did not enter into such transactions in the comparative year. The monetary effect in 2010/11 was DKK 1.7 million before tax, recognized as an increase in gross profit, and DKK 1.3 million, recognized as an increase in profit after tax.

The implementation of other new and amended financial reporting standards and interpretations that entered into force in the 2010/11 financial year has not impacted recognition and measurement in the consolidated financial statements.

With the exception of the changes mentioned above, the accounting policies have been applied consistently with those presented in the Annual Report for 2009/10.

The consolidated and parent company financial statements are presented in DKK million, unless otherwise stated. DKK is the presentation currency for the Group's activities and the functional currency of the Parent Company.

### Income statement

#### Revenue

The revenue for 2010/11 totalled DKK 576.9 million against DKK 1,369.9 million in 2009/10. Revenue has declined because relatively few projects were sold in 2010/11.

The revenue breaks down as follows: 76.8 % for TKD Nordeuropa, 21.5 % for Euro Mall Holding and 1.7 % for the remaining activities in the Group. The revenue derives from the projects handed over, see the description below, as well as rental income, fees, etc.

#### Gross margin

The gross margin amounts to DKK 256.0 million against DKK 200.5 million the year before. The gross margin consists mainly of profits on handed-over projects, the operation of the Group's completed projects and the operation and value adjustment of the Group's investment properties.

The value adjustment of the Group's investment properties amounts to DKK 30.0 million, of which DKK 1.6 million is attributable to the Czech investment property, Futurum Hradec Králové, DKK 1.3 million to the German investment properties and DKK 27.1 million to the extension of the Czech investment property. This extension, classified as "Investment properties under construction", is described in more detail below. The Futurum Hradec Králové shopping centre is fully let, and the letting status remained satisfactory throughout the year. The Group has generally recorded higher rent levels for the German residential rental properties as tenants have been replaced. The total value adjustment for 2009/10 amounted to DKK -10.9 million.

An extension of almost 10,000 m<sup>2</sup> to the Group's Czech investment property has been initiated. Construction started in January 2011, with the opening scheduled for spring 2012. This extension has been classified under "Investment properties under construction". The valuation is based on a discounted cash-flow model, where future cash flows are discounted to net present value on the basis of a return requirement of 7 % as well as a specific assessment of project progress at the reporting date, including the risks attaching to project completion. The total value adjustment for the 2010/11 financial year amounted to DKK 27.1 million, against DKK 0.0 million the year before.

The gross margin for 2010/11 includes the profit on account on a single project, an amount of DKK 3.0 million recognized according to the percentage of completion method. In 2009/10, the profit on account recognized according to the percentage of completion method amounted to DKK 9.0 million.

#### **Staff costs and other external expenses**

Staff costs and other external expenses amounted to DKK 125.8 million for 2010/11, a 9.2 % decline compared to 2009/10.

Staff costs totalled DKK 89.2 million, down by 10.7 % on the year before. This decline reflects the full impact of the measures implemented earlier to adapt the organization to economic trends. The number of employees in the Group totalled 129 at 31 January 2011 against 136 at 31 January 2010.

Other external expenses amounted to DKK 36.6 million, a 5.2 % reduction compared to 2009/10.

#### **Financing**

In the year under review, TK Development recorded net financing expenses of DKK 53.2 million, up DKK 35.3 million on the previous year. This increase in financing expenses since October 2009 is a natural consequence of the Group completing and opening three shopping centres, as these centres, besides yielding rental income that is recognized in gross profit, also involve financing expenses after their opening.

#### **Tax on profit/loss for the year**

Tax on the profit for the year amounts to DKK 0.6 million. This amount includes deferred tax transferred from equity to profit or loss in connection with the liquidation of companies amounting to DKK 6.6 million in income. In addition, tax for the year is a combined result of calculated tax on profit for the year, with part of the earnings on foreign projects being realized as tax-free capital gains, and a new valuation of the deferred tax asset, resulting in a total writedown at 31 January 2011 on a par with the year before.

#### **Balance sheet**

The Group's balance sheet total amounted to DKK 4,622.0 million at 31 January 2011, an increase of DKK 244.7 million, or 5.6 %, compared to 31 January 2010.

#### **Goodwill**

Goodwill is unchanged compared to 31 January 2010, amounting to DKK 33.3 million at 31 January 2011. Goodwill relates to the business unit Euro Mall Holding. There are no indications of any need to impair the value of goodwill.

#### **Investment properties and investment properties under construction**

The total value of the Group's investment properties amounted to DKK 358.6 million at 31 January 2011 against DKK 355.1 million at 31 January 2010. Of the value at 31 January 2011, DKK 197.6 million relates to the Group's German investment properties and DKK 161.0 million relates to the Group's Czech investment property.

The valuation of the Group's investment properties and investment properties under construction is made on the basis of a discounted cash-flow model, where future cash flows are discounted to net present value on the basis of a given return requirement. The valuation at 31 January 2011 is based on an unchanged required rate of return compared to 31 January 2010, amounting to 6.5 % for the German investment properties and 7.0 % for the Czech investment property, including the extension in progress.

The valuation of the Group's investment property under construction has also been based on a specific assessment of project progress at the reporting date, including the risks attaching to project completion. The total value of this property under construction amounted to DKK 28.8 million at 31 January 2011.

#### **Deferred tax assets**

Deferred tax assets were recorded at DKK 287.2 million in the balance sheet at 31 January 2011 against DKK 284.9 million at 31 January 2010. The valuation of the tax assets is based on existing budgets and profit forecasts for a five-year period. The valuation for the first three years has been based on an assessment of specific projects in the Group's project portfolio. The valuation for the next two years has been based on profit forecasts underpinned by specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities.

These valuations are subject to some uncertainty, for which reason a provision has been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. A change in the terms and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax assets being lower than that computed at 31 January 2011, which could have a material adverse effect on the Group's results of operations and financial position.

#### **Project portfolio**

The total project portfolio grew by DKK 171.2 million compared to 31 January 2010, amounting to DKK 3,424.7 million at 31 January 2011. This growth is partly attributable to the Group's completion of the shopping centre Silkeborg in Frederikssund, Denmark; the completed construction of

phase II of the Fashion Arena Outlet Center in Prague, the Czech Republic; and investments in new project opportunities.

Total prepayments based on forward-funding agreements amounted to DKK 284.1 million at 31 January 2011 against DKK 350.7 million at 31 January 2010. This reduction is mainly due to the handover of the Group's retail parks of 10,900 m<sup>2</sup> and 12,700 m<sup>2</sup> in Uppsala and Danderyd, Sweden, where the sales agreements were based on forward funding. At 31 January 2011, forward funding represented 91.6 % of the gross carrying amount of sold projects.

#### **Receivables**

Total receivables amounted to DKK 310.7 million, an increase of DKK 40.4 million from 31 January 2010, of which DKK 14.9 million relates to receivables from associates.

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

Cash and cash equivalents amounted to DKK 96.3 million at 31 January 2011, a DKK 18.8 million increase over 31 January 2010.

#### **Equity**

At 31 January 2011, the Group's equity came to DKK 1,866.0 million, against DKK 1,593.4 million at 31 January 2010.

A capital increase in the Company was implemented in August 2010, see above, adding a net amount of DKK 197.0 million to equity.

In addition, equity was affected in the year under review by the profit recorded for the year and negative market-value adjustments after tax of DKK 1.9 million related to foreign subsidiaries.

The solvency ratio amounts to 40.4 %.

#### **Non-current liabilities**

The Group's non-current liabilities represented DKK 212.6 million at 31 January 2011, an increase of DKK 108.8 million from 31 January 2010, due mainly to new, long-term bank financing.

#### **Current liabilities**

Current liabilities represented DKK 2,543.4 million at 31 January 2011, a DKK 136.7 million reduction from 31 January 2010. The reduction is a combined result of debt repayments after project handovers; the conclusion of a few improved financing agreements; the net proceeds of DKK 197.0 million from the implemented capital increase; the use of cash resources for operations and investments in new projects; and additional debt repayments to credit institutions.

Financial liabilities are offset in the usual manner against trade receivables and tied-up cash and cash equivalents, to the extent that the Company has a right of setoff and also intends or is contractually obliged to realize assets and liabilities at the same time. At 31 January 2011, no setoffs were made against receivables or tied-up cash.

The Group's short-term debt to credit institutions consists of operating and project credits. TK Development has entered into a general agreement with the Group's main banker about both types of credit. The agreement and the associated conditions are renegotiated once a year, and Management expects the agreement to continue.

In addition, the Group has entered into project-financing agreements with various banks in Denmark and abroad. Project credits are usually granted with different terms to maturity, depending on the specific project.

Of the project credits outstanding at 31 January 2011, credits worth DKK 343.7 million were due to mature in the 2011/12 financial year. Management expects these project credits to be extended.

#### **Cash flow statement**

The Group's cash flows from operating activities are negative in the amount of DKK 182.7 million and relate chiefly to the net investment in projects. Investments during the year under review include the Group's completion of the shopping centre Silkeborg in Frederikssund, Denmark, and the completed construction of and investment in phase II of the Fashion Arena Outlet Center in Prague, the Czech Republic.

There was no significant investment activity during the year under review, and cash flows from investing activities were negative in the amount of DKK 4.2 million.

The cash flows from financing activities for the year were positive in the amount of DKK 199.5 million, resulting from a combination of the following factors: (i) the capital increase implemented in August 2010 with net proceeds of DKK 197.0 million, (ii) that bank loans are the main source of financing for investment in projects, and (iii) that debt has been repaid in connection with project sales.

#### **Handed-over projects**

In the 2010/11 financial year, the Group handed over projects of about 42,500 m<sup>2</sup>, of which 24,700 m<sup>2</sup> was handed over in Q4 2010/11. The projects handed over include the following:



*Retail park, Anelystparken, Århus, Denmark*

This project consists of a 2,800 m<sup>2</sup> retail park, which has been fully let. The retail park has been completed and handed over to the tenants. In Q3 2010/11, the project was sold to a project company owned 80/20 by Nordica Real Estate A/S and TKD Nordeuropa.

*Retail park, Østergade, Brønderslev, Denmark*

The project comprises a retail park of about 1,100 m<sup>2</sup> let to Punkt 1 and an amusement arcade. In Q3 2010/11, the project was sold to a project company owned 80/20 by Nordica Real Estate A/S and TKD Nordeuropa.

*Sale of land, Østre Havn/Stuhls Brygge, Aalborg, Denmark*

In December 2010, the Group sold and transferred residential development rights for about 8,000 m<sup>2</sup> of land at Østre Havn, Aalborg, Denmark, to a private investor.

*Retail park, Uppsala, Sweden*

TKD Nordeuropa has developed and constructed a 10,900 m<sup>2</sup> retail park in Uppsala, Sweden. The retail park has been sold to an institutional fund of German IVG Funds on the basis of forward funding. The retail park opened fully let in March 2010 and was handed over to the investor in April 2010.

*Retail park, Danderyd, Sweden*

The first phase of the Group's retail park in Danderyd, Sweden, with a total floor space of 12,700 m<sup>2</sup> was completed and opened fully let in October 2010. The retail park was sold on the basis of forward funding and handed over to the investor, the German investment fund Commerz Real, in January 2011.

*Tivoli Residential Park, Targówek, Warsaw, Poland*

In autumn 2008, the Group completed its first housing project in Poland. The project consists of 280 apartments to be sold as owner-occupied units. The majority of these units were handed over to the new owners in previous financial years. The remaining four residential units were handed over to the buyers in Q1 2010/11.

## Progress in the Group's projects

In the year under review, TK Development continued to focus on executing existing projects in the portfolio, as well as on securing satisfactory pre-construction letting or sales. This has ensured sustained good project progress and further optimization of the individual projects.

Although earnings on part of the Group's existing project portfolio are under pressure from the economic downturn and its impact on market conditions, lower construction costs have partially offset this effect. Management believes that land prices, construction costs, rental rates and

property prices have stabilized at a new level. The new price levels underpin the profitability of future property development, and new projects are thus expected to generate a normal profit.

The Group's shopping centre Silkeborg in Frederikssund, Denmark, opened as planned on 25 March 2010. The shopping centre has a current occupancy rate of 93 %, and negotiations with tenants for the remaining premises are ongoing. The shopping centre is performing satisfactorily, with a satisfactory influx of customers that meets expectations.

The Group's Galeria Sandecja shopping centre in Nowy Sącz, Poland, which opened in October 2009, is still performing well, with a satisfactory influx of customers. The centre has a current occupancy rate of 98 %.

The Group's Galeria Tarnovia shopping centre in Tarnów, Poland, which opened in November 2009, has a current occupancy rate of 98 %. The shopping centre is still performing well and has a satisfactory influx of customers.

Based on satisfactory pre-construction letting, TK Development began building the second phase of the Fashion Arena Outlet Center, Prague, the Czech Republic, of about 7,000 m<sup>2</sup> in April 2010, which opened as planned in October 2010. The current occupancy rate is 85 % for the combined project. The centre has a satisfactory influx of customers and is performing well. At present, negotiations with several local and international tenants for the remaining vacant premises are ongoing.

The Group's total project portfolio amounted to DKK 3,425 million at 31 January 2011, of which DKK 2,107 million is attributable to projects that have been completed and thus generate cash flow. The operation of these completed projects, which largely consist of shopping centres, is proceeding satisfactorily. The annual net rent from the current leases amounts to DKK 146 million, equal to a return on cost of about 7 %. Negotiations for the sale of several of these projects are ongoing.

The Group's remaining retail projects on which construction is already ongoing or about to start are still attracting a fair amount of interest from tenants. During the period under review, the Group also concluded several lease agreements for such projects, which are thus progressing as planned. A few projects have been postponed.

In Esbjerg, Denmark, TKD Nordeuropa has obtained an option for a plot earmarked for a shopping centre project of about 28,000 m<sup>2</sup>, to be built on the railway land at Esbjerg station. The project has been developed in co-

operation with DSB Ejendomsudvikling A/S. The shopping centre is planned to have about 70 retail stores, and lease agreements have been concluded with such tenants as H&M, Kvickly and the Swedish fashion chain Gina Tricot for about half the premises. Construction is expected to start in autumn 2011, and the opening is scheduled for 2013.

In August 2010, TK Development took over the development of a 5,400 m<sup>2</sup> property project at Trøjborgvej in Århus, Denmark. The project premises consist of a 1,200 m<sup>2</sup> supermarket unit let to REMA 1000, a business lease of about 500 m<sup>2</sup> and rental housing of about 3,700 m<sup>2</sup>. Construction started at end-2010, and the project has been fully financed. The project is scheduled for completion in autumn 2011 and will be carried out in cooperation with Nordica Real Estate A/S via a jointly owned project company in which the Group has a 20 % stake. TK Development will be paid on a fee basis for the services made available by the Group to the jointly owned project company.

In October 2010, the Group took over the development of a 10,500 m<sup>2</sup> project to establish retail stores at Marsvej in Randers, Denmark. The purchase of the land has been fully financed. Letting has been initiated, and there is a satisfactory level of interest among potential tenants.

In Poland, the construction of 5,600 m<sup>2</sup> of office space in the Tivoli Residential Park, Warsaw, started in spring 2010, and construction is proceeding as planned. Of the total project premises, about 3,500 m<sup>2</sup> has been sold to a user on a forward-funding basis. The remaining premises constitute 2,100 m<sup>2</sup>, and sales agreements have been concluded for 90 %. The project is scheduled for completion in mid-2011.

A building permit has now been obtained for the first phase of the Group's project in Bielany, Poland. The total project area comprises about 57,300 m<sup>2</sup>, primarily housing consisting of 900-1,000 units, with about 140 units to be built in the first phase. The pre-construction sale of these units has begun this spring, and construction is expected to start in mid-2011.

## Project opportunities

In recent years, the market conditions have opened up new project opportunities. Management is currently assessing specific new project opportunities, and the Group expects to enter into agreements regarding several of these projects.

Moreover, TK Development has experienced an increase in the opportunities for entering into long-term option agreements for land on favourable terms. To underpin the

Group's long-term earnings potential, TK Development is working to secure future project opportunities, including by entering into long-term option agreements for land. These agreements have been concluded for projects where construction startup is expected within a period of one to three years, which means that the Group can work on the contemplated project for a fairly long period, allowing time for negotiations with public authorities, prospective tenants and investors. The aim is to enable the best possible project preparation before construction startup, including to secure a high occupancy rate.

In Moravia in the eastern part of the Czech Republic, TK Development has secured a long-term option to buy a plot of land for the purpose of building a Designer Outlet Village (factory outlet centre) of about 21,500 m<sup>2</sup>. The project will be executed in phases, with the first to comprise about 11,700 m<sup>2</sup>. The project is being discussed with several potential tenants, who have all shown great interest, and the first lease agreements have been signed. Construction of the first phase is expected to start in spring 2012, with the opening scheduled for spring 2013.

## Increase of capital base – to strengthen the Group's financial platform

In order to strengthen the Group's financial platform and allow proactive use of the earnings potential offered by existing projects and new project opportunities, it was resolved at the Extraordinary General Meeting on 1 July 2010 to carry out a capital increase in the form of a rights issue with total gross proceeds of DKK 210.3 million. The capital increase was fully subscribed for and implemented in August 2010.

For technical reasons, a capital reduction was implemented immediately before the capital increase, whereby the denomination of all shares was written down from DKK 20 to DKK 15. The capital reduction amounted to DKK 140.2 million, which was allocated to a special fund under equity. Subsequently, this special fund can only be used following a resolution to this effect at a General Meeting. The capital increase was implemented by issuing 14,021,905 new shares of nominally DKK 15 at a price of DKK 15, thus yielding gross proceeds of DKK 210.3 million.

Thus, TK Development is in a stronger position to seize the project opportunities in the present market. TK Development is currently considering specific projects for which it would like to secure the rights at the current price level. Management expects that this will help the Group gain faster access to project opportunities with a higher anticipated return than that offered by most of the existing ongoing projects in the portfolio.

## Incentive schemes

At the Annual General Meeting on 25 May 2010, the Supervisory Board of TK Development was authorized to issue warrants for a total of up to nominally DKK 8,000,000 (400,000 shares of DKK 20 each) to the Executive Board and other executive staff members. On 4 June 2010, the Supervisory Board decided to exercise this authorization, and therefore 100,000 warrants have been granted to the Executive Board and 294,000 warrants to 26 executive staff members. Thus, a total of 394,000 warrants have been allocated. The aim of allocating warrants is to forge a link between the individual staff member's efforts and long-term value creation in the Group. The incentive scheme is described in more detail in the section "Shareholders".

## Post-balance sheet events

*Kofoten, Kristianstad, Sweden*

TKD Nordeuropa owns a property in Kristianstad. After the addition of an extension, the project will comprise a retail park of about 6,300 m<sup>2</sup>. The existing building of about 4,500 m<sup>2</sup> has been fully let. Construction of the extension is expected to start in mid-2011 once lease agreements for the premises have been concluded. After the reporting date, TKD Nordeuropa has entered into an agreement for the sale of the project to a Swedish investor.

No major events affecting the Company other than those mentioned in the Management's review have occurred after the reporting date.

## Outlook

During the past period, the changed price levels resulting from the international credit crunch have put profits on initiated projects under pressure, causing TK Development to focus on completing shopping centres and hold off on launching new projects. These developments are reflected in the Group's expectations for 2011/12.

Since the beginning of 2010, the market situation has developed favourably. The general investment climate is marked by cautious optimism and a higher propensity to invest. The demand for real property is now increasing again.

Management's expectations for 2011/12 are based on the Group's existing projects and the expectation that ongoing sales negotiations for several projects will be completed in 2011/12.

The profit after tax for 2011/12 is expected to amount to about DKK 100 million, corresponding to the previously announced profit forecast.

Part of the project portfolio that is to contribute to the Group's earnings in future years has been built up after prices re-stabilized. Thus, the Group has a strong project portfolio that underpins expectations for another and higher earnings level in the following years.

*The expectations for future developments presented in this announcement, including earnings expectations, are naturally subject to risks and uncertainties and may be affected by various factors, such as global economic conditions and other significant issues, including credit-market, interest-rate and foreign-exchange developments. Reference is also made to the section "Risk issues" in this Annual Report.*

## Markets and business units

### Market conditions

As a result of the economic crisis, the Group has faced difficult market conditions in the past few years.

The financial markets have been subject to uncertainty, with credit institutions being extremely reluctant to provide loans for financing real property or requiring high equity contributions to the individual projects from both project developers and investors.

The economic downturn has caused land and construction prices to drop continuously over the past few years, but with great variations from project to project and country to country.

The Group has experienced slackened demand for rental space in recent years, with tenants taking longer to make lease decisions. Lower private consumption and the consequent impacts have been putting pressure on rent levels for some time.

The investment climate in the past few years has been characterized by uncertainty about real property pricing due to the low number of completed property deals in the Group's markets. This has resulted in a general wait-and-see attitude among investors.

Since the beginning of 2010, the market situation has developed favourably.

In the letting market, tenants are focusing increasingly on location, which means project location is even more critical than in the past. TK Development is experiencing increasing interest in prime-location projects, and several retail chains have begun expanding again. Rent levels in the retail segment are expected to be stable in the period ahead. The Group's projects are still attracting a fair amount of interest from tenants, particularly retail projects on which

construction is already ongoing or about to start. During the period under review, the Group concluded several lease agreements for such projects.

The general investment climate is marked by cautious optimism and a higher propensity to invest, particularly among property companies and institutional investors. There is increasing demand for real property from investors who continue to attach crucial importance to quality and location. Since the end of 2010, a number of property transactions have been carried out in the Group's markets, demonstrating an increasing propensity to invest.

Management believes that land prices, construction costs, rental rates and property prices have now stabilized at a new level. The new price levels underpin the profitability of future property development, and new projects in the portfolio are thus expected to generate a normal profit.

TK Development has maintained its focus on executing existing projects in the portfolio, as well as on securing satisfactory pre-construction letting or sales.

At the same time, market conditions have opened up new opportunities, including for entering into long-term option agreements for the purchase of land; see above. Thus, during the year under review, TK Development secured several project opportunities that are expected to contribute to the Group's future earnings.

The macroeconomic indicators in the form of GDP, private consumption and unemployment are showing moderate growth expectations in all the Group's markets.

The Group has a strong platform in each of its markets and focuses on exploiting the unrealized potential on all markets through existing retailer and investor networks. With special emphasis on the retail segment, the Group consistently strives to strengthen the project portfolio in each of its markets and to ensure satisfactory progress of its existing projects.

TK Development carries on activities in various business segments in two geographical areas, Northern Europe and Central Europe.

## Northern European markets

Geographically, TKD Nordeuropa's activities are broken down on four core markets: Denmark, Sweden, Finland and the Baltic States. TKD Nordeuropa has activities within various segments in the individual markets; see the table below.

	Denmark	Sweden	Finland	Baltic States
Shopping centres	•	•	•	•
Stores/superstores	•	•	•	•
High-street properties	•			
Offices	•			
Segment-mix	•	•		•
Residential	•			

### Denmark

Supermarket and retail chains in Denmark are generally focusing on new and central locations in their efforts to secure market shares and generate growth. The Group's primary market focus is to establish district and shopping centres in cities and medium-sized towns.

Appealing office property locations, such as the Group's waterfront areas, can attract tenants and investors alike, and the Group expects to create attractive office projects in the years to come. Examples of such projects include the Group's locations at Amerika Plads in Copenhagen and Stuhrs Brygge in Aalborg.

Denmark - startup in 1989	2009	2010e	2011e	2012e
GDP (% yr./yr.)	-5.2	2.2	1.8	1.9
Private consumption (% yr./yr.)	-4.5	1.9	1.8	1.7
Unemployment (%)	3.4	4.0	4.2	3.8

(Source: Nordea, January 2011)

### Sweden

As in previous years, the business activity in Sweden is anticipated to focus on the retail segment. The ongoing expansion in this sector continues to make the country an interesting market in this segment. The development of individual, major shopping centre projects is a specific focus area.

Sweden - startup in 1997	2009	2010e	2011e	2012e
GDP (% yr./yr.)	-5.3	5.5	4.5	2.8
Private consumption (% yr./yr.)	-0.4	3.5	3.5	2.8
Unemployment (%)	8.3	8.4	7.3	6.8

(Source: Nordea, January 2011)

### Finland

Since establishing a branch office in Finland, the Group has developed retail parks primarily. The focus is expected to remain on the retail segment, in particular retail parks and

shopping centre projects of varying sizes.

Finland - startup in 1999	2009	2010e	2011e	2012e
GDP (% yr./yr.)	-8.0	3.0	3.0	3.4
Private consumption (% yr./yr.)	-1.9	3.0	2.4	2.5
Unemployment (%)	8.2	8.4	7.7	7.1

(Source: Nordea, January 2011)

### Baltic States

The market situation in the Baltic States remains difficult. Economic developments in recent years have led to declining rental rates and increasing return requirements. However, the market is now moving in a positive direction compared to earlier. The Group intends to start up its contemplated projects in Latvia and Lithuania once a satisfactory pre-letting rate or a project sale has been achieved. The Group anticipates starting up construction of its project in Lithuania in the near future.

Baltic States - startup in 2001	2009	2010e	2011e	2012e
<b>Latvia:</b>				
GDP (% yr./yr.)	-18.0	-0.1	3.0	4.2
Private consumption (% yr./yr.)	-24.1	-0.4	3.0	4.0
Unemployment (%)	17.1	19.0	16.8	15.5

<b>Lithuania:</b>				
GDP (% yr./yr.)	-14.7	1.2	3.0	3.8
Private consumption (% yr./yr.)	-17.7	-4.0	3.2	4.4
Unemployment (%)	13.7	17.8	15.8	14.1

(Source: Nordea, January 2011)

### Central European markets

In Central Europe, the Group has activities in Poland, the Czech Republic and Slovakia. Euro Mall Holding has activities within various segments in the individual markets; see the table below.

	Poland	Czech Republic	Slovakia
Shopping centres	•	•	•
Stores/superstores	•	•	•
Offices	•		
Segment-mix	•	•	
Residential	•		

The Group has a well-developed network of contacts with many local and international retail chains looking to expand into Central Europe. In addition, Euro Mall Holding works closely with investors, including international investment funds, looking to invest in Central European property projects.

### Poland

The outlook for the Polish market remains positive. Both retailers and investors have shifted their primary focus to major towns and cities. Thus, the keen interest in tenancies in prime-location retail centres and shopping centres is coupled with substantial investor interest in projects in major Polish towns and cities. Work will also continue on project opportunities in small and medium-sized towns, typically 10-15,000 m<sup>2</sup> projects with a small hypermarket or a supermarket as anchor tenant. Such projects continue to attract interest, which is reflected, among other things, by satisfactory letting of the Group's completed projects.

Poland - startup in 1995	2009	2010e	2011e	2012e
GDP (% yr./yr.)	1.7	3.9	3.8	4.1
Private consumption (% yr./yr.)	2.4	3.2	2.6	2.8
Unemployment (%)	11.0	12.1	11.7	9.2

(Source: Nordea, January 2011)

The Group's business platform also includes the housing market in Poland.

There are still opportunities for developing and selling attractive housing, particularly in the Warsaw area. Warsaw continues to develop and boost its position as Poland's commercial hub. A large number of new residential buildings have been constructed recently, and the supply of housing for sale is high. A key contributory factor is the increasing difficulty individual buyers have experienced in obtaining home purchase loans, which has resulted in a slower rate of housing turnover. Thus, demand has shifted towards smaller residential units. The housing price level reflects this shift, but is now rallying after a slight decline.

The development of the Group's first housing project in Central Europe was initiated in Warsaw, Poland, in autumn 2006 and comprises 280 residential units. The Tivoli Residential Park project has been completed, and all units have been sold. The project process was highly satisfactory. The Group's next housing project, Residential Park, Bielany, comprising 900-1,000 units, can be completed in four phases. A delay in public authority processing caused this project to be postponed relative to previous estimates. A building permit has now been obtained for the first phase of about 140 units, with construction expected to start in mid-2011.

### Czech Republic

The Czech market continues to experience good demand for tenancies in attractive retail projects. The focus is directed towards shopping centres and retail parks in medium-sized towns and cities, and the Group has several



shopping centre and retail park projects in its portfolio. The trend is towards building retail parks in the vicinity of existing shopping centres.

Czech Republic - startup in 1997	2009	2010e	2011e	2012e
GDP (% yr./yr.)	-4.0	2.5	3.1	3.8
Private consumption (% yr./yr.)	-0.1	1.3	2.4	3.0
Unemployment (%)	8.1	9.0	8.2	7.5

(Source: Nordea, January 2011)

### Slovakia

In general, the need for shopping centres and retail parks in Slovakia is considered to be limited, as the demand has already been met in most major towns and cities. However, Management believes that retail parks at attractive locations will attract interest in future, and the Group is working on several project opportunities.

Slovakia - startup in 1999	2009	2010e	2011e	2012e
GDP (% yr./yr.)	-4.8	4.1	3.0	3.9
Private consumption (% yr./yr.)	0.3	-0.5	1.5	3.1
Unemployment (%)	12.0	14.5	14.2	13.4

(Source: The European Commission, autumn 2010)

## The Group's project portfolio

### Project portfolio status

The Group's project portfolio comprised 933,000 m<sup>2</sup> at 31 January 2011. The project portfolio consists of sold projects of 116,000 m<sup>2</sup> and of remaining projects of 817,000 m<sup>2</sup>. At 31 January 2010, the Group's project portfolio comprised 957,000 m<sup>2</sup>.

The development in the Group's project portfolio is outlined below:

DKKm	31.01.09	31.01.10	31.01.11
<b>Sold</b>			
Completed	0	0	0
In progress	4	2	12
Not initiated	41	12	14
<b>Total</b>	<b>45</b>	<b>14</b>	<b>26</b>
<b>Remaining</b>			
Completed	565	1,352	2,107
In progress	813	720	149
Not initiated	1,118	1,164	1,143
<b>Total</b>	<b>2,496</b>	<b>3,236</b>	<b>3,399</b>
<b>Net project portfolio</b>	<b>2,541</b>	<b>3,250</b>	<b>3,425</b>
Forward funding	943	351	284
Gross project portfolio	3,484	3,601	3,709
Forward funding in % of gross carrying amount of sold projects	95.4 %	96.2 %	91.6 %

Table 1

The Group uses forward funding to reduce the funds tied up in the portfolio of sold projects. Compared to 31 January 2010, prepayments under forward-funding agreements have been reduced following the handover of the Group's 10,900 m<sup>2</sup> and 12,700 m<sup>2</sup> retail parks in Uppsala and Danderyd, Sweden, where sales agreements were based on forward funding.

As appears from the table above, the carrying amount of remaining completed projects increased substantially during the period under review. This increase is attributable to the Group's Sillebroen shopping centre in Frederikssund, Denmark, which opened in March 2010, and the Group's recently opened phase II of the Fashion Arena Outlet Center in Prague, the Czech Republic.

The development of the Group's project portfolio is shown below (in square metres):

('000) m <sup>2</sup>	31.01.09	31.01.10	31.01.11
<b>Sold</b>			
Completed	0	0	0
In progress	56	25	4
Not initiated	127	121	112
<b>Total</b>	<b>183</b>	<b>146</b>	<b>116</b>
<b>Remaining</b>			
Completed	35	87	115
In progress	103	60	50
Not initiated	639	664	652
<b>Total</b>	<b>777</b>	<b>811</b>	<b>817</b>
<b>Project portfolio</b>	<b>960</b>	<b>957</b>	<b>933</b>
<b>Number of projects</b>	<b>63</b>	<b>66</b>	<b>67</b>

Table 2

The table below shows the distribution of the carrying amounts of projects in the portfolio at 31 January 2011 for the two business units.

Projects at 31 January 2011 DKKm	TKD Nord- europa	Euro Mall Holding	Group total *) Per cent of total	
<b>Sold</b>				
Completed	0	0	0	0.0 %
In progress	0	12	12	0.4 %
Not initiated	10	4	14	0.4 %
<b>Total</b>	<b>10</b>	<b>16</b>	<b>26</b>	<b>0.8 %</b>
<b>Remaining</b>				
Completed	990	1.082	2.072	61.8 %
In progress	145	4	149	4.4 %
Not initiated	413	694	1.107	33.0 %
<b>Total</b>	<b>1,548</b>	<b>1,780</b>	<b>3,328</b>	<b>99.2 %</b>
<b>Project portfolio</b>	<b>1,558</b>	<b>1,796</b>	<b>3,354</b>	<b>100.0 %</b>

\*) excl. TK Development, remaining group activities, a total of DKK 71 million.

Table 3

The table below shows the number of square metres in the project portfolio, distributed on the two business units. The remaining part of the Group has no development projects.

Projects at 31 January 2011 ('000) m <sup>2</sup>	TKD Nord- europa	Euro Mall Holding	Group total *) Per cent of total	
<b>Sold</b>				
Completed	0	0	0	0.0 %
In progress	0	4	4	0.4 %
Not initiated	8	104	112	12.0 %
<b>Total</b>	<b>8</b>	<b>108</b>	<b>116</b>	<b>12.4 %</b>
<b>Remaining</b>				
Completed	50	65	115	12.3 %
In progress	34	11	50	5.4 %
Not initiated	388	269	652	69.9 %
<b>Total</b>	<b>472</b>	<b>345</b>	<b>817</b>	<b>87.6 %</b>
<b>Project portfolio</b>	<b>480</b>	<b>453</b>	<b>933</b>	<b>100.0 %</b>

\*) excl. TK Development, remaining group activities.

Table 4

A more detailed description of all major projects appears from the section concerning the project portfolio under the individual business units.

## TKD NORDEUROPA

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The Group's activities in Northern Europe are placed in the wholly-owned subgroup TKD Nordeuropa. TKD Nordeuropa primarily operates in the retail property segment (shopping centres and retail parks), the office segment and the mixed segment.

### Project portfolio

The development potential of the project portfolio represented 480,000 m<sup>2</sup> at 31 January 2011, of which sold projects accounted for 8,000 m<sup>2</sup> and remaining projects for 472,000 m<sup>2</sup>. The project portfolio had a total development potential of 510,000 m<sup>2</sup> at 31 January 2010.

#### Completed projects

##### *Sillebroen, shopping centre, Frederikssund, Denmark*

In Frederikssund, TKD Nordeuropa has constructed a shopping centre with a total floor space of about 28,000 m<sup>2</sup>. The shopping centre comprises supermarket units of about 5,000 m<sup>2</sup> and speciality stores and restaurants of about 20,000 m<sup>2</sup>. In addition, the project includes about 3,000 m<sup>2</sup> of residential space. The occupancy rate has reached 93 %, and the tenants include Kvickly, Fakta, Hennes & Mauritz, Synoptik, Matas, Skoringen, Deichmann and Vero Moda. The centre opened in March 2010. A multi-storey car park with about 800 parking spaces has been established at the centre. The development rights to build residential space have been sold and transferred to a private investor. The shopping centre has a satisfactory influx of customers that meets expectations and is also performing satisfactorily. During the first year after its opening, the shopping centre had more than 3.2 million visitors.

##### *Premier Outlets Center, Ringsted, Denmark*

This project has been developed in a 50/50 joint venture with Miller Developments, a Scottish subsidiary of the Miller Group. The project consists of a factory outlet centre and restaurant facilities, with a total floor space of 13,200 m<sup>2</sup> and about 1,000 parking spaces. The centre opened in March 2008, and the current occupancy rate is 61 %. Several tenants have been replaced, and a few tenants have moved out, leaving vacant units. The most recent newcomers to the Premier Outlets Center are G-Star, Diesel and Helly Hansen. Negotiations with several potential Danish and international tenants are ongoing. The centre is expected to be sold after a run-in and maturing period.

##### *Retail park, Aabenraa, Denmark*

TKD Nordeuropa has built a retail park of approx. 4,200 m<sup>2</sup> in Aabenraa, Denmark. The premises have been let to Jem og Fix and T. Hansen, among others, and negotiations with potential tenants for the remaining units of about 750 m<sup>2</sup> are ongoing.

##### *Vasevej, Birkerød, Denmark*

TKD Nordeuropa owns a property of about 3,000 m<sup>2</sup> at Vasevej in Birkerød, rented by SuperBest. Plans are in progress to build an extension of about 1,400 m<sup>2</sup>.

##### *Kofoten, Kristianstad, Sweden*

TKD Nordeuropa owns a property in Kristianstad. After the addition of an extension, the project will comprise a retail park of about 6,300 m<sup>2</sup>. The existing building of about 4,500 m<sup>2</sup> has been fully let. Construction of the extension is expected to start in mid-2011 after the conclusion of lease agreements for the premises. After the reporting date, TKD Nordeuropa has entered into an agreement for the sale of the project to a Swedish investor.

#### Projects in progress

##### *Amerika Plads, underground car park, Copenhagen, Denmark*

Kommanditaktieselskabet Danlink Udvikling (DLU), which is owned 50/50 by Udviklingselskabet By og Havn I/S and TKD Nordeuropa, owns three projects at Amerika Plads: lot A, lot C and an underground car park. Part of the underground car park in the Amerika Plads area has been built. The Group expects to sell the total parking facility upon final completion.

##### *Retail park, Mejlstedgade, Brønderslev, Denmark*

After handing over the Føtex supermarket to Dansk Supermarked in the Group's retail park at Østergade, Brønderslev, the Group has taken over the former 2,400 m<sup>2</sup> Føtex property, which is to be developed for retailers. Following the conclusion of lease agreements with Deichmann and Intersport, these retailers opened for business at the beginning of 2011. Negotiations with potential tenants for the remaining premises of about 1,300 m<sup>2</sup> are ongoing.

##### *Trøjborgvej, Århus, Denmark*

TKD Nordeuropa has taken over the development of a 5,400 m<sup>2</sup> property project on Trøjborgvej in Århus. The project premises consist of a 1,200 m<sup>2</sup> supermarket unit let to REMA 1000, a business lease of about 500 m<sup>2</sup> and rental housing of about 3,700 m<sup>2</sup>. Construction started at the end of 2010, and the project has been fully financed. The project is scheduled for completion in autumn 2011 and will be carried out in cooperation with Nordica Real Estate A/S via a jointly owned project company in which TKD Nordeuropa has a 20 % stake. TKD Nordeuropa will be paid on a fee basis for the services provided by the Group to the jointly owned project company.

## Project outline

The outline below lists the key projects of TKD Nordeuropa's project portfolio. The carrying amounts of the projects listed below accounted for more than 95 % of the total carrying amount of the project portfolio at 31 January 2011.

TKD Nordeuropa's five largest projects had a carrying amount of DKK 1,111.3 million at 31 January 2011.

Project name	City/town	Country	Segment	Floor space (m <sup>2</sup> )	TKD's ownership interest	Construction start/expected construction start	Opening/expected opening
<b>Completed</b>							
Sillebroen, shopping centre	Frederikssund	DK	Retail/residential	25,000	100 %	Mid-2008	March 2010
Premier Outlets Center	Ringsted	DK	Retail	13,200	50 %	Autumn 2006	March 2008
Retail park, Aabenraa	Aabenraa	DK	Retail	4,200	100 %	Autumn 2008	Mid-2009/early 2010
Vasevej	Birkerød	DK	Mixed	4,400	100 %	-	-
Retail park, Kofoten	Kristianstad	SE	Retail	6,300	100 %	Mid-2008	End-2011
<b>In progress</b>							
Amerika Plads, underground car park	Copenhagen	DK	Underground car park	32,000	50 %	2004	As units are completed
Retail park, Mejlstedgade	Brønderslev	DK	Retail	2,400	100 %	-	-
Trøjborgvej	Århus	DK	Mixed	5,400	<sup>2)</sup> 20 %	End-2010	Autumn 2011
<b>Not initiated</b>							
Østre Teglgade	Copenhagen	DK	Office/residential	32,700	<sup>1)</sup> 100 %	Continuously	As units are completed
Amerika Plads, lot C	Copenhagen	DK	Mixed	13,000	50 %	2012	2014
Amerika Plads, lot A	Copenhagen	DK	Office	11,800	50 %	2011	2013
Shopping centre, Esbjerg	Esbjerg	DK	Retail	28,000	100 %	2011	2013
Århus South, phase II	Århus	DK	Retail	2,800	100 %	Autumn 2011	Mid-2012
Ejby Industrivej	Copenhagen	DK	Office	12,900	100 %	2011	2012
Hadsundvej	Aalborg	DK	Mixed	6,600	100 %	-	2011
Østre Havn/Stuhrs Brygge	Aalborg	DK	Mixed	72,000	<sup>1)</sup> 50 %	Continuously	As units are completed
Retail park, Marsvej	Randers	DK	Retail	10,500	100 %	Mid-2011	Spring 2012
Retail park, Enebyängen, phase II	Danderyd	SE	Retail	1,800	100 %	Mid-2012	Spring 2013
The Kulan commercial district	Göteborg	SE	Mixed	45,000	100 %	2012	2014
Retail park, Karlstad	Karlstad	SE	Retail	15,000	100 %	2014	2014
Retail park, Söderhamn	Söderhamn	SE	Retail	10,000	100 %	Autumn 2012	Autumn 2013
Retail park, Gävle	Gävle	SE	Retail	24,000	100 %	Continuously	As units are completed
Pirkkala Retail Park, phase II	Tammerfors	FI	Retail	5,400	100 %	2011	2012
Kaarina Retail Park	Turku	FI	Retail	7,400	100 %	2011	2012
DomusPro Retail Park	Vilnius	LT	Retail	13,200	100 %	2011	2012
Milgravja Street	Riga	LV	Residential	10,400	100 %	-	-
Ulmana Retail Park	Riga	LV	Retail	12,500	100 %	-	-
<b>TKD Nordeuropa, total floor space</b>			<b>approx.</b>	<b>428,000</b>			

<sup>1)</sup> TKD Nordeuropa's share of profit on development amounts to 70 %.

<sup>2)</sup> Based on fee income.





#### SWEDEN

### Enebyängen – 11 of 12 stores have opened and been handed over

On 28 October 2010, 11 of Enebyängen's 12 stores opened, with a floor space of almost 13,000 m<sup>2</sup>. The retail park will cover a total area of 14,500 m<sup>2</sup> when completed and is located in the municipality of Danderyd near Stockholm.

The Enebyängen retail park is well-situated in an area whose local population has strong buying power. Among the tenants are Coop Extra, Sportson and Elkedian. The 12th and last store has also been let, and Plantagen is thus expected to open in spring 2013.

Enebyängen has been sold to the German investment fund Commerz Real on the basis of forward funding. The first phase was handed over to the investor in January 2011, and the second phase is due for handover in spring 2013.

Read more about Enebyängen at [www.enebyangen.se](http://www.enebyangen.se)





### **Projects not initiated**

#### *Østre Teglade, Copenhagen, Denmark*

TKD Nordeuropa owns an attractively located project area at Tegllholmen. Following the adoption of a new local plan, the project area covers about 32,700 m<sup>2</sup>. The area is well-suited for a combined housing and office project. The project may be built in phases in step with letting and/or sale.

#### *Amerika Plads, lots A and C, Copenhagen, Denmark*

Kommanditaktieselskabet Danlink Udvikling (DLU), which is owned 50/50 by Udviklingsselskabet By og Havn I/S and TKD Nordeuropa, owns three projects at Amerika Plads: lot A, lot C and an underground car park. A building complex with about 11,800 m<sup>2</sup> of office space is to be built on lot A, and a building complex with about 13,000 m<sup>2</sup> of commercial and residential space on lot C. Construction will take place as the space is let.

#### *Shopping centre, Esbjerg, Denmark*

TKD Nordeuropa has an option for a plot in Esbjerg earmarked for a shopping centre project of about 28,000 m<sup>2</sup>, to be built on the railway land at Esbjerg station. The project has been developed in cooperation with DSB Ejendomsudvikling A/S. The shopping centre is planned to have about 70 retail stores, and lease agreements have been concluded with such tenants as H&M, Kvickly and the Swedish fashion chain Gina Tricot for about half the premises. Construction is expected to start in autumn 2011, and the opening is scheduled for 2013.

#### *Østre Havn/Stuhrs Brygge, Aalborg, Denmark*

In the area previously occupied by Aalborg Shipyard at Stuhrs Brygge, TKD Nordeuropa is developing a business and residential park of about 80,000 m<sup>2</sup> through a company jointly owned with Frederikshavn Maritime Erhvervspark on a 50/50 basis. The area was acquired by the jointly owned company, with payment being effected for the development rights acquired in step with the development and execution of specific projects. The local plan for part of the area allows for the construction of about 8,000 m<sup>2</sup> of residential space. This area was sold to an investor in the 2010/11 financial year.

#### *Retail park, Marsvej, Randers, Denmark*

In October 2010, the Group took over the development of a 10,500 m<sup>2</sup> project to establish retail stores at Marsvej in Randers, Denmark. The purchase of the land has been fully financed. Letting has been initiated, and there is a satisfactory level of interest among potential tenants.

#### *Retail park, Enebyängen, Danderyd, Sweden*

TKD Nordeuropa is building a retail park of about 14,500 m<sup>2</sup> in the municipality of Danderyd near Stockholm. Following completion, the first phase of close to 13,000 m<sup>2</sup> opened in October 2010 and was handed over, fully let, to an investor

in January 2011. Construction of the second phase of about 1,800 m<sup>2</sup>, to be tenanted by Plantagen, is scheduled to start in mid-2012 and be completed in spring 2013. The total project has been sold to the German investment fund Commerz Real on the basis of forward funding.

#### *The Kulan commercial district, shopping centre and service/commercial space, Gothenburg, Sweden*

TKD Nordeuropa and the Swedish housing developer JM AB have entered into a cooperation agreement with SKF Sverige AB to develop SKF's former factory area in the old part of Gothenburg. The contemplated project comprises a total floor space of about 75,000 m<sup>2</sup>: 30,000 m<sup>2</sup> for a shopping centre, 15,000 m<sup>2</sup> for services/commercial use and 30,000 m<sup>2</sup> for housing. TK Development will be in charge of developing the 45,000 m<sup>2</sup> for a shopping centre, services and commercial facilities, while JM AB will have responsibility for the 30,000 m<sup>2</sup> of housing. The acquisition of land for the project will be completed following the adoption of a local plan, expected in 2012.

#### *Retail park, Gävle, Sweden*

In the Swedish town of Gävle, TKD Nordeuropa has acquired an option to buy a plot of land for developing a retail park of about 24,000 m<sup>2</sup>. The planned project can be accommodated within the existing local plan, and negotiations with potential tenants are ongoing.

#### *Kaarina Retail Park, Turku, Finland*

In the Finnish town of Turku, TKD Nordeuropa owns a plot of land allowing for the construction of a 7,400 m<sup>2</sup> retail park. Negotiations with tenants are ongoing. There is a possibility for dividing construction of the retail park into phases.

#### *DomusPro Retail Park, Vilnius, Lithuania*

TKD Nordeuropa owns a plot of land in Vilnius reserved for building a 13,200 m<sup>2</sup> retail park. Constructive dialogue has been established with potential tenants, and Heads of Terms have been signed for more than half the premises. The market has moving in a positive direction compared to recent years, and Management anticipates construction to begin in the near future.

TK Development carries on its activities in Central Europe primarily through Euro Mall Holding, with the main focus on the retail property segment (shopping centres and retail parks) and the mixed segment and in Poland, also the residential segment.

### Project portfolio

The development potential of the project portfolio represented 453,000 m<sup>2</sup> at 31 January 2011, of which sold projects accounted for 108,000 m<sup>2</sup> and remaining projects for 345,000 m<sup>2</sup>. The project portfolio had a total development potential of 447,000 m<sup>2</sup> at 31 January 2010.

#### Completed projects

##### *Galeria Tarnovia, shopping centre, Tarnów, Poland*

In the Polish town of Tarnów, Euro Mall Holding has constructed a 16,500 m<sup>2</sup> shopping centre, comprising a supermarket of about 2,000 m<sup>2</sup> and specialty stores of about 14,500 m<sup>2</sup>. The shopping centre has a current occupancy rate of 98 % and continues to perform well with a satisfactory influx of customers.

##### *Galeria Sandecja, shopping centre, Nowy Sącz, Poland*

In the Polish town of Nowy Sącz, Euro Mall Holding has built a 17,300 m<sup>2</sup> shopping centre, consisting of a 5,000 m<sup>2</sup> hypermarket and specialty stores of about 12,300 m<sup>2</sup>. The shopping centre has a current occupancy rate of 98 % and continues to perform well with a satisfactory influx of customers.

##### *Fashion Arena Outlet Center, Prague, Czech Republic*

In Prague, the Group has developed a 25,000 m<sup>2</sup> factory outlet centre in a joint venture with an international collaboration partner. The first 18,000 m<sup>2</sup> phase opened on 15 November 2007, and the second 7,000 m<sup>2</sup> phase opened as planned in October 2010. The current occupancy rate is 85 % for the combined project. At present, negotiations with several potential Czech and international tenants for the remaining premises are ongoing. The shopping centre is performing well and has a satisfactory influx of customers.

##### *Most Retail Park, Czech Republic*

Euro Mall Holding is developing an 8,400 m<sup>2</sup> retail park in the Czech town of Most, to be built in phases. The first phase of 6,400 m<sup>2</sup> opened in April 2009, and the current occupancy rate for this phase is 84 %. Based on the estimated construction start date, the second phase is scheduled to open in autumn 2012.

#### Projects in progress

##### *Tivoli Residential Park, service/office space, Targówek, Warsaw, Poland*

The Group is developing about 5,600 m<sup>2</sup> of service/office space on the land owned by Euro Mall Holding in the Targówek area in Warsaw. The Group has entered into an agreement with a user regarding the sale of about 3,500 m<sup>2</sup> of these premises. The sales agreement is based on forward funding. Construction began in spring 2010 and is expected to be completed in mid-2011. Sales agreements have been concluded for 90 % of the remaining premises of 2,100 m<sup>2</sup>.

##### *Futurum Hradec Králové, extension, the Czech Republic*

It has been decided to build a 9,950 m<sup>2</sup> extension to the Futurum Hradec Králové shopping centre, owned by a joint venture between GE Capital, Heitman and TK Development in which TK Development has a 20 % ownership interest. The current occupancy rate is 84 %. Construction started in January 2011, and the opening is scheduled for spring 2012. Euro Mall Holding receives fees from the jointly owned company for letting and construction management services.

#### Projects not initiated

##### *Stocznia, multifunctional centre, Young City, Gdansk, Poland*

Based on current plans, this multifunctional centre in Gdansk will have total premises of about 61,000 m<sup>2</sup>, to be developed in a joint venture with Atrium European Real Estate. The centre will comprise retail, restaurant and leisure facilities. Atrium European Real Estate has undertaken the overall project financing and will retain a long-term investment in the retail, restaurant and leisure premises. Negotiations are being held with several tenants, all indicating keen interest in renting premises in the centre. During the project development period, TK Development will generate earnings through fee income. Construction is scheduled to start in 2011.

##### *Residential park, Bielany, Warsaw, Poland*

Euro Mall Holding owns a tract of land in Warsaw allowing for the construction of 900-1,000 residential units. The plan is to build the project in four phases. A delay in public authority processing caused this project to be postponed relative to previous estimates. A building permit has now been obtained for the first phase of the project. Construction is expected to start in mid-2011, with the opening scheduled for 2012. The remaining phases will then be handed over successively. The residential units are expected to be sold as owner-occupied apartments to private users.

##### *Shopping centre, Jastrzębie, Poland*

This project, consisting of a 43,300 m<sup>2</sup> shopping centre, will be executed by Atrium European Real Estate, with

## Project outline

The outline below lists the key projects of Euro Mall Holding's project portfolio. The carrying amounts of the projects listed below accounted for more than 95 % of the total carrying amount of the project portfolio at 31 January 2011. In terms of carrying amount, Euro Mall Holding's five

largest projects represented a total of DKK 1,436.3 million at 31 January 2011.

Project name	City/town	Country	Segment	Floor space (m <sup>2</sup> )	TKD's ownership interest	Construction start/expected construction start	Opening/expected opening
<b>Completed</b>							
Galeria Tarnovia, shopping centre	Tarnów	PL	Retail	16,500	100 %	Autumn 2008	November 2009
Galeria Sandecja, shopping centre	Nowy Sącz	PL	Retail	17,300	100 %	Mid-2008	October 2009
Fashion Arena Outlet Center	Prague	CZ	Retail	25,000	75 %	Spring 2007	Phase I: November 2007 Phase II: October 2010
Most Retail Park, phase I	Most	CZ	Retail	6,400	100 %	Autumn 2008	April 2009
<b>In progress</b>							
Tivoli Residential Park, Targówek	Warsaw	PL	Services/ office	5,600	100 %	Spring 2010	Mid-2011
Futurum Hradec Králové, extension	Hradec Králové	CZ	Retail	9,950	<sup>1)</sup> 20 %	Early 2011	Spring 2012
<b>Not initiated</b>							
Stocznia, multifunctional centre, Young City	Gdansk	PL	Mixed	61,000	<sup>1)</sup> 76 %	2011	2013
Residential park, Bielany	Warsaw	PL	Residential/ services	57,300	100 %	Mid 2011	As units are completed
Poznan Warta	Poznan	PL	Residential	50,000	100 %	-	-
Shopping centre, Jastrzębie	Jastrzębie	PL	Retail	43,300	<sup>1)</sup> -	-	-
Bytom Retail Park	Bytom	PL	Retail	25,800	100 %	Continuously	As units are completed
Prague Airport Ruzyně II	Prague	CZ	Mixed	6,900	100 %	2013	2013
Sterboholý Retail Park	Prague	CZ	Retail	6,000	100 %	2013	2013
Retail park, Teplice	Teplice	CZ	Retail	7,600	100 %	Spring 2012	Autumn 2012
Shopping centre, Frýdek Místek	Frýdek Místek	CZ	Retail	14,800	100 %	Autumn 2012	Autumn 2013
Most Retail Park, phase II	Most	CZ	Retail	2,000	100 %	Spring 2012	Autumn 2012
Designer Outlet Village Moravia	Moravia	CZ	Retail	21,500	100 %	Phase I: Spring 2012	Phase I: Spring 2013
Retail park, Prešov	Prešov	SK	Retail	9,300	100 %	Spring 2012	Autumn 2012
<b>Euro Mall Holding, total floor space</b>			<b>approx. ca. 385,000</b>				

<sup>1)</sup> Based on fee income.





DENMARK

### 70 stores in the heart of Esbjerg

Hennes & Mauritz, Kvickly, Imerco, Gina Tricot and Monki – these are just a handful of the household name tenants that will be moving into Esbjerg's future shopping centre.

Centrally located where the town's main approach roads, pedestrian street and railway station meet, the centre will be a magnet for the entire region, attracting customers from a catchment area with a population of over 250,000.

The shopping centre is situated on a DSB freight area, and its main entrance will be a direct continuation of the town's pedestrian street. With shopping premises extending over the freight area itself, the centre's 70 retail stores will literally form a bridge connecting the northern and southern parts of Esbjerg.

As well as stores covering 28,000 m<sup>2</sup> of floor space, 800 parking spaces will be built on the roof and at ground level.



Euro Mall Holding as the project developer. Euro Mall Holding has entered into an agreement with Atrium European Real Estate regarding Euro Mall Holding's assistance for development, letting and construction management of the project on a fee basis. The next project steps and construction start date have not yet been determined.

*Bytom Retail Park, Bytom, Poland*

Euro Mall Holding intends to develop a retail park with total leasable space of about 25,800 m<sup>2</sup> on its site at the Plejada Shopping Centre in Bytom, which is centrally located in the Katowice region. Construction of the project will be phased in step with letting. Letting efforts are ongoing, and construction will start as space is let.

*Retail park, Teplice, Czech Republic*

Euro Mall Holding owns plots of land in Teplice with a view to constructing a retail park of about 7,600 m<sup>2</sup>. A building permit has been granted for the project. Letting is ongoing, and construction is expected to start in spring 2012, with the opening scheduled for autumn 2012.

*Shopping centre, Frýdek Místek, Czech Republic*

In the Czech town of Frýdek Místek, Euro Mall Holding has secured a long-term option to buy a plot of land for the purpose of building a 14,800 m<sup>2</sup> shopping centre. Construction is expected to start in autumn 2012, with the opening scheduled for autumn 2013. The letting of premises has started, and binding lease agreements have been concluded with several tenants.

*Designer Outlet Village Moravia, Czech Republic*

In Moravia in the eastern part of the Czech Republic, Euro Mall Holding has secured a long-term option to buy a plot of land for the purpose of building a Designer Outlet Village (factory outlet centre) of about 21,500 m<sup>2</sup>. The project will be executed in phases, with the first to comprise about 11,700 m<sup>2</sup>. The project is being discussed with several potential tenants, who have all shown great interest, and the first lease agreements have been signed. Construction of the first phase is expected to start in spring 2012, with the opening scheduled for spring 2013.

*Retail park, Prešov, Slovakia*

Euro Mall Holding owns plots of land in Prešov with a view to constructing a retail park of about 9,300 m<sup>2</sup>. A building permit has been granted for the project. Letting is ongoing, and construction is expected to start in spring 2012, with the opening scheduled for autumn 2012.



## TK DEVELOPMENT, REMAINING GROUP ACTIVITIES/PARENT COMPANY

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### Remaining group activities

TK Development, remaining group activities, includes the company TK Development A/S, which is the ultimate parent company in the Group, and thus the parent of TKD Nordeuropa A/S and Euro Mall Holding A/S. Moreover, this part of the Group owns the projects in Germany and Russia and a few other activities.

### Parent Company

In 2010/11, TK Development A/S, the Parent Company, realized a profit of DKK 92.7 million against DKK 71.9 million in 2009/10. The profit includes income from investments in group enterprises in the amount of DKK 69.1 million against DKK 54.1 million the year before. In addition, earnings consist mainly of net financing income from loans to subsidiaries. In 2010/11, no writedowns for impairment were made or reversed on investments in group enterprises. Accumulated impairment relating to investments in group enterprises amounted to DKK 460.2 million at 31 January 2011.

At 31 January 2011, the balance sheet total amounted to DKK 2,275.9 million, an increase of DKK 229.8 million over the year before. Equity amounted to DKK 2,092.4 million at 31 January 2011, an increase of DKK 293.6 million from 31 January 2010. The increase derives from the profit for the year and the capital increase implemented in August 2010, which generated net proceeds of DKK 197.0 million.

Reference is also made to the Management's review for the whole Group.



*Tivoli Residential Park, Targówek, Warsaw*

# INVESTMENT PROPERTIES

## The Group's investment properties

Project name	City/town	Segment	Floor space <sup>1)</sup> (m <sup>2</sup> )	Ownership interest	Opening
Futurum Hradec Králové, the Czech Republic	Hradec Králové	Retail	18,300	20 %	Nov. 2000
Germany	Lüdenscheid / Berlin	Residential/mixed	26,000	100 %	1994-1998
<b>Total investment properties</b>			<b>44,300</b>		

<sup>1)</sup> Incl. common areas

The Group's investment properties are included in the balance sheet under property, plant and equipment. The value of these properties is measured at fair value and amounted to DKK 358.6 million at 31 January 2011 against DKK 355.1 million at 31 January 2010.

### Central Europe

Euro Mall Holding's investment property, the Futurum Hradec Králové shopping centre, had a carrying amount of DKK 161.0 million at 31 January 2011, based on a required rate of return of 7.0 % p.a., calculated on the basis of a discounted cash-flow model over a five-year period. The assessed return requirement is unchanged compared to 31 January 2010.

The investment property is owned through a joint venture with GE Capital and Heitman. TK Development has access to a performance-based share of the value adjustments on the property, which has been included in the carrying amount. The shopping centre is fully let, and the letting status remained satisfactory throughout the year.

An extension of the Futurum Hradec Králové Shopping Centre, comprising almost 10,000 m<sup>2</sup>, has been initiated. Construction started in January 2011, and the opening is scheduled for spring 2012. This extension has been classified under "Investment properties under construction".

The current occupancy rate is 84 %.

The valuation is made on the basis of a discounted cash-flow model, where expected future cash flows are discounted to net present value on the basis of a given return requirement. The valuation at 31 January 2011 was based on a return requirement of 7.0 %. In addition, the valuation has been made on the basis of a specific assessment of project progress at the reporting date, including the risks attaching to project completion. The total value of this property under construction amounted to DKK 28.8 million at 31 January 2011.

### Germany

The Group has five investment properties in Germany, of which a combined commercial and residential property is located in Lüdenscheid in the western part of the country, whereas the four remaining properties are residential rental properties on the outskirts of Berlin. The Group has generally recorded higher rent levels for the German residential rental properties as tenants have been replaced.

At 31 January 2011, the value of these properties was DKK 197.6 million based on a required rate of return of 6.5 % p.a. calculated on the basis of a discounted cash-flow model over a ten-year period. The assessed return requirement is unchanged compared to 31 January 2010.



Futurum Hradec Králové, Czech Republic

## OTHER MATTERS

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### Transactions with related parties

No major or unusual transactions were made with related parties in the 2010/11 financial year. The Supervisory and Executive Boards participated in the rights issue implemented in August 2010 on the same terms as other shareholders.

### Litigation/other legal issues

The Group is not a party to any lawsuits that, either individually or collectively, are expected to materially affect the Group's earnings.

For more details about the case against the Group's Senior Vice President in Poland, reference is made to the section "Risk issues" on page 43.

### Financial targets

To provide for sufficient future financial resources, Management has adopted a liquidity target for the whole Group. In addition, Management has adopted a solvency target for the whole Group corresponding to a solvency ratio of minimum 30 %, calculated as the ratio of equity to total assets. The Group has undertaken a commitment towards its main banker to meet a liquidity target and a solvency target. Both targets were met during the period under review.

### Dividends

The Supervisory Board recommends to the Annual General Meeting that no dividends be distributed for the 2010/11 financial year.

### The Supervisory Board

At the Company's Annual General Meeting on 25 May 2010, the Chairman of the Company's Supervisory Board, Poul Lauritsen, resigned from his position. Jens Erik Christensen was elected to take the vacant seat on the Supervisory Board. The Supervisory Board subsequently held a board meeting for the purpose of electing officers and appointed Niels Roth as the new Chairman. Torsten Erik Rasmussen was re-elected as Deputy Chairman of the Supervisory Board. Kurt Daell is not prepared to stand for re-election at the Annual General Meeting on 24 May 2011. The remaining Supervisory Board members are prepared to stand for re-election.

### Annual General Meeting

The Annual General Meeting of TK Development A/S will be held at 4 p.m. on 24 May 2011 at Aalborg Kongres & Kultur Center, Europahallen, Aalborg. The Supervisory Board intends to recommend to the Annual General Meeting that:

1. no dividends be distributed for the 2010/11 financial year;
2. the Company's Articles of Association be altered to enable electronic communication with the Company's shareholders, and thus allow General Meetings to be convened via the Company's website. Further, convening notices will be sent by email or regular mail to shareholders at their option;
3. a few adjustments be made to the general guidelines for remunerating members of the Supervisory and Executive Boards, including an incentive pay scheme for the Executive Board, adopted at the Annual General Meeting on 25 May 2010, as a consequence of the new Recommendations on Corporate Governance adopted in April 2010. The proposed adjusted general guidelines will be circulated to shareholders together with the agenda of the General Meeting;
4. in the period from 24 May to 30 June 2011, the Supervisory Board be authorized to issue warrants, without a pre-emptive right for the Company's existing shareholders, by one or more issues for a total of up to nominally DKK 7,500,000 (500,000 shares of DKK 15) to the Executive Board and executive staff members in the Company. At the same time, the Supervisory Board shall be authorized to increase the Company's share capital by one or more issues during the period ending on 30 June 2015 by up to nominally DKK 7,500,000 for the purpose of implementing the capital increase resulting from the exercise of warrants under the incentive scheme to be launched in 2011. The planned incentive scheme is described in more detail in the section "Shareholders".

The complete wording of the resolutions proposed will appear from the agenda of the Annual General Meeting.

## BUSINESS CONCEPT

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### Mission and strategy

The overall mission of TK Development is to create added value by developing real property.

The Group operates in the property development and services environments, and specializes in being the creative and result-oriented link between tenants and investors.

### Business concept

In collaboration with tenants and investors, TK Development plans and arranges the construction of new buildings, and the expansion and conversion of real property based on tenant needs and investor requirements. The Group develops the projects, which involves letting the premises, concluding contracts with construction companies and subcontractors for the execution of the building works and managing construction.

In terms of segments, the Group focuses on the establishment of shopping centres, superstores and corporate headquarters and related mixed and multifunctional projects as well as housing in Poland.

The retail segment will continue to be the Group's most important segment in the years ahead based on continued expansion of its already extensive network of contacts.

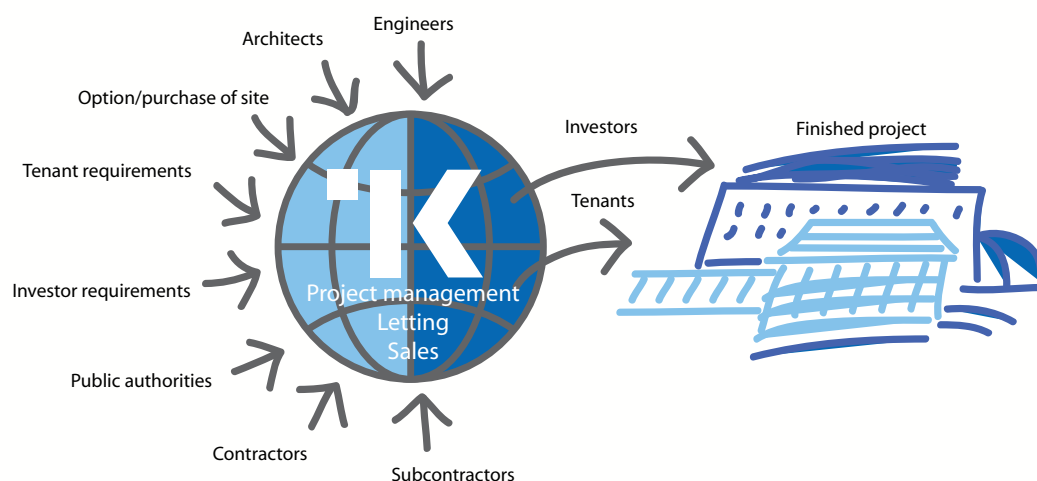
The Group owns a few investment properties for letting purposes. The Group monitors the market situation on an ongoing basis with a view to selling its investment properties. The Group does not intend to acquire further investment properties, but to use its capital for development projects instead.

### Project development

The Group has strong networks forged on the basis of long-standing, close business relationships with tenants and investors, and regularly enters into contracts with these business partners. The Group is predominantly a service provider and has specialized in being the productive and creative liaison between tenants, investors, architects, construction companies and other business partners.

A project typically goes through the following stages:

- The Group's project developers seek out prime locations based on the specific requirements of tenants and investors.
- A rough budget is drawn up.
- As a main rule, the Group secures an option to acquire the selected plot of land.
- Independent architects prepare a project outline.
- The Group's project engineers review construction costs indicated in the project proposal.
- A final budget is prepared and submitted for approval by Management.
- Lease agreements are concluded with future project tenants. Frequently, agreements concerning a sale to one or more investors are signed at this point.
- Agreements are concluded with contractors and subcontractors to perform the actual construction work.
- The Group's project engineers are in charge of construction management while the project is being carried out.
- The sales department makes continuous efforts to sell and let any projects that have not been pre-sold or pre-let to investors and tenants.





**Project and risk management**

New projects are initiated on the basis of an overall assessment of their earnings potential, balance sheet impact and impact on cash resources relative to the specific risks attaching to the individual project.

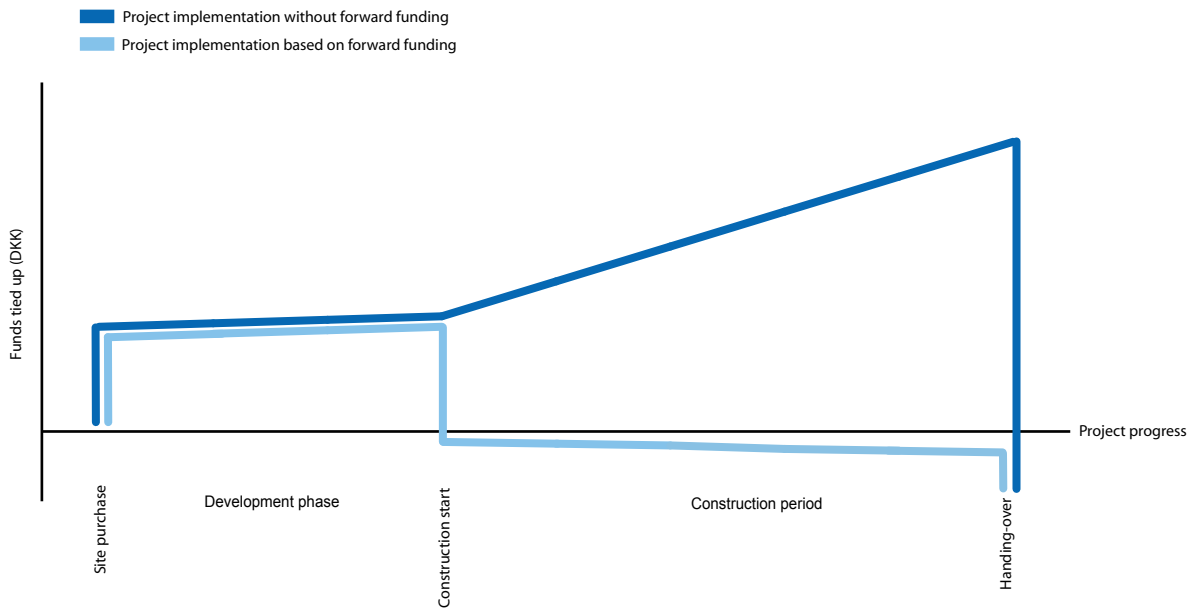
A number of management tools contribute to ensuring a satisfactory project process. Construction is typically not initiated until at least 60 % of a project is let or sold. If the project is sold, construction will not be initiated until the Group anticipates being able to meet such investor requirements as would allow final completion of the project sale. Meeting these requirements typically falls within the Group's sphere of competencies. Careful project management and follow-up are essential to any project, and project finances and cash flows are also monitored closely.

The Group emphasizes that project location, regulatory matters, pre-letting, construction matters and market conditions should combine to limit the complexity of and thus the risk attaching to the projects.

In general, the Group aims to secure the sale of projects at an early stage and Management believes it is important to expand investor commitment by having the investors fund the project during the construction process (forward funding) where possible. Forward-funding agreements with investors are usually made before construction startup, which means that the investor's payments on account during the construction period coincide with the payments to be made to TK Development's contractors.

The criteria for using forward funding are based on several important principles, including to keep the funds tied up in the Group's projects at an absolute minimum, which also reduces the balance sheet total and minimizes the risk. Before construction starts, the investor and TK Development come to an agreement on a well-defined project. The investor remains involved throughout the construction period and is consulted on major decisions. These principles ensure that, apart from the risk of not completing the project, TK Development's risk from construction startup is typically limited to the letting risk attaching to any remaining unlet premises and the risk of construction budget overruns.

The diagram below illustrates the Group's funds tied up in projects, in scenarios both with and without forward funding.



## KNOWLEDGE RESOURCES/VALUE CREATION IN TK DEVELOPMENT

TK Development's value creation is based primarily on its good relations with tenants and investors (networks). Combined with the employees' know-how and competencies, these relations form the basis for the Group's ability to create added value for its shareholders.

TK Development develops real property projects that meet high standards. Together with the employees' knowledge and qualifications, the Group's close relations with tenants and investors play an essential role in minimizing the risks of individual projects. This combination is the prerequisite for developing projects that generate satisfaction for tenants and investors alike, as well as satisfactory earnings for the Group on individual projects.

### Employees

The employees' know-how and competencies are key to TK Development's value creation. The Group's employees work within individual, specialized areas: project developers, letting managers, legal and financial project controllers, and engineers. Project developers create the Group's portfolio of projects. They have great expertise within letting and selling retail and office space. Their tasks consist of selecting locations, which are subsequently analyzed to identify their business potential. Their next task is preparing conceptual designs for the final projects in close cooperation with independent architects, consulting engineers, future tenants, authorities and investors. The Group's engineers and project controllers manage the individual projects from startup to handover, and their work is thus crucial for ensuring that budgets are complied with and anticipated values generated.

Management believes that the combination of long-standing experience, in-depth knowledge of tenants and investors, know-how and professional competencies enables the Group to complete projects from idea to finalized project at a minimal risk and good profitability.

### Education

To raise the employees' level of expertise to an even higher level and thus reinforce TK Development's value creation, the Group has continuous focus on training and education. The aim is to strengthen the Group in the development phases that are critical to maximizing the value of each individual project.

The Group's project developers, letting managers and engineers all take part in a training programme based on their qualifications. Each employee's training need is assessed on the basis of an analysis of his or her current qualifications, and individual training programmes are compiled to enhance the employees' project management and completion skills.

In addition to improving the Group's knowledge resources, the programme helps cement TK Development's position as an attractive workplace for both existing and future employees.

Apart from offering a training programme, TK Development holds annual personal development interviews with all employees. These interviews form the basis for providing any supplementary development and training as well as career initiatives for the individual employees.

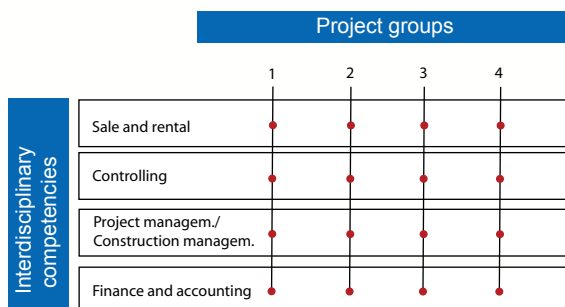
### Incentive schemes

With staff being an essential factor for ensuring the Group's sustained development and growth, TK Development has launched warrant schemes for a number of employees as part of its initiatives to retain and attract staff. TK Development intends to use incentive schemes in the future as well.

### Project organization

TK Development believes it is important to give employees an inspiring workplace where individual projects afford them the opportunity to accumulate knowledge and experience that can be passed on throughout the organization and thus continuously improve the Group's collective know-how and skills.

In order to ensure a high degree of quality in all services provided by the Group to tenants and investors - as well as efficient progress and quick decisions in the development of individual projects - the Group's staff is anchored in a matrix organization as follows:



The matrix organization means that all the Group's peak competencies, covering the progress of a project from blueprint to completion, exist in the project group that carries through the individual project from A to Z.

### Organization, management and employees

Like the group structure, TK Development's organization and management structure is divided into Northern Europe and Central Europe.

In Northern and Central Europe, the Group operates branch offices managed by divisional managers (senior vice presidents).

The Group's international management team consists of the above-mentioned group of persons, as well as functional managers in the individual countries.

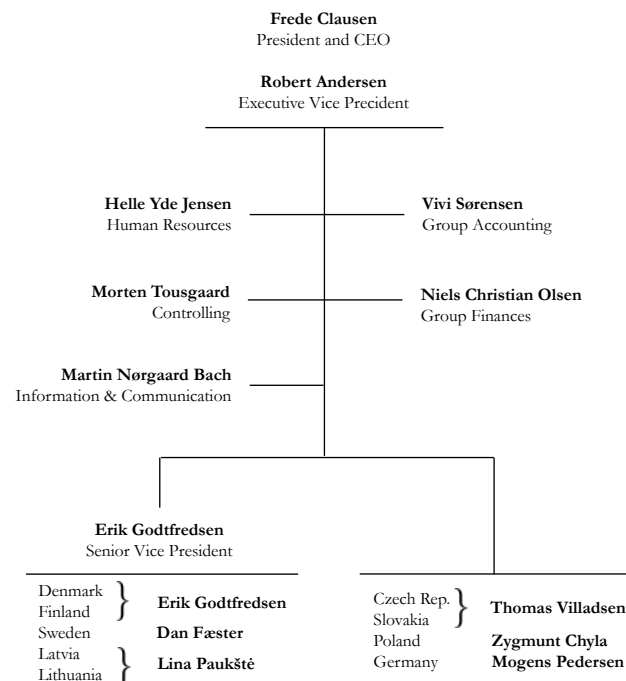
### Breakdown of the Group's employees

At 31 January 2011, the Group employed a total of 129 persons, broken down as follows:

<b>TK Development A/S (20)</b>	
Group/services:	15
Germany:	5
<hr/>	
<b>TKD Nordeuropa A/S (55)</b>	<b>Euro Mall Holding A/S (54)</b>
Denmark: 28	Czech Republic: 23
Denmark, centre man.: 6	Poland: 31
Sweden: 13	
Finland: 4	
Lithuania: 4	

Group functions and related services include management, accounting, finance and other staff functions.

The Group's management structure is shown below:



### Customer relations

The Group's customers consist of tenants and investors. TK Development continuously strives to create new, improved services to make the Group an even more attractive business partner for tenants and investors.

### Tenants

Over the years, TK Development has built close partnership relations with a large number of companies, including in particular retail chains looking to set up new stores.

The Group has gained in-depth knowledge of tenant needs and requirements. From this platform, TK Development can develop retail solutions that meet tenants' requirements for design and location. In addition, the numerous close relations with a wide range of retail chains mean that the Group is always able to put together an attractive retail mix that boosts individual tenants' revenue.

With development activities in eight Northern and Central European markets, TK Development can also accommodate tenants who wish to set up business in new markets.

### Investors

TK Development has also built close relations with a number of Danish and international foreign property investors.

The Group has in-depth knowledge of investor needs and requirements. Among other things, TK Development offers standardized, international contracts and a problem-free process from initiation to delivery. Moreover, the Group offers shopping centre management through its partial ownership of Euro Mall Centre Management.

Over the years, the Group has sold projects to a range of Danish and foreign banks, investment funds, pension funds and private companies.

## SHAREHOLDERS

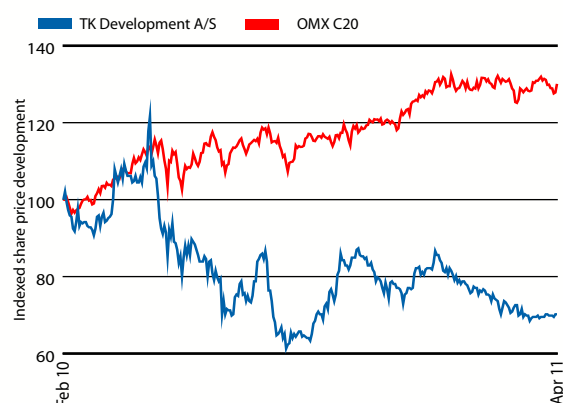
### Share capital

TK Development A/S' shares are listed on NASDAQ OMX Copenhagen A/S ([www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)). The ID code is DK0010258995. The share capital amounts to DKK 630,985,725 (nominal value), distributed on 42,065,715 shares, each with a nominal value of DKK 15. The shares are not divided into several share classes, and no shares are subject to special rights or restrictions with regard to the payment of dividends or repayment of capital. Each share confers one vote on the holder. The Articles of Association contain no restrictions on the transferability of the shares.

### Share price development

On 31 January 2011, TK Development A/S' shares were listed at a price of DKK 22.8 per share, equal to a market value of DKK 959 million.

The price development in the TK Development A/S share during the year under review was affected by the capital increase implemented in August 2010, among other factors. The share price development is illustrated below.



On 26 April 2011, the TK Development A/S share was listed at a price of DKK 21.1 per share, equal to a market value of DKK 888 million.

### Volume of trading

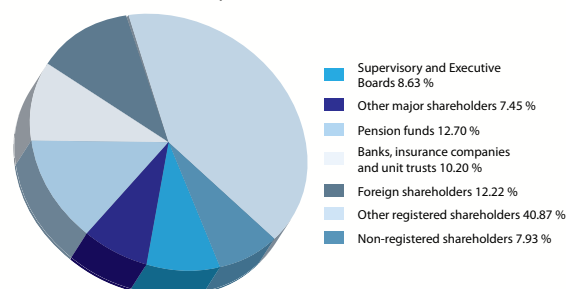
During the year under review, the share was traded on 252 days, with a total trading volume of DKK 279 million, excluding the rights issue implemented, the same level as the year before. 12,655 trades were completed, covering a total of 11,830,145 shares.

The total number of trades increased by 17 % on the previous year.

### Shareholders and their holdings

The number of shareholders increased from 8,352 at the beginning of the year to 8,524 at the end of the year. The

shareholders are composed as follows:



The table below shows the ownership structure of TK Development A/S as of today, as reported to NASDAQ OMX Copenhagen A/S pursuant to section 29 of the Danish Securities Trading Act.

Direct and indirect ownership (shareholders)	Ownership and voting interest in %
Carl Ejler Rasmussen Holding Sweden AB Pirgatan 13 SE-374 35 Karlshamn, Sweden	7.45
Dava 1 ApS, c/o Kurt Daell Lysagervej 25 2920 Charlottenlund, Denmark	6.44

The table below shows a breakdown of shares held by the Supervisory Board and Executive Board.

	Number of shares	Ownership and voting interest in %	Change for the year in number of shares
<b>Supervisory Board:</b>			
Niels Roth, Chairman	265,000	0.63	155,000
Torsten Erik Rasmussen, Deputy Chairman	49,140	0.12	16,380
Kurt Daell	2,709,450	6.44	903,150
Per Søndergaard Pedersen	254,508	0.61	83,636
Jesper Jarlbæk	36,900	0.09	12,300
Jens Erik Christensen	10,000	0.02	10,000
<b>Executive Board</b>			
Frede Clausen	218,949	0.52	72,983
Robert Andersen	87,500	0.21	37,500
<b>Total</b>	<b>3,631,447</b>	<b>8.63</b>	<b>1,290,949</b>

\*) The holdings include all shares held by all members of the entire household as well as companies controlled by the above-named persons.

### Shareholders' agreements

Management is not aware of any shareholders' agreements that have been concluded between TK Development A/S' shareholders.

### Rules regarding alterations to the Company's Articles of Association

The Articles of Association of TK Development A/S can



only be altered following a resolution adopted at a General Meeting in compliance with the Danish Companies Act. Requests for the inclusion of a specific proposal in the agenda of the Annual General Meeting shall be submitted in writing by shareholders to the Supervisory Board. If the request is submitted no later than six weeks before the date of the General Meeting, the shareholder is entitled to have the proposal included in the agenda. If the Supervisory Board receives the request later than six weeks before the General Meeting, the Supervisory Board will determine whether the request has been made sufficiently early to permit its inclusion in the agenda.

At a General Meeting, resolutions can only be adopted in respect of business included in the agenda and any proposed amendments. If proposals to alter the Articles of Association are to be considered at a General Meeting, the essentials of such proposals must be stated in the convening notice. A resolution to alter the Company's Articles of Association is subject to the proposal being adopted by at least two-thirds of the votes cast as well as of the voting stock represented at the General Meeting.

### Share-based incentive schemes

On 5 June 2008, the Supervisory Board issued warrants to the Executive Board and 30 executive staff members for the subscription of 698,000 shares, each with a nominal value of DKK 20. As a consequence of the capital reduction and capital increase implemented in August 2010, where the subscription price for the newly issued shares was lower than the market value of the shares, the Supervisory Board resolved to adjust the number of warrants allocated and the subscription price for exercising the warrants. Thus, the number of warrants allocated has been adjusted by 101,300, broken down by 25,550 to the Executive Board and 75,750 to other executive staff members. Due to the termination of employment, 37,803 of the total warrants allocated have lapsed, leaving 761,497 active warrants at the reporting date.

Under the four-year warrant scheme, warrants can be exercised at the earliest three years after the grant date, and any shares subscribed for are subject to an additional lock-up period of up to three years. This means that shares at up to a market value equal to the subscription amount plus tax liability may be divested without restrictions, while shares exceeding a market value equal to the subscription amount plus tax liability can be disposed of no earlier than during a three-year period after subscription, such that up to one-sixth of these shares can be disposed of in each of the six windows during the three-year period. The 761,497 warrants correspond to approx. 1.8 % of the share capital. Warrants comprised by the incentive scheme may be exercised during three six-week windows. These six-week windows are placed thus:

- following publication of the preliminary announcement of financial statements for the 2010/11 financial year (from around 30 April 2011);
- following publication of the interim report for the six months ending 31 July 2011 (from around 30 September 2011); and
- following publication of the preliminary announcement of financial statements for the 2011/12 financial year (from around 30 April 2012).

The subscription price per share of nominally DKK 15, before any deduction for dividends, has been fixed at DKK 72.5 in the first exercise window, DKK 74.9 in the second window and DKK 78.4 in the third window.

The costs to the Group of the above-mentioned four-year incentive scheme total DKK 11.9 million, which will be expensed over the period from June 2008 to October 2011.

In addition, at the Annual General Meeting on 25 May 2010 the Supervisory Board of TK Development was authorized to issue warrants for a total of up to nominally DKK 8,000,000 (400,000 shares of DKK 20 each) to the Executive Board and other executive staff members in the Group. On 4 June 2010, the Supervisory Board decided to exercise this authorization and issued 100,000 warrants to the Executive Board and 294,000 warrants to other executive staff members, a total of 394,000 warrants. As a consequence of the capital reduction and capital increase implemented in August 2010, where the subscription price for the newly issued shares was lower than the market value of the shares, the Supervisory Board resolved to adjust the number of warrants allocated and the subscription price for exercising the warrants. Thus, the number of warrants allocated has been adjusted by 59,216, broken down by 15,030 to the Executive Board and 44,186 to other executive staff members. Due to the termination of employment, 6,901 of the total warrants allocated have lapsed, leaving 446,315 active warrants at the reporting date.

Under the three-year warrant scheme, warrants can be exercised at the earliest two years after the grant date, and any shares subscribed for are subject to an additional lock-up period of up to two years. This means that shares up to a market value equal to the subscription amount, plus tax liability, can be disposed of without limitation, while shares in excess of such amount can be disposed of, at the earliest, during four half-yearly trading windows in the two-year lock-up period, such that up to 1/4 of such shares can be disposed of during each window. The 446,315 warrants correspond to approx. 1.1 % of the share capital. Warrants comprised by the incentive scheme may be exercised during three six-week windows. These six-week windows are

placed thus:

- following publication of the preliminary announcement of financial statements for the 2011/12 financial year (from around 30 April 2012);
- following publication of the interim report for the six months ending 31 July 2012 (from around 30 September 2012); and
- following publication of the preliminary announcement of financial statements for the 2012/13 financial year (from around 30 April 2013).

The subscription price per share of nominally DKK 15, before any deduction for dividends, has been fixed at DKK 24.3 in the first exercise window, DKK 25.2 in the second window and DKK 26.3 in the third window.

The Group's total expenses for the incentive scheme total DKK 1.9 million, to be charged to the income statement over a period of 28 months.

	Number of warrants 2008 scheme	Number of warrants 2010 scheme
Supervisory Board	0	0
Executive Board:		
Frede Clausen	97,775	57,515
Robert Andersen	97,775	57,515
Other executive staff	565,947	331,285
<b>Total</b>	<b>761,497</b>	<b>446,315</b>

The Supervisory Board recommends that the Annual General Meeting authorize the Supervisory Board to issue warrants during the period 24 May 2011 to 30 June 2011 to the Executive Board and other executive staff for the subscription of up to 500,000 shares, each with a nominal value of DKK 15. The first exercise opportunity will be after three years, with a further lock-up period of up to two years in respect of any gain on the acquired shares in excess of the subscription amount and tax. The Group's total expenses for the incentive scheme are estimated to total DKK 2.5 million, to be charged to the income statement over a period of 40 months.

### Dividends and dividend policy

TK Development's long-term policy is to distribute a portion of the year's profit as dividends, or alternatively, via a share repurchase programme. This will always be done with due regard for the Group's capital structure, solvency, cash resources and investment plans.

### Voting rights

The shareholders of TK Development A/S have one vote for each share amount of DKK 1 at General Meetings. Voting

rights will be determined on the basis of the shares held by each shareholder as stated in the entry in the register of shareholders regarding the shareholder's ownership on the record date (one week before the date of the General Meeting). Any notifications received by the Company from the shareholder for entry in, but not yet recorded in the register of shareholders, will also be taken into account.

### Annual General Meeting

The General Meeting of shareholders is the supreme authority in all corporate matters of TK Development A/S, subject to the limitations provided by Danish law and TK Development A/S' Articles of Association. The Annual General Meeting must be held in the municipality where TK Development A/S' registered office is located sufficiently early to permit compliance with the Company's applicable time limits for the holding of General Meetings and the filing of Annual Reports. General Meetings are convened by the Supervisory Board. The Annual General Meeting will be held at 4 p.m. on 24 May 2011 at Aalborg Kongres & Kultur Center, Europahallen, Aalborg.

Extraordinary General Meetings are held following a resolution by the shareholders in General Meeting or the Supervisory Board or at the request of the auditors of TK Development A/S or at the written request of shareholders collectively holding not less than 5 % of the total share capital.

All business transacted at General Meetings, with the exception of alterations to the Articles of Association or a resolution to dissolve the Company, is decided by a simple majority of votes unless otherwise provided by current legislation; see Article 6 of the Company's Articles of Association.

### Registered shares

All shares are registered in book-entry form in accounts maintained in the computer system of VP Securities A/S, Weidekampsgade 14, PO Box 4040, 2300 Copenhagen S, Denmark, and must be held and managed through a Danish bank or other institution authorized to be registered as the custodian of the shares. The shares must be issued to named holders and may not be transferred to bearer.

### Notification of investment

The Articles of Association or other corporate regulations of TK Development A/S contain no special provisions regarding the reportable level of investment. Reference is made to section 29 of the Danish Securities Trading Act.

### Transferability of the shares

The shares of TK Development A/S are freely transferable and negotiable instruments pursuant to Danish law and no

restrictions apply to the transferability of the shares. No shareholder is under an obligation to have his shares redeemed in full or in part by the Company or any other party.

### Other rights/ownership restrictions

No shares of TK Development A/S carry any special rights. No ownership restrictions apply to the shares.

### The Supervisory Board's powers

#### *Powers to issue new shares*

The Supervisory Board is authorized to increase the Company's share capital by one or more issues during the period ending on 30 June 2012 by up to nominally DKK 13,960,000, without any pre-emptive rights for the Company's existing shareholders. In addition, the Supervisory Board is authorized to increase the Company's share capital by one or more issues during the period ending on 30 June 2014 by up to nominally DKK 8,000,000, without any pre-emptive rights for the Company's existing shareholders. These authorizations are to be used for implementing the capital increases resulting from the exercise of warrants under the existing incentive schemes. Accordingly, the overall authorization for the Supervisory Board to subscribe for capital will amount to 3.5 % of the Company's share capital. The outstanding warrants following the adjustment as a result of the capital reduction and capital in-

crease implemented in August 2010 amount to nominally DKK 11,318,940 and nominally DKK 6,798,240 for the 2012 and 2014 authorization, respectively.

It is recommended that the shareholders at the Annual General Meeting on 24 May 2011 authorize the Supervisory Board to increase the Company's share capital by one or more issues during the period ending on 30 June 2015 by up to nominally DKK 7,500,000, without any pre-emptive rights for the Company's existing shareholders; see the proposal regarding a new warrant scheme in 2011. This authorization for an increase corresponds to 1.2 % of the Company's share capital.

#### *Treasury shares*

At the Annual General Meeting on 25 May 2010, the Supervisory Board was authorized, on behalf of the Company, to acquire treasury shares having a nominal value of not more than 10 % of the share capital in order to optimize the Group's capital structure. The authorization is valid for a period of five years from the adoption of the resolution at the Annual General Meeting.

## Company announcements

No.	Date	
2	22 Apr 10	Preliminary announcement of financial statements 2009/10
3	12 May 10	Notice convening the Annual General Meeting of TK Development A/S
4	25 May 10	Proceedings at Annual General Meeting
5	04 Jun 10	Supervisory Board exercises authorization to launch warrants scheme
6	08 Jun 10	Notice convening an Extraordinary General Meeting of TK Development A/S
7	23 Jun 10	TK Development implements planned incentive scheme
8	30 Jun 10	Interim report Q1 2010/11
9	01 Jul 10	Proceedings at Extraordinary General Meeting
10	05 Aug 10	TK Development A/S publishes prospectus in connection with rights issue
11	23 Aug 10	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
12	27 Aug 10	TK Development A/S completes rights issue and capital reduction
13	27 Aug 10	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
14	27 Aug 10	Adjustment of warrants due to changed capital structure
15	31 Aug 10	TK Development takes over development project and sells two retail parks
16	16 Sep 10	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
17	29 Sep 10	Interim report for the six-month period ending 31 July 2010
18	30 Sep 10	Notification regarding majority shareholding - Holberg Fenger Holding A/S
19	01 Oct 10	Period of stabilization – rights issue
20	25 Oct 10	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
21	22 Dec 10	Interim report Q1-Q3 2010/11
1	28 Jan 11	Financial calendar
2	01 Feb 11	Revision of profit estimate to about DKK 70 million after tax for 2010/11 and a profit estimate of about DKK 100 million after tax for 2011/12

The complete wording of company announcements is available at the Company's website.

## Rules on insider trading

TK Development's Management and employees are only allowed to trade in the Company's shares during the six-week period after the publication of annual and quarterly reports and any other comprehensive announcements of financial results. The Company keeps a register of the shares held by insiders, including any changes in their portfolios, and discloses this information in accordance with existing legislation.

## Investor relations

TK Development aims to keep its shareholders and investors up-to-date on all relevant matters.

The Company's website, [www.tk-development.dk](http://www.tk-development.dk), includes all company announcements issued for the past five years, updated share prices and information about the Group's projects in progress. When investor presentations are published in connection with the announcement of annual and half-year financial results, they are also made available at the Company's website.

Moreover, there is a direct link from TK Development A/S' website to the NASDAQ OMX Copenhagen A/S website ([www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)), which contains further information about the TK Development A/S share. Reference is also made to the description of Corporate Governance at the Company's website, [www.tk-development.dk](http://www.tk-development.dk).

## Financial calendar

Annual Report 2010/11	2 May 2011
Annual General Meeting	24 May 2011
Interim report Q1 2011/12	28 June 2011
Interim report for the six-month period ending 31 July 2011	29 September 2011
Interim report Q1-Q3 2011/12	22 December 2011
Preliminary announcement of financial statements 2011/12	26 April 2012
Annual Report 2011/12	2 May 2012
Annual General Meeting	24 May 2012

# STATUTORY ANNUAL CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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In addition to carrying on profitable business activities, TK Development intends to adhere to and expand the Group's ethical, social and environmental responsibilities as a business corporation.

TK Development fundamentally endorses the UN's ten social responsibility principles, but has not acceded to the UN Global Compact. The Group only carries on activities in countries that have already incorporated human rights, labour standards and anti-corruption principles into their national legislation.

The Supervisory Board has yet to introduce policies that integrate corporate social responsibility in all key areas of its strategy and activities.

The Group targets and implements its corporate social responsibility measures as described below.

## *Employees and working environment*

The know-how, networks, talents and expertise of TK Development's employees make them a significant competitive asset. Consequently, the Group is dedicated to giving its employees an attractive working environment in which they can develop.

This means showing respect for and taking an interest in the individual employee. Within the scope of its available options, the Group aims to show flexibility, for example by accommodating employees who need to temporarily reduce their working hours or the like due to serious illness or for other reasons.

The Group has a consistent and transparent staff policy that allows room for diversity and development. In addition, the Group offers an employee benefits programme aimed at ensuring the employees' personal development, job satisfaction and health while also maintaining a focus on providing the best possible working conditions and environment across the Group. The ultimate goal is to foster a staff team of highly motivated and committed employees.

Thus, TK Development has generally succeeded in keeping work absence due to illness and the staff turnover rate satisfactorily low.

In future, TK Development will also focus on employee job satisfaction and maintain the current level of employee benefits.

## *The local community*

TK Development strives to design projects that support growth in the local community. The Group's business

concept plays a role in strengthening the local business environment and lifting local employment.

The Group develops its projects together with local politicians, organizations, tenants and investors, thus integrating the needs and wishes of all stakeholders to reach the best possible solution for everyone involved.

Thus, the employees in the Group acquire important know-how about the various stakeholders' needs and wishes. This helps ensure swift decision-making processes and efficient progress in the development of individual projects in the Group.

The Group's dedicated efforts in the local community also mean that TK Development enters into sponsorships/co-operation agreements with local players in the culture and sports sectors.

## *Green building*

The Group is experiencing increasing demand for green buildings from both tenants and investors. TK Development offers to construct green buildings as and when requested by the Group's customers. A case in point is the Group's retail park in Danderyd, Sweden, which has been constructed as a "Green Building" according to current Swedish standards. TK Development has succeeded in having the Group's Sillebroen shopping centre in Frederikssund, Denmark, certified according to BREEAM standards, achieving the "Very Good" rating. It has also been decided to obtain BREEAM certification of the Group's projected shopping centre in Esbjerg, Denmark, with the aim of achieving the "Good" or "Very Good" rating.

## *Environment*

TK Development is keenly aware that the public eye is sharply focused on environmental optimization throughout the construction process. Public concerns include the reduction of CO<sub>2</sub> emissions and the sustainability of building projects.

When the Group acquires sites for its projects, the land is examined to determine any contamination. If a plot of land is contaminated, the Group will clean up the land for its intended use before starting construction or refrain from buying the relevant plot.

When developing projects, the Group strives to achieve an optimum balance between environmental and social concerns while also generating revenue for the Group. The choice of materials, design, energy consumption and environmental impact all form part of such considerations. The Group aims to complete projects without causing unnecessary environmental impact. TK Development coop-



erates with tenants and investors to establish appropriate environmental solutions when developing and implementing new projects. For instance, the Group seeks to create finished projects with low energy consumption and a good indoor climate that will provide a comfortable working environment for future employees.

Several of the Group's projects completed in the 2010/11 financial year were built with energy efficiency in mind. Reference is made to the description of green buildings above.

In relation to IT in the Group's own offices, the use of centralized operation and virtualized servers has been introduced, which has resulted in cost savings as well as lower energy consumption. In addition, TK Development strives to purchase IT equipment that is Energy Star compliant.

When designing large and small shopping centres, TK Development attaches weight to ensuring the availability of convenient public transport options for customers. In the Czech Republic, the Group's Fashion Arena Outlet Center in Prague enjoys several public transport links, for example a free shuttle bus from the metro station to the outlet centre. In Denmark, one of the entrances to the Group's Silkeborg shopping centre, Frederikssund, has direct access to bus terminals, train station, etc.

#### *Suppliers and safety at construction sites*

On-site safety is a prime concern for TK Development at all stages of project construction. To this end, TK Development sets out precise requirements for correct and adequate on-site safety measures in all its construction contracts and requires all Group employees to comply with all safety regulations when visiting or working at the construction site. The Group's own engineers constantly supervise construction sites to ensure compliance with all safety regulations.

In addition, TK Development obligates its suppliers to guarantee correct and responsible handling of construction waste.

As a result, TK Development has achieved a zero occupational injury rate during work on the Group's building sites.

#### *Anti-corruption*

As stated above, TK Development only carries on activities in countries where anti-corruption principles have been implemented in applicable law. However, the Group is aware that a risk of corruption may exist in a few countries, primarily as a result of cultural conditions.

TK Development does not tolerate bribery and is against any form of corruption. Management is not aware of any cases of corruption.

Reference is also made to [www.tk-development.dk/csr](http://www.tk-development.dk/csr)

## CORPORATE GOVERNANCE

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TK Development's Supervisory and Executive Boards continue to focus on the recommendations for corporate governance, and the Supervisory Board reassesses its policies for compliance with the recommendations at least once a year. In a few areas, the Company does not comply with the recommendations, but instead provides an explanation of its reasons for not complying with a specific recommendation. The Supervisory Board is of the opinion that TK Development A/S lives up to the existing Recommendations on Corporate Governance.

A detailed review of the Supervisory Board's policies for compliance with the recommendations issued by NASDAQ OMX Copenhagen A/S is available at [www.tk-development.dk](http://www.tk-development.dk).

The Committee recommendations not followed are listed below:

### *Corporate social responsibility*

In the light of the Company's size and activities and the Group's operating markets, the Supervisory Board has decided not to adopt policies for corporate social responsibility. The Board will regularly assess the need for policies in this area.

### *Retirement age*

Setting an age limit for the members of the Supervisory Board has not been considered appropriate by TK Development, as talents, expertise and experience are weighted higher than an age criterion.

### *Audit committee*

The Supervisory Board believes that auditing is an issue that concerns all board members. For this reason, and given the complexity of the accounting procedures, it has been considered appropriate not to set up an actual audit committee, but to let all board members function jointly as the audit committee.

### *Nomination committee*

The Supervisory Board has decided not to establish a nomination committee as it is the Board's opinion that these tasks are best handled by the Supervisory Board as a whole.

### *Remuneration committee*

TK Development has decided not to establish a remuneration committee because these tasks are dealt with by the Chairman and Deputy Chairman of the Supervisory Board.

### *Content of remuneration policy*

The existing remuneration policy contains reasons for the selection of the individual pay elements, but does not specify the basic criteria determining the balance between

them because the remuneration policy was adopted before the implementation of the new Recommendations on Corporate Governance. At TK Development's Annual General Meeting on 24 May 2011, the Supervisory Board will recommend the adoption of a new remuneration policy describing these criteria.

So far, the Supervisory Board has decided not to set limits for how high a portion of the total remuneration may be constituted of variable components, as the amount of bonus will only be paid if a minimum 8 % return on equity is achieved. Until further notice, the amount of bonus is expected to account for a minor portion only relative to the fixed pay elements.

As bonus is only paid if a minimum 8 % return on equity is achieved for an individual financial year, the Supervisory board assesses that the remuneration policy ensures constant alignment between the interests of the Executive Board and the shareholders. It has therefore been found unnecessary to establish criteria ensuring that the vesting period for variable pay elements, wholly or in part, is longer than one financial year.

In 2010, the Supervisory Board chose to issue warrants to the Executive Board and other executive staff members which can be exercised at the earliest after two years, and not at the earliest after three years as recommended. This decision should be seen in the context of the size of the incentive schemes and the expectation that the selected combination of incentive scheme size and time duration will generate the best value for the Group relative to cost and retention potential. In future, incentive schemes will provide that the warrants granted will be exercisable at the earliest after three years, including the incentive scheme recommended for adoption at the General Meeting in May 2011.

## **Capital and share structure**

TK Development A/S' shares are not divided into several share classes, and no shares are subject to special rights or restrictions. Each share confers one vote on the holder. TK Development's Articles of Association contain no restrictions governing share ownership, the number of shares that a shareholder may hold or share transferability. As all shareholders thus have equal rights, the Supervisory Board believes that the share structure chosen is the most appropriate one.

The Company's Management reviews the Group's capital structure on a regular basis, as well as the need for any adjustments. Management's overall aim is to provide a capital structure that supports the Group's long-term

growth, while at the same time ensuring the best possible relation between equity and loan capital and thus maximizing the return for the Company's shareholders. Management believes that the capital increase implemented in August 2010 has placed TK Development in a stronger position to seize the project opportunities in the present market.

## **The Supervisory Board**

### **Composition and rules regarding appointments and replacements**

According to the Articles of Association, the Supervisory Board must be composed of not less than four nor more than seven members. The Supervisory Board is currently composed of six members elected by the General Meeting. Management considers the composition of the Supervisory Board to be appropriate relative to the Company's current activities and requirements. In Management's opinion, the current Supervisory Board members have the financial, strategic and commercial expertise required by an international business such as TK Development. The members of the Supervisory Board are elected at the General Meeting of shareholders to serve for a term of one year at a time. Retiring members are eligible for re-election.

The Supervisory Board's competencies cover a wide spectrum, including strategic management, international relations, capital structure, the property sector, the retail trade, risk assessment and control, investor relations, business development as well as accounting and financial expertise.

The professional qualifications of the Supervisory Board members are listed individually under the heading "Board posts".

The Supervisory Board considers all its members, with two exceptions, to be independent of the Company. Torsten Erik Rasmussen is not considered independent as he has held a seat on the Supervisory Board for more than 12 years, and Per Søndergaard Pedersen is not considered independent because he was previously a member of the Company's Executive Board.

### **Self-evaluation**

Once a year the Supervisory Board systematically evaluates its work and competencies with a view to continuously improving and streamlining its work.

The Chairman is in charge of this internal evaluation of the Supervisory Board. To date, the Supervisory Board has chosen to conduct a qualitative evaluation in the form of interviews and open, constructive dialogue with all members present at the same time. The evaluation is based on a predetermined list of subjects, including communication

and collaboration, results achieved compared to targets set, short- and long-term composition of the Supervisory Board, and the competencies of its members as well as any need for knowledge and skills development. Other relevant issues are considered on an ad-hoc basis. The mutual confidence of the members in each other automatically leads to a free exchange of opinions, and each member is encouraged to take an active part in discussions. If desired by any member or the Chairman, the members can be interviewed individually on any specific subject.

### **Number of Supervisory Board meetings**

In the 2010/11 financial year, the Supervisory Board held nine board meetings, including one strategy meeting. The number of board meetings was higher than usual in 2010/11 due to the capital increase implemented.

### **Risk control activities**

One of the tasks of the Supervisory Board is to ensure efficient risk management. In connection with determining TK Development's strategy and overall goals, the Supervisory and Executive Boards have identified the most significant business risks.

A core element of the Group's risk management is the solvency and liquidity targets adopted for the Group.

The Supervisory Board regularly considers issues relating to the project portfolio, properties, market conditions, financing, IT and staffing as part of its broader assessment of potential risks and scarcity factors.

Reports to the Supervisory Board are submitted on an ongoing basis with respect to the Group's risk issues, which also constitute an important element in the decision-making basis for all major projects.

### **Remuneration of the Supervisory Board**

The members of the Supervisory Board are paid a fixed fee and are not covered by the Company's bonus and incentive schemes. No separate fee is paid for audit committee work as all Supervisory Board members sit on this committee. Supervisory Board members are paid a basic fee. The Chairman is paid three times the basic fee, while the Deputy Chairman is paid twice the basic fee. The basic fee in 2011/12 will remain unchanged at DKK 250,000.

### **Remuneration of the Executive Board**

The remuneration of the Executive Board in 2010/11 was based on the guidelines adopted at the General Meeting in 2010. The remuneration of each individual member of the Executive Board will appear from the Group's Annual Report. The remuneration for 2011/12 will also be based

on the guidelines adopted at the General Meeting in 2010, as no changes have been made to these guidelines.

### **Severance terms**

Under the Executive Board's service agreements, the individual Executive Board member may give notice of termination no later than three months after the occurrence of an extraordinary event (change of control), such termination to take effect 12 months after notice has been given. The Executive Board member may demand to be released from his or her duties during the period of notice, with the usual remuneration being payable during such period.

The Executive Board members are not subject to any other special severance terms. The term of notice for Executive Board members is 12 months on the part of the Company and six months by the member.

It is company policy to ensure that Executive Board members have an incentive to work dedicatedly in the interests of the Company and its shareholders in the event of a merger, takeover bid or other extraordinary situations. Against this background, the Supervisory Board may decide, on the basis of a specific assessment, to pay a retention bonus whereby Executive Board members receive a special consideration, however, not exceeding 12 months' fixed salary, for example in the event that the Company merges with another company or if another company takes over all the Company's activities, subject to the General Meeting's approval.

### **Internal audit**

At least once a year, the Supervisory Board takes a position on the adequacy of internal control and risk management systems. Based on the company's size, complexity and accounting department organization, the Supervisory Board has so far assessed that internal audits have been unnecessary.

### **Audit committee**

The Supervisory Board believes that auditing is an issue that concerns all board members. For this reason, and given the complexity of the accounting procedures, it has been considered appropriate not to set up an actual audit committee, but to let all board members function jointly as the audit committee. The terms of reference of the audit committee have been laid down, and, basically, four meetings are held each year.

The Company website contains information about the most important activities during the year, the number of audit committee meetings held and the terms of reference of the audit committee.

### **Statutory Annual Corporate Governance Statement**

TK Development has chosen to present its Statutory Annual Corporate Governance Statement on its website instead of in the Management's review.

The Corporate Governance Statement is available at [www.tk-development.dk/cgs1011](http://www.tk-development.dk/cgs1011)

## Remuneration policy

### *General guidelines for the Company's remuneration of the Supervisory and Executive Boards*

According to section 139 of the Danish Companies Act, the supervisory board of a listed company must lay down general guidelines for the company's incentive pay to members of the supervisory and executive boards before entering into any specific agreement on incentive pay to a member of either the supervisory or the executive board.

TK Development's guidelines were last adopted at the Annual General Meeting on 25 May 2010. These guidelines are set out below. The remuneration policy also appears from the Company's website [www.tk-development.dk](http://www.tk-development.dk).

The Supervisory Board recommends that a new remuneration policy be adopted at the Company's Annual General Meeting in May 2011 so that the individual components can be adjusted in accordance with the new Recommendations on Corporate Governance adopted in April 2010.

The Executive Board is taken to mean Executive Board members whose appointment has been notified to the Danish Commerce and Companies Agency.

### *Supervisory Board*

The members of the Supervisory Board are paid a fixed, annual fee. The Chairman and Deputy Chairman of the Supervisory Board receive a supplement to the fixed fee. The amount of the fee and of the supplement is disclosed in the Annual Report. The fee is determined on the basis of comparisons with fees paid by other companies. Additional remuneration may be paid for particularly demanding tasks. Supervisory Board members are not eligible for incentive pay.

### *Executive Board*

Every year the Supervisory Board assesses and determines the remuneration payable to the Executive Board members, based on the recommendation of the Chairman and Deputy Chairman.

The Executive Board's remuneration consists of a fixed and a variable portion. The fixed remuneration consists of a net salary and other benefits, and the value of each of these elements is disclosed in the Annual Report for each individual Executive Board member.

TK Development considers it expedient to continue establishing incentive schemes for the Company's Executive Board. This helps ensure a balance between the incentive for the Executive Board and the short-term and long-term value creation for shareholders. The variable remuneration consists of a short-term and a long-term incentive scheme.

The short-term incentive scheme consists of an annual cash bonus. This bonus amounts to 0.5 % of the Group's profit after tax, which

is payable to each Executive Board member. The bonus amount, for which no upper limit has been fixed, is only payable when the Group's profit after tax results in a minimum return on equity of 8 %. The bonus currently payable to each Executive Board member is disclosed in the Annual Report.

The long-term incentive scheme consists of an equity compensation plan in the form of warrants. This part of the variable remuneration is a revolving scheme, under which warrants are issued to the Executive Board and other executive staff members once a year. The number of warrants issued to the Executive Board per allocation represents a value of up to about 15 % of the fixed annual salary payable to the Executive Board members, calculated according to the Black & Scholes Model. The warrants issued can be exercised after a two-three year period, and the redemption price, which increases successively to reflect advance returns to the shareholders, is higher than the market price at the time of allocation. There is an additional lock-up period of up to two years for gains on any shares whose market value exceeds the subscription amount and tax. The tax rules applicable to the allocation of warrants mean that capital gains are taxed as equity income, on condition that the Company's costs associated with the allocation are not tax-deductible. The specific allocation is determined by the Supervisory Board within the established framework, and the scheme is submitted for adoption at the General Meeting. The number of warrants issued and the accrued value of the scheme to be expensed in the Company's books are disclosed for each Executive Board member in the Annual Report. The warrants issued are covered by the issue of new shares, adopted in advance at one of the Company's General Meetings.

It is company policy to ensure that Executive Board members have an incentive to work dedicatedly in the interests of the Company and its shareholders in the event of a merger, takeover bid or other extraordinary situations. Against this background, the Supervisory Board may decide, on the basis of a specific assessment, to pay a retention bonus whereby Executive Board members receive a special consideration, however, not exceeding 12 months' fixed salary, for example in the event that the Company merges with another company or if another company takes over all the Company's activities, provided that the General Meeting has approved such a transaction. Payment of such a bonus is contingent on the Executive Board member's being employed by the Company at the time of the completion of such a transaction; however, the Executive Board member will be entitled to the relevant bonus if his or her employment is terminated by the Company later than four months before the completion of the transaction, provided that the Executive Board member has given no reasonable cause for the termination.

Every year, the Supervisory Board will review the remuneration payable to the Executive Board by comparing it to that payable to executive boards of other comparable companies with international activities.



## FINANCIAL TARGETS

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To provide for sufficient future financial resources, Management has adopted a liquidity target for the whole Group; see below. In addition, Management has adopted a solvency target for the whole Group corresponding to a solvency ratio of minimum 30 %, calculated as the ratio of equity to total assets.

### Covenants related to credit facilities

The Group has given its main banker an undertaking to comply with a solvency ratio covenant of minimum 30 % at group level, measured in connection with the presentation of interim and annual reports.

### Liquidity covenant

The Group introduced liquidity covenants in spring 2004. In short, the liquidity covenant expresses that the Group's cash resources – to enable the Group to cover liabilities requiring substantial liquidity - must at any time correspond to the fixed costs for the next six-month period, excluding funds received as proceeds from projects sold, but including project liabilities materializing within the next six months.

The covenant represents a liquidity target for the whole Group and a commitment to the Group's main banker.

The covenant must be calculated and met before projects requiring liquidity can be acquired and initiated.

The covenant is expressed as follows:

$$L + K > E + O + R,$$

where:

- L = The TK Development Group's free cash resources in the form of deposits with banks and the value of listed Danish government and mortgage bonds with a term to maturity of less than five years.
- K = The TK Development Group's amounts available on committed operating credit facilities from time to time.
- E = The planned impact on cash resources from the projects which the TK Development Group is obliged to complete within six months, including the new/expanded project, taking into account committed project credit facilities from financial institutions and forward funding.
- O = The TK Development Group's cash non-project-related capacity costs for the following six months less management fees falling due within six months. In addition, pre-agreed project fees from final and binding agreements with project investors falling due within six months are to be set off against the amount.
- R = Interest accruing on the TK Development Group's operating credit facilities for the following six months.

The Group's solvency and liquidity covenant were both met during the year under review.

## RISK ISSUES

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### Risks relating to Group operations

#### Effects arising from economic fluctuations

The consequences or a potential relapse of the economic and financial crisis are difficult to predict, both locally and globally, but could to a very significant extent affect demand for properties, rent levels, prices, vacancy rates and financing in the Group's main markets and thus constitute a significant factor of uncertainty.

The consequences or a potential relapse of the crisis, locally or globally, may cause demand for new properties to drop further, which could have a serious impact on the Group's ongoing development and, at worst, trigger a fall in the sale of development projects and result in a shortage of liquidity for the financing of future development projects.

The Group is unable to assess how the consequences or a potential relapse of the economic and financial crisis may develop globally or locally and how such events will affect the Group's ability to operate a profitable business in the future. A material adverse change in price levels and financing possibilities in the Group's markets relative to expectations could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### Property prices and rental income

The Group is affected by price fluctuations in the various property markets in which it operates, as well as by general economic trends. A part of the Group's project portfolio has thus been under earnings pressure during the economic and financial crisis. Rents for part of the project portfolio have also been under pressure. Such fluctuations particularly affect the value of the Group's portfolio of land, ongoing and completed projects and the potential for developing new projects. Falling prices on land and property and falling rent levels may have an adverse effect on the Group's earnings and the carrying amount of the projects in the portfolio which have not yet been fully divested and could restrict the Group's future project opportunities. This could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### Investment properties

TK Development's investment properties are classified in the financial statements under property, plant and equipment. Investment properties are generally exposed to the same risks as the Group's project portfolio, including but not limited to rental conditions and property prices, and the value of such property may decline significantly relative to its carrying amount in the balance sheet and could

thus have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Moreover, there is a letting risk attaching to those of the Group's leases that expire while the Group owns the underlying investment property. If the Group fails to renew these agreements, fails to enter into new leases, or if the agreements can be entered into only on less favourable terms and conditions, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### Competition in the property markets

Property market conditions in the countries in which the Group operates have in recent years been affected by the economic and financial crisis, which has resulted in lower prices on property and reduced access to financing. Other companies in the sector with better access to financing, which are to a larger degree able to finance their own projects, or which do not have substantial exposure in their existing portfolio may be in a stronger position than the Group in negotiations with investors and tenants for new projects. If competition from such companies intensifies, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

If other companies develop new financing and/or investment models, quote better prices, offer more attractive projects, or otherwise differentiate themselves, and the Group is unable to offer competitive products or terms, this could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### Development activities

The Group operates as a property developer and is consequently subject to various risks at different stages of the development process.

##### *Initial development stage*

At the initial project development stage, the Group in most cases only holds option rights to purchase a project site. In most cases, the Group only purchases a building site when the necessary planning basis for the project has been obtained. If the Group acknowledges that such initial development efforts will not mature into a realizable project, it could have the effect that the project will have to be abandoned. This part of the development phase is thus subject to the risk that costs related to obtaining the necessary planning basis for the project and the price of acquiring the purchase option for the building site will be lost. Project costs relating to unsold projects are recogni-

zed if the relevant projects are abandoned. This could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

The project sites may also be acquired before the necessary planning basis for the project has been obtained, or before other regulatory matters have been finalized, which involves an increased economic risk if the project cannot be completed. If such planned projects on acquired project sites cannot be completed, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### *Divestment/sale of completed projects*

Construction of unsold projects will generally only be given the go-ahead if lease agreements have been concluded for at least 60 % of the leasable premises. The Group thus assumes a letting and sales risk on the project and on its financing. In addition to the above-mentioned project development risks, such projects are also subject to the risk that they cannot be sold at a satisfactory profit. This may force the Group to keep the project for an extended period of time and continue to tie up the working capital involved or to sell the project at a lower profit or at a loss. Unfavourable developments in the Group's markets may for unsold projects entail a risk that investor yield requirements increase significantly, potentially causing the resources applied and costs incurred by the Group to be lost, and, moreover, the value of acquired land or options to acquire land may decline, which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Some of the Group's development projects will be sold to investors at a price based on a fixed, agreed initial return calculated on the lease agreements concluded in the project development phase. In cases where a sales agreement is concluded before all lease agreements in the project have been finalized, the Group undertakes a calculated risk that the remaining premises cannot be let on terms and conditions that ensure a satisfactory return. The Group also assumes a counterparty risk, including with respect to, but not limited to, tenants and investors. For such sold projects, construction will not be initiated until the Group expects to be able to meet the requirements from the investor which finalize the project sale. Meeting these requirements typically falls within the Group's sphere of competencies. If the sale cannot be completed anyway, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### *Dependence on contractors*

The Group generally contracts with one design and build

contractor per development project. However, the size and complexity of the Group's projects sometimes makes it impossible to enter into design and build contracts, and in such cases the Group has to enter into main and/or trade contracts. Most construction contracts contain provisions concerning payment of penalties or damages due to the contractor's breach of the contract, including in the event of constructional defects or delays in connection with the completion of a project. There can be no assurance that all agreements with contractors will fully cover all of the Group's costs in the event of a breach of contract by a contractor or that the contractor will be able to settle such claims. Particularly in cases that do not involve a design and build contract, the Group remains vulnerable to errors, misunderstandings and delays caused by the Group's subcontractors and errors in the Group's own project management. Any delays or increased costs incurred as a result thereof could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Compliance with time schedules**

The Group bases its individual projects on overall and detailed time schedules. Time is a crucial factor in complying with agreements concluded with tenants and investors and a significant factor in ensuring that the individual projects progress according to plan and, accordingly, that the Group generates the earnings expected. Prior to construction startup, the Group must obtain the necessary authority approvals in accordance with its plans and achieve a satisfactory rate of pre-letting in order to ensure that construction can start according to schedule. After construction has started, it is important, among other things, to complete the construction on time and in compliance with the agreements made with tenants and the investor. Any failure to comply with the assumed and planned time schedules could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Staff matters**

The knowledge, experience and network of key employees constitute some of the Group's greatest competencies, and are thus key prerequisites for the Group's ability to carry on a profitable business. Accordingly, ensuring these employees' long-term commitment is a vital parameter for the Group. However, there can be no assurance that the Group will be able to retain existing or attract new employees and this could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### **Environmental matters**

Soil samples are taken and thorough environmental analyses conducted before land is acquired for project development or buildings are acquired. If there are grounds for suspecting pollution in connection with the acquisition of sites and existing buildings, a caveat to such effect is entered in the contract, either in the form of guarantees or by the Group completely refraining from acquiring the site. Any pollution from previous activities will be cleaned up by the seller or cash compensation will be provided. The Group may also refrain from exercising the option to acquire the site. Any insufficient clean-up of developed sites or wrong assessment of the need for a clean-up of undeveloped sites could result in unforeseen costs. If such costs cannot be passed on to the seller of the site and/or the contractor, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### **Tax matters for the Group**

#### *Deferred tax asset*

A deferred tax asset of DKK 287.2 million is recognized in the balance sheet at 31 January 2011. The tax asset relates mainly to tax loss carryforwards in the various subsidiaries. Valuation is based on the existing rules for carrying forward losses and joint taxation or group contributions and assuming that each subsidiary is a going concern. A change in the terms and assumptions for carrying forward losses and joint taxation/ group contributions could result in the value of the tax assets being lower than that computed at 31 January 2011.

Management has performed the valuation of the tax asset on the basis of available budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. For the following two years, the profit forecasts are supported by specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities. This includes making provision for the risk that projects are not implemented and the risk that project profits fall below expectations.

A change in the terms and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax assets being lower than that computed at 31 January 2011, which could have a material adverse effect on the Group's results of operations and financial position.

#### *Joint taxation*

The Group has been jointly taxed with its German subsidiaries for a number of years. The retaxation balance in respect of the jointly taxed German companies amounted

to DKK 391.6 million at 31 January 2011. Full retaxation would trigger a tax charge of DKK 97.0 million at 31 January 2011. Tax has not been provided on the retaxation balance, because Management does not plan to make changes in the Group that would result in full or partial retaxation. If Management takes a different view, this could have a significant adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### **Tax and VAT matters related to the property sector**

A change in tax and VAT legislation, including any regulatory or court interpretation of such legislation, in Denmark or in the countries in which the Group operates could have a significant influence on the Group's tax situation and/or on the value of development projects in the form of reduced profits or higher yield requirements, etc. from the investors in the Group's projects. A change in tax or VAT legislation or any legislative interpretation could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Due to the complexity of Danish tax, VAT and duty legislation, and since compliance in practice involves a number of assessments, there can be no assurance that any reviews made by the authorities could not result in conclusions that could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### **Approvals from the authorities**

The Group's future earnings depend on the inflow of new projects and consequently on the future availability of new building sites and authority approvals (planning legislation, local development plans, planning permission, etc.) concerning the location, size and use of a property. Changes in local development plans or other factors that make obtaining planning permission difficult or restrict the supply of building sites could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### **Risks relating to contract partners**

#### **Third-party agreements**

A major portion of the Group's business consists of concluding agreements with development partners, investors, tenants and contractors for property development projects. The most important risks relating to these contractual relationships are described below. These risks could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### *Agreements with development partners*

Agreements have been made with the following major development partners: Udviklingselskabet By og Havn I/S, Frederikshavn Maritime Erhvervspark A/S, Atrium European Real Estate Limited, Miller Holdings International Limited, LMS Outlet Limited, GE Capital Investments Holding B.V. and HCEPP II Luxembourg S.A. (Heitman). The risks primarily break down into potential problems due to disagreements regarding strategy, development focus and speed on the one hand and the risk of cooperation agreements being terminated on the other. The Group has attempted to counter these risks by concluding long-term cooperation agreements that can only be terminated on the grounds of breach. However, there can be no assurance that either the Group or a partner may not breach the agreement, and there can be no assurance that existing cooperation agreements will not give rise to other disagreements between the parties.

In addition, a number of cooperation agreements contain provisions stipulating that the Group has an obligation to inject capital into jointly owned companies or otherwise contribute to their financing. If the Group fails to meet such obligations, including due to a lack of liquidity, the Group may be bought out by the relevant company at a reduced price or the Group's ownership interest may be diluted.

The occurrence of such events could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### *Agreements with investors*

The Group's customers are private individuals, property companies and institutional investors. To the extent possible, the Group seeks to reduce the amount of tied-up capital and risk in ongoing projects by applying forward funding from one or more investors that undertake to provide funding as project construction progresses. Before construction starts, the investor and the Group come to an agreement on a well-defined project. The investor has a liquidity commitment throughout the construction period and is consulted on major decisions. These principles ensure that the Group's risks from construction startup are largely limited to the letting risk attaching to any remaining unlet premises and the risk of construction budget overruns. In agreements with institutional investors, the overriding risk relates to the Group's ability to deliver on time and in accordance with specifications. Even though a sales agreement regarding a project has been concluded, a number of major risks may still be attached to the project, which could lead to termination of a sales agreement on account of breach by one of the parties. Project sales based on agreements involving payment on completion of

the project and transfer to the investor (forward purchase) may contain caveats concerning the procurement of financing etc. Accordingly, these factors are to some extent outside the influence of the Group and could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### *Agreements with tenants*

The risk attaching to lease agreements primarily comprises the ability of tenants to live up to the terms and conditions of a lease agreement, including particularly the obligation to pay. If the tenants fail to comply with the terms of the lease agreement in a project that has been sold, the purchasing investor may in some cases make a claim against the Group. In a worst-case scenario, the investor may not be obliged to uphold the acquisition. Attempts are made to reduce the risks by claiming usual deposits and bank guarantees from the tenants and by generally being alert to any changes in the creditworthiness of tenants. However, there can be no assurance that such measures are sufficient to curb/avoid potential losses on account of breach of lease agreements and this could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Part of the Group's rental income from tenants includes a revenue-based share. The Group's total rental income under these lease agreements depends partly on the tenant's ability to maintain a certain amount of revenue in the relevant premises. The share of such revenue-based rent may vary considerably depending on the nature of the brand, the store and the products. Failure by the tenant to generate sufficient revenue to trigger the revenue-based share of the overall rental income could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### *Agreements with contractors*

All contract assignments are sourced externally and are typically based on fixed-priced contracts containing guarantees as security for performance of the contractor's obligations. This reduces the Group's risk regarding unforeseen fluctuations in construction costs with respect to individual projects. However, there can be no assurance that a contractor can honour its obligations under the construction contract, or that the warranties in it are sufficient to ensure that a given project will generate earnings for the Group.

If a contractor breaches a construction contract, the worst-case scenario would be that the Group cannot honour its own agreements regarding sale and/or letting of the relevant property, implying that the Group would risk being in breach of concluded agreements. This could have a material adverse effect on the Group's future performance, re-



sults of operations, cash flows and financial position.

#### *Agreements with banks*

The Group has concluded agreements with various banks on the financing of land and projects (property) in Denmark and abroad and will continue to rely on the conclusion of such agreements from project to project. To the extent a project has not been sold on the basis of forward funding, the Group is in charge of obtaining financing itself until the project has been completed and handed over, after which the investor takes over the financing risk relating to the projects. In addition, the Group has concluded general agreements on the financing of its working capital. TK Development's agreements with banks cover a large number of terms, conditions and obligations which must be complied with in order to maintain the financing.

Project credits are usually granted with different terms to maturity depending on the specific project. Approx. DKK 344 million of the total project financing expires in 2011/12 and consequently needs to be renegotiated and this could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

A number of loan agreements contain provisions on cross default, which means that default on a loan under a loan agreement may be considered default of a number of other loan agreements.

Many of the Group's loan agreements contain provisions giving the banks a discretionary option to terminate the agreement. In such cases, maintaining financing depends on the bank's subjective assessment of the quality and profitability of the facility in question, as well as the value of the security provided by the Group. If the Group fails to meet its obligations under such agreements with banks and the agreements are terminated, or if the banks terminate facilities for other reasons, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

Banks' internal conditions may lead to a bank being unable to meet its obligations to the Group in the future. If one or more banks are unable to meet their obligations, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Litigation/disputes**

The Group is occasionally involved in disputes and lawsuits, e.g. in connection with construction contracts. The Group is exposed to claims from investors in relation to errors and omissions in a completed and handed-over

development project. In addition, the Group is exposed to lawsuits against contractors in the cases in which the Group claims that the handover performed was subject to errors and omissions. The outcome of disputes and lawsuits could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Senior Vice President indicted by the Polish police**

In June 2006, the Senior Vice President in charge of the Group's Polish branch office was detained, taken into custody and charged by the Polish police with irregularities related to obtaining regulatory approval (zoning permission) for the Polish Galeria Biala shopping centre project in Bialystok. In November 2006, the Senior Vice President was released on bail. The Polish prosecution service has indicted the Senior Vice President, and the case is currently being tried.

During the entire process, Group Management has been unable to find any irregularities in connection with the project, and thus fails to comprehend that the Senior Vice President could be involved in the alleged practices.

If, contrary to Management's expectations, the Senior Vice President is convicted, this might damage the Group's reputation and thus adversely affect its activities and earnings.

#### **Litigation**

TK Development is currently party to the following lawsuit that is of relevance due to its scope:

In the summer of 2002, De Samvirkende Købmænd, a trade association of grocery retailers, filed a complaint with the Nature Protection Board of Appeal (Naturklagenævnet) in respect of the City of Copenhagen's approval of the layout of the Field's department store. In particular, the claim asserted that the Field's department store is not one department store, but that it consists of several individual stores. The Nature Protection Board of Appeal made its decision in the matter on 19 December 2003, after which the department store layout was approved. De Samvirkende Købmænd subsequently took out a writ against the Nature Protection Board of Appeal before the Danish High Court. At the beginning of 2011, the High Court gave judgment in favour of De Samvirkende Købmænd. Neither the owner of the centre nor any company in the TK Development Group is a direct party to the case, but the High Court's judgment may have the effect that the Field's department store will have to be redesigned following negotiations with the relevant local authorities. As a result of the judgment, the owner of Field's may have to incur the financial burden of causing the necessary changes to the building layout, and

in that connection it cannot be ruled out that a claim may be made against the Group. Regardless of the judgment, Management still believes the risk of this case to be negligible.

### **Risks related to the Group's financial and economic position**

#### **The Group is exposed to risk in the event it does not adequately adapt its activities to prevailing or expected market conditions**

Due to the deteriorated market conditions prevailing in 2008 and 2009, changes were implemented during that period in all of the Group's business units with a view to optimizing operations. In the future, Management will continue to evaluate the optimization potential and seek to optimize all business units, taking prevailing and expected market conditions into consideration. However, there can be no assurance that already completed measures or future measures will be sufficient to ensure satisfactory earnings within each individual business unit, which could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Financing and liquidity risks**

Having sufficient cash resources is essential for the Group. In order to complete the development of its planned projects and thereby achieve the expected results, the Group must have or must be able to procure sufficient cash resources to cover the costs and deposits required for the projects, capacity costs and other obligations.

The Group is dependent on having working capital for its day-to-day operations and project financing for existing and new projects. The Group has undertaken towards its main banker, Nordea, to comply with certain conditions (liquidity and solvency covenants). The conditions may, among other things, restrict opportunities to launch new business activities and in case the conditions are not complied with, the credit facilities may be terminated.

Project credit financing involves the risk that the funding may expire and that it will consequently have to be renegotiated in the event of delays in construction or in case the project is completed without having been sold, etc.

During periods of economic fluctuations, the financing and liquidity risks described above could be significantly greater. During the economic and financial crisis, the credit institutions have generally been more reluctant to grant loans to finance real property or have required high equity contributions.

If the Group is unable to obtain sufficient funding in future, or if such funding cannot be obtained on viable terms, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

There can be no assurance that the Group will be able to attract the capital required to secure the Group's ongoing operations or satisfactory earnings and returns. This could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Interest-rate risks**

As a main rule, the Group finances its projects in progress by way of short-term, floating-rate bank loans or by way of forward funding, which generally carries a fixed rate of interest. The Group's other interest-bearing debt consists primarily of floating-rate loans. Accordingly, the predominant part of the Group's total net interest-bearing debt carries a floating rate of interest, which means that an interest rate increase would drive up the Group's interest expenses. In addition, rising interest rates would, all other things being equal, affect investor yield requirements and by extension real property prices.

All of the factors mentioned above could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Foreign-exchange risks**

The Group is an international group of companies with operations in Denmark, Sweden, Finland, Latvia, Lithuania, Germany, Poland, Russia, the Czech Republic and Slovakia. In Denmark, the Group invoices revenue from the project portfolio in Danish kroner, while outside Denmark, the foreign subsidiaries generally invoice in their local currency or in euro. The Group's reporting currency is Danish kroner. Accordingly, movements in the exchange rates of local currencies and euro relative to Danish kroner influence the Group's revenue, earnings, balance sheet total, equity, cash flows and financial position.

In spite of initiatives (both matching and hedging) to minimize the foreign-exchange risk, changes in foreign exchange rates could have a significant effect on the Group's future performance, results of operations, cash flows and financial position.

#### **Exposure to losses on receivables or counterparties**

TK Development is mainly exposed to credit risks in relation to the risk of loss on trade receivables and in relation to general counterparty risks. In addition to investors, tenants, development partners and contractors, the

Group's counterparties comprise, among others, insurance companies relative to the Group's insurance cover and banks relative to the Group's receivables and derivative financial instruments entered into to hedge financial risks, including interest-rate swaps and forward contracts on exchange rates.

There can be no assurance that the Group will not in the future suffer major losses on receivables or other counterparties or that such losses will be sufficiently covered through credit insurance and this could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

**Risks relating to uninsurable claims**

Management believes that the Group has the necessary and sufficient insurance cover for fire, water and theft claims, including consequential loss insurance, but the Group's insurance cover does not include claims caused by natural disasters (including flooding, earthquakes, etc.), war, terrorist attacks, etc. As a result, the Group bears a risk that projects, properties and other Group assets may be subject to material damage without being covered by insurance and this could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

## BOARD POSTS

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### Niels Roth, Chairman of the Supervisory Board

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Born on 24 July 1957  
Joined the Supervisory Board in 2007  
Term of office ends May 2011

**Education**

1983 MSc (Economics)

**Employment**

1989-2004 CEO of Carnegie Bank, and Group Head of Investment Banking in the Carnegie Group (2001-2002).  
1997-2004 Member of the Danish Securities Council.  
2001-2004 Chairman of the Danish Securities Dealers' Association.

**Special competencies**

Financial markets, capital structure, investment, accounting, investor relations.

**Executive board member**

Zira Invest II ApS  
Zira Invest III ApS

**Supervisory board chairman**

Fast Ejendom Holding A/S  
Friheden Invest A/S  
Foreningen Fast Ejendom Dansk Ejendomsportefølje f.m.b.a.  
NPC A/S

**Supervisory board member**

A/S Rådhusparken  
A/S Sadolinparken  
Arvid Nilssons Fond  
FFH Invest A/S  
Investeringsforeningen SmallCap Danmark  
Porteføljeselskab A/S  
Realdania  
SmallCap Danmark A/S

**Board committees and other posts**

None

Niels Roth is considered an independent member of the Supervisory Board. \*)

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## Torsten Erik Rasmussen, Deputy Chairman of the Supervisory Board

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Born 29 June 1944

Joined the Supervisory Board in 1998

Term of office ends May 2011

### Education

1961-1964 Commercial education, Dalhoff Larsen & Horneman A/S, Denmark.

1964-1966 National service with the Royal Life Guards, discharged from military service as first lieutenant (R) in 1967.

1972 MBA, IMEDE, Lausanne, Switzerland.

1985 International Senior Managers' Program, Harvard Business School, USA.

### Employment

1967-1971 Head of department and later director of Northern Soft- & Hardwood Co. Ltd., Congo.

1973 Executive secretary, LEGO System A/S, Denmark.

1973-1975 Finance manager, LEGOLAND A/S, Denmark.

1975-1977 Logistics manager, LEGO System A/S, Denmark.

1977-1978 Assistant manager (logistics), LEGO System A/S, Denmark.

1978-1980 President and CEO, LEGO Overseas A/S, Denmark.

1981-1997 Manager and member of Group Management, LEGO A/S, Denmark.

### Special competencies

Strategic management, international relations, accounting and finances.

### Executive board member

Morgan Management ApS

### Supervisory board chairman

Acadia Pharmaceuticals A/S

Ball ApS

Ball Holding ApS

Ball Invest ApS

CPD Invest ApS

Oase Outdoors ApS

### Supervisory board member

Acadia Pharmaceuticals Inc., USA

ECCO Sko A/S

ECCO (Thailand) Co. Ltd., Thailand

ECCO (Xiamen) Co. Ltd., China

ECCO Slovakia a.s., Slovakia

Morgan Invest ApS

PT ECCO Indonesia, Indonesia

Schur International Holding A/S

Vestas Wind Systems A/S (Deputy Chairman)

Vola Holding A/S

Vola A/S

### Board committees and other posts

Chairman of the Acadia Pharmaceuticals Corporate Governance Committee, USA

Member of the Acadia Pharmaceuticals Inc.'s Compensation Committee, USA

Member of the Nomination & Compensation Committee, Vestas Wind Systems A/S

Member of the Manufacturing & Excellence Committee, Vestas Wind Systems A/S

Torsten Erik Rasmussen is not considered an independent member of the Supervisory Board. \*)



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## Per Søndergaard Pedersen

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Born 19 March 1954  
Joined the Supervisory Board in 2002  
Term of office ends May 2011

### Education

Trained with Sparekassen Nordjylland (Spar Nord Bank).

### Employment

1983-1986 Head of the business department at Sparekassen Nordjylland headquarters, Østeraa branch.  
1986-1989 Regional manager, Sparekassen Nordjylland, Hasseris branch.  
1989-2002 CEO, TK Development A/S.

### Special competencies

Retail trade, property sector, financial markets, business development, investor relations.

### Executive board member

PSP Holding ApS  
A.S.P. Ejendom ApS

### Supervisory board chairman

Athene Group A/S  
Business Institute A/S  
Conscensia Holding A/S  
Conscensia A/S  
EIPE Holding A/S  
Exportakademiet Holding ApS  
Ib Andersen A/S  
Ib Andersen A/S Øst  
Ib Andersen Ventilation A/S  
J.A. Plastindustri A/S  
JMI Ejendomme A/S  
JMI Gruppen A/S  
Lindgaard A/S – Rådgivende Ingeniører F.R.I.  
Nowaco A/S  
Nybolig Jan Milvertz A/S  
Restaurant Fusion A/S  
TBP Invest, Aalborg A/S

### Supervisory board member

Arkitekterne Bjørk & Maigård ApS  
Bjørk & Maigård Holding ApS  
Dansk Reservekraft ApS  
Ejendomsaktieselskabet Maren Poppes Gård  
Ejendomsrådgiveraktieselskabet Thorkild Kristensen  
Ejendomsrådgiveraktieselskabet Thorkild Kristensen Bolig  
Ejendomsrådgiveraktieselskabet Thorkild Kristensen, Blokhus  
Ejendomsrådgiveraktieselskabet Thorkild Kristensen Erhverv  
Ejendomselskabet Hjulmagervej 58 A/S  
Emidan A/S  
Fan Milk International A/S  
Fonden Musikkens Hus i Nordjylland  
Investeringsforeningen SmallCap Danmark  
Investeringsselskabet af 1. juli 2005 Aarhus ApS  
JMI Investering A/S  
JMI Projekt A/S  
OKF Holding A/S  
PL Holding Aalborg A/S  
P L Invest, Aalborg ApS  
Porteføljeselskab A/S  
Sjællandske Ejendomme A/S  
SmallCap Danmark A/S  
Spar Nord Bank A/S  
Toppenberg Maskinfabrik A/S  
Wahlberg VVS A/S

### Board committees and other posts

None

Per Søndergaard Pedersen is not considered an independent member of the Supervisory Board.\*)

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## Kurt Daell

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Born 22 March 1941  
Joined the Supervisory Board in 2004  
Term of office ends May 2011

### Education

1976 MA (Law).  
1988 Practising certificate placed in inactive status on the roll of attorneys.

### Employment

1983-1986 Chairman of the supervisory board of A/S Daells Varehus (served as the CEO 1988-92).  
1983-1993 Chairman of the supervisory board of A/S Daells Discount.  
1993-1999 Chairman of the supervisory board of A/S Madeleine.  
1985-1987 Member of the supervisory board of Dagligvare Gruppen K/S, Vejle.  
1987-1991 Member of the supervisory board of Dansk Fryse Økonomi, Østed.  
1977-1987 Secretary General for Denmark in AEVPC (Association Européenne de Vente par Correspondance – European Mail Order and Distance Selling Trade Association).  
1981-1987 Member of the International Advisory Board of DMA (Direct Marketing Association), USA.

### Special competencies

Retail trade, law, management and business development.

### Executive board member

A. Junk og Co. ApS  
"Anpartsselskabet af 30/3 1984"  
ASX 3811 ApS  
ASX 9313 ApS  
C. Junk ApS  
CC Junk ApS  
D. Junk ApS  
DD Junk ApS  
Direct Nyt ApS  
Garbage 1 ApS  
Harald Parat 2 ApS  
Harald Parat 22 ApS  
Harald Stress ApS  
Harald Stress Holding ApS  
HP Parat 1 ApS  
KD Garant ApS  
KD Parat 1 ApS  
KD Parat 2 ApS  
KD Parat 21 ApS  
Kidh Parat 1 ApS  
Kidh Parat 11 ApS  
Kuernja ApS  
Springforbi ApS

### Supervisory board chairman

A/S Harald Nyborg, Isenkram- og Sportsforretning  
A/S Daells Bolighus  
ApS Kbus 8 nr. 2454  
Dacabo-HN Komplementaranpartsselskab  
Dava 1 ApS

### Supervisory board chairman, continued

Dava Holding ApS  
Divan 6 ApS  
Ejby Industrivej 3-29 A/S  
Harald 1 ApS  
Harald Auto A/S  
Harald Fix A/S  
Harald-Gladsaxe Komplementaranpartsselskab  
Harald Glostrup Komplementaranpartsselskab  
Harald Parat I Komplementaranpartsselskab  
Harald Research A/S  
Harald Slagelse Komplementaranpartsselskab  
Harald Skåne I ApS  
HN Research Holding A/S  
K/S Dacabo  
K/S Harald Gladsaxe  
K/S Harald Glostrup  
K/S Harald Parat I  
K/S Harald Skåne I  
K/S Harald Slagelse  
K/S Lady & Kid  
K/S Skerrisvej, Brande  
Kid-Holding A/S  
Komplementaranpartsselskabet Skerrisvej, Brande  
Lady & Kid A/S

### Supervisory board member

Bernstorff Slot ApS  
Dorade A/S  
K/S Fraugde  
Skerris Holding A/S  
ULL Meter A/S

### Board committees and other posts

None

Kurt Daell is considered an independent member of the Supervisory Board. \*)

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## Jesper Jarlbæk

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Born 9 March 1956  
Joined the Supervisory Board in 2006  
Term of office ends May 2011

### Education

1981 Trained as a state-authorized public accountant.  
2006 Licence placed in inactive status.

### Employment

1974-2002 Arthur Andersen (most recently as managing partner).  
2002-2006 Deloitte (executive vice president).

### Special competencies

International management, risk assessment and control, accounting and finances.

### Executive board member

Earlbrook Holdings Ltd. A/S  
SCSK 2272 ApS  
Timpco ApS

### Supervisory board chairman

Advis A/S  
Altius Invest A/S  
Basico Consulting A/S  
Basico Consulting International ApS  
GC Infotech Denmark A/S  
Groupcare A/S  
Groupcare Holding A/S  
Jaws A/S  
Julie Sandlau China ApS  
Prospect A/S  
Spoing A/S  
Southern Trident (Pty) Ltd, Port Elizabeth, Syd Afrika  
Valuemaker A/S

### Supervisory board member

Bang & Olufsen a/s  
Bang & Olufsen Operations A/S  
Cimber Sterling Group A/S  
Cimber Sterling A/S  
Earlbrook Holdings Ltd. A/S  
IT2 Treasury Solutions Ltd., London, UK  
Københavns Privathospital A/S  
Polaris III Invest Fonden  
TORM A/S  
Økonomiforum ApS

### Board committees and other posts

DVCA, Danish Venture Capital and Private Equity Association (Deputy Chairman)  
Chairman of the audit committee, Bang & Olufsen a/s  
Chairman of the audit committee, Cimber Sterling Group A/S  
Member of the audit committee, TORM A/S  
Member of the remuneration committee, Cimber Sterling Group A/S

Jesper Jarlbæk is considered an independent member of the Supervisory Board. \*)

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## Jens Erik Christensen

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Born on 10 February 1950  
Joined the Supervisory Board in 2010  
Term of office ends May 2011

### Education

1975 MSc (Actuarial Science).

### Employment

1978-1989 Baltica Forsikring.  
1990-1993 Chief Operating Officer of Danica Liv & Pension.  
1992-1998 Chief Executive Officer of Codan Forsikring A/S.  
1998-2003 Managing Director of EMEA, the RS&A Group.  
1999-2006 Chief Executive Officer of Codan.

### Special competencies

Property sector, financial markets, international relations, business development.

### Executive board member

Randall & Quilter Nordic Holdings ApS  
Sapere Aude ApS  
Your Pension Management A/S

### Supervisory board chairman

Alpha Holding A/S  
ApS Harbro Komplementar-48  
Behandlingsvejviseren A/S  
Copenhagen Multiarena A/S  
Core Strategy A/S  
Dansk Merchant Capital A/S  
Doctorservice A/S  
Doctorservice Holding A/S  
TA Management A/S  
Ecsact A/S  
K/S Habro-Reading, Travelodge  
Tower Group A/S  
Scandinavian Private Equity A/S

### Supervisory board member

Alpha Insurance A/S  
BankNordik A/S (Deputy Chairman)  
Andersen & Martini A/S  
Hugin Expert A/S (Deputy Chairman)  
Lægernes Pensionsbank A/S (Deputy Chairman)  
Lægernes Pensionskasse  
Mbox A/S  
Nemi Forsikring AS  
Nordic Corporate Investments A/S  
Nordic Insurance Management A/S  
P/F Trygd  
SAS AB  
Skandia Liv AB  
Your Pension Management A/S

### Board committees and other posts

Chairman of Dansk Vejforening (Danish Road Association)  
Chairman of the audit committee, Andersen & Martini A/S  
Chairman of the audit committee, Lægernes Pensionsbank A/S  
Chairman of the audit committee, Lægernes Pensionskasse (the Medical Doctors' Pension Fund)  
Member of the audit committee, SAS AB  
Member of the audit committee, Skandia Liv AB  
Member of the Danish Government's infrastructure commission  
Member of the Central Board of the Danish Cancer Society

Jens Erik Christensen is considered an independent member of the Supervisory Board. \*)

\*) See section 5 in the Recommendations on Corporate Governance prepared by NASDAQ OMX Copenhagen A/S.

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## Frede Clausen, President and CEO

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Born 30 July 1959

Member of the Executive Board of TK Development since 1992

### **Executive board member**

Frede Clausen Holding ApS

### **Supervisory board chairman**

Ringsted Outlet Center P/S

SPV Ringsted ApS

Udviklingselskabet Nordkranen A/S

### **Supervisory board member**

EMCM Holding A/S

Euro Mall Ventures s.a.r.l.

K/S Købmagergade 59, st.

Komplementarselskabet DLU ApS

Kommanditaktieselskabet Danlink-Udvikling

Palma Ejendomme A/S

### **Board committees and other posts**

None



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## Robert Andersen, Executive Vice President

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Born 3 April 1965

Member of the Executive Board of TK Development since 2002

### **Executive board member**

Palma Ejendomme A/S

Ringsted Outlet Center P/S

### **Supervisory board chairman**

No chairmanships

### **Supervisory board member**

Komplementarselskabet DLU ApS

Kommanditaktieselskabet Danlink-Udvikling

Kommanditaktieselskabet Østre Havn

Ringsted Outlet Center P/S

SPV Ringsted ApS

Udviklingselskabet Nordkranen A/S

Østre Havn Aalborg ApS

### **Board committees and other posts**

None

# STATEMENT BY THE SUPERVISORY AND EXECUTIVE BOARDS ON THE ANNUAL REPORT

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The Supervisory and Executive Boards have today considered and adopted the 2010/11 Annual Report of TK Development A/S.

The Annual Report is presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and in accordance with Danish disclosure requirements for annual reports prepared by listed companies.

In our opinion, the Consolidated and Parent Company Financial Statements give a true and fair view of the Group's and Parent Company's financial position at 31 January 2011 and of the results of the Group's and Parent Company's

operations and cash flows for the period from 1 February 2010 to 31 January 2011.

Moreover, we consider the Management's review to give a fair presentation of the development in the Group's and Parent Company's activities and financial affairs, the results for the year and the Group's and Parent Company's overall financial position, as well as a true and fair description of the most significant risks and elements of uncertainty faced by the Group and the Parent Company.

We recommend that the 2010/11 Annual Report be adopted by the Annual General Meeting of shareholders.

Aalborg 28 April 2011

## EXECUTIVE BOARD



Frede Clausen  
President and CEO



Robert Andersen  
Executive Vice President

## SUPERVISORY BOARD



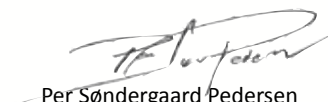
Niels Roth  
Chairman



Torsten Erik Rasmussen  
Deputy Chairman



Kurt Daell



Per Søndergaard Pedersen



Jesper Jarlbæk



Jens Erik Christensen

# INDEPENDENT AUDITORS' REPORT

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## Independent auditors' report

### To the shareholders of TK Development A/S

#### Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of TK Development A/S for the financial year 1 February 2010 - 31 January 2011, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group and the Parent, respectively. The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

#### Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

#### Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 January 2011, and of their financial performance and their cash flows for the financial year 1 February 2010 - 31 January 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

#### Statement on the management commentary

Management is responsible for preparing a management commentary that contains a fair review in accordance with Danish disclosure requirements for listed companies.

Our audit did not include the management commentary, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in the management commentary are consistent with the consolidated financial statements and parent financial statements.

Aalborg, 28 April 2011

NIELSEN & CHRISTENSEN

Statsautoriseret Revisionspartnerselskab

  
Marian Fruergaard

State-authorized public accountant

  
Per Laursen

State-authorized public accountant

Copenhagen, 28 April 2011

DELOITTE

Statsautoriseret Revisionsaktieselskab

  
Lars Andersen

State-authorized public accountant

  
Jesper Jørgensen

State-authorized public accountant

# CONSOLIDATED FINANCIAL STATEMENTS

## Income statement

DKKm	Note	2010/11	2009/10
Net revenue	4	576.9	1,369.9
External direct project costs	5	-350.9	-1,158.5
Value adjustment of investment properties, net		30.0	-10.9
<b>Gross profit/loss</b>		<b>256.0</b>	<b>200.5</b>
Other external expenses	6	36.6	38.6
Staff costs	7	89.2	99.9
<b>Total</b>		<b>125.8</b>	<b>138.5</b>
<b>Profit/loss before financing and depreciation</b>		<b>130.2</b>	<b>62.0</b>
Depreciation and impairment of long-term assets	19	3.0	4.5
<b>Profit/loss before financing</b>		<b>127.2</b>	<b>57.5</b>
Income from investments in associates	10	0.2	-0.2
Financial income	12	28.2	10.6
Financial expenses	13	-81.4	-28.5
<b>Total</b>		<b>-53.0</b>	<b>-18.1</b>
<b>Profit/loss before tax</b>		<b>74.2</b>	<b>39.4</b>
Tax on profit/loss for the year	14	0.6	14.0
<b>Profit/loss for the year</b>		<b>73.6</b>	<b>25.4</b>

## Earnings per share in DKK

Earnings per share (EPS) of nom. DKK 15	15	2.1	0.9
Diluted earnings per share (EPS-D) of nom. DKK 15	15	2.1	0.9

## Comprehensive income statement

Profit/loss for the year according to income statement		73.6	25.4
Foreign-exchange adjustments, foreign operations		4.2	32.5
Tax on foreign-exchange adjustments, foreign operations		-4.2	-5.8
Value adjustments of hedging instruments		-2.3	31.4
Tax on value adjustments of hedging instruments		0.4	0.0
<b>Comprehensive income statement for the year</b>		<b>71.7</b>	<b>83.5</b>

## Balance sheet

DKKm	Note	31.1.2011	31.1.2010
<b>ASSETS</b>			
<b>Long-term assets</b>			
Goodwill	17	33.3	33.3
<b>Intangible assets</b>		<b>33.3</b>	<b>33.3</b>
Investment properties	18	358.6	355.1
Investment properties under construction	18	28.8	0.0
Other fixtures and fittings, tools and equipment	19	6.8	9.2
<b>Property, plant and equipment</b>		<b>394.2</b>	<b>364.3</b>
Investments in associates	10	3.6	24.7
Receivables from associates		2.5	0.0
Other securities and investments	20	1.9	1.3
Deferred tax assets	21	287.2	284.9
<b>Other long-term assets</b>		<b>295.2</b>	<b>310.9</b>
<b>Total long-term assets</b>		<b>722.7</b>	<b>708.5</b>
<b>Short-term assets</b>			
<b>Projects in progress or completed</b>	22	<b>3,424.7</b>	<b>3,253.5</b>
Trade receivables	23	155.0	106.5
Receivables from associates		17.8	2.9
Contracted work in progress	24	12.2	17.8
Other receivables		106.6	125.7
Prepayments		19.1	17.4
<b>Total receivables</b>		<b>310.7</b>	<b>270.3</b>
Securities	25	4.0	4.0
Deposits in blocked and escrow accounts	26	63.6	63.5
Cash and cash equivalents		96.3	77.5
<b>Total short-term assets</b>		<b>3,899.3</b>	<b>3,668.8</b>
<b>ASSETS</b>		<b>4,622.0</b>	<b>4,377.3</b>



## Balance sheet

DKKm	Note	31.1.2011	31.1.2010
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Share capital	27	631.0	560.9
Other reserves	28	160.1	21.8
Retained earnings		1,074.9	1,010.7
<b>Total equity</b>		<b>1,866.0</b>	<b>1,593.4</b>
<b>Liabilities</b>			
Credit institutions	29	146.4	26.0
Provisions	30	7.2	14.7
Deferred tax liabilities	32	55.1	59.2
Other debt	33	3.9	3.9
<b>Total long-term liabilities</b>		<b>212.6</b>	<b>103.8</b>
Credit institutions	29	2,199.5	2,298.0
Trade payables		104.8	144.1
Prepayments received from customers		0.0	4.0
Corporate income tax		21.6	24.9
Provisions	30	10.1	14.2
Other debt	33	188.3	185.8
Deferred income		19.1	9.1
<b>Total short-term liabilities</b>		<b>2,543.4</b>	<b>2,680.1</b>
<b>Total liabilities</b>		<b>2,756.0</b>	<b>2,783.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,622.0</b>	<b>4,377.3</b>

## Statement of changes in equity

DKKm	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity at 1 February 2009</b>	560.9	-36.3	981.4	1,506.0
Profit for the year	0.0	0.0	25.4	25.4
Other comprehensive income for the year	0.0	58.1	0.0	58.1
<b>Total comprehensive income for the year</b>	0.0	58.1	25.4	83.5
Share-based payment	0.0	0.0	3.9	3.9
<b>Equity at 31 January 2010</b>	560.9	21.8	1,010.7	1,593.4
Profit for the year	0.0	0.0	73.6	73.6
Other comprehensive income for the year	0.0	-1.9	0.0	-1.9
<b>Total comprehensive income for the year</b>	0.0	-1.9	73.6	71.7
Capital reduction	-140.2	140.2	0.0	0.0
Capital increase	210.3	0.0	0.0	210.3
Costs of share issue	0.0	0.0	-13.3	-13.3
Share-based payment	0.0	0.0	3.9	3.9
<b>Equity at 31 January 2011</b>	631.0	160.1	1,074.9	1,866.0

## Cash flow statement

DKKm	2010/11	2009/10
Profit/loss before financing	127.2	57.5
Adjustments for non-cash items:		
Value adjustments, investment properties, net	-30.0	10.9
Depreciation and amortization	3.1	4.2
Share based payment	3.9	3.9
Provisions	-5.1	9.9
Exchange-rate adjustments	1.1	-10.4
Increase/decrease in investments in projects, etc.	-84.5	-521.8
Increase/decrease in receivables	-22.0	71.9
Changes in deposits on blocked and escrow accounts	-0.3	52.8
Increase/decrease in payables and other debt	-42.4	-108.5
<b>Cash flows from operating activities before net financials and tax</b>	<b>-49.0</b>	<b>-429.6</b>
Interest paid, etc.	-124.6	-128.8
Interest received, etc.	6.1	5.3
Corporate income tax paid	-15.2	-29.7
<b>Cash flows from operating activities</b>	<b>-182.7</b>	<b>-582.8</b>
Investments in equipment, fixtures and fittings, net	-0.6	-1.0
Sale of equipment, fixtures and fittings	0.5	2.1
Investments in investment properties	-1.8	0.0
Purchase of securities and investments	-2.3	-0.7
<b>Cash flows from investing activities</b>	<b>-4.2</b>	<b>0.4</b>
Repayment, long-term financing	-1.2	-1.2
Raising of long-term financing	121.6	0.0
Raising of project financing	317.4	704.1
Reduction of project financing/repayments, credit institutions	-435.3	-160.2
Capital increase	210.3	0.0
Cost of share issue	-13.3	0.0
<b>Cash flows from financing activities</b>	<b>199.5</b>	<b>542.7</b>
<b>Cash flows for the year</b>	<b>12.6</b>	<b>-39.7</b>
Cash and cash equivalents, beginning of year	77.5	111.0
Exchange-rate adjustment of cash and cash equivalents	6.2	6.2
<b>Cash and cash equivalents at year-end</b>	<b>96.3</b>	<b>77.5</b>

The figures in the cash flow statement cannot be inferred from the Consolidated Financial Statements alone.

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## Note 1. Accounting policies

The consolidated and parent company financial statements for 2010/11 for the Group and TK Development A/S, respectively, are presented in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and in accordance with Danish disclosure requirements for annual reports prepared by listed companies; see the Executive Order on IFRS issued in pursuance of the Danish Financial Statements Act. TK Development A/S is a public limited company with its registered office in Denmark.

The consolidated and parent company financial statements also comply with the International Financial Reporting Standards (IFRS) issued by IASB.

The consolidated and parent company financial statements are presented in DKK million, unless otherwise stated. DKK is the presentation currency for the Group's activities and the functional currency of the Parent Company.

The consolidated and parent company financial statements are presented on the basis of historical cost, with the exception of investment properties, derivative financial instruments and financial assets classified as available for sale, which are measured at fair value.

### Implementation of new and amended financial reporting standards and interpretations issued by IFRIC

The consolidated and parent company financial statements for 2010/11 have been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2010.

The implementation of the amended IAS 27, *Consolidated and Separate Financial Statements*, has changed the accounting treatment of transactions resulting in the acquisition/loss of control of subsidiaries in the Group. TK Development has sold a percentage of its ownership shares in a subsidiary and has thus relinquished control of the company. Therefore the amendment had a monetary effect on the year. The Group did not enter into such transactions in the comparative year. The monetary effect in 2010/11 was DKK 1.7 million before tax, recognized as an increase in gross profit, and DKK 1.3 million, recognized as an increase in profit after tax.

The implementation of other new and amended financial reporting standards and interpretations that entered into force in the 2010/11 financial year has not impacted recognition and measurement in the consolidated financial

statements.

Apart from the changes referred to above, the accounting policies have been consistently applied compared to last year and are set out below.

### Financial reporting standards and IFRIC interpretations not yet in force

At the date of publication of this Annual Report, a number of new or amended financial reporting standards and IFRIC interpretations had not yet entered into force or been approved by the EU. Thus, they have not been incorporated into the Annual Report. The implementation of the above-mentioned standards and interpretations is not expected to materially affect the annual reports for the next financial years. Reference is also made to note 37 in the consolidated financial statements.

### Consolidated financial statements

The consolidated financial statements comprise the Parent Company, TK Development A/S, and the enterprises controlled by the Parent Company. The Parent Company is considered to exercise control when it holds more than 50 % of the voting rights, whether directly or indirectly, or otherwise has a controlling interest.

Enterprises in which the Group holds between 20 % and 50 % of the voting rights, whether directly or indirectly, and thus has significant influence, but not a controlling interest, are considered associates. Enterprises jointly controlled with other investors are considered joint ventures.

Consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries by adding together items of a uniform nature. The financial statements on which the consolidated financial statements are based are prepared in accordance with the accounting policies applied by the Group. The items in the subsidiaries' financial statements are fully recognized in the consolidated financial statements.

On consolidation, intercompany income and expenses, shareholdings, balances and dividends as well as gains on transactions between consolidated enterprises are eliminated. Losses are eliminated to the extent that no impairment has occurred.

The consolidated financial statements include subsidiaries and associates throughout the period of ownership.

### Business combinations

Newly acquired or newly established enterprises are recognized in the consolidated financial statements as from the date of acquisition or establishment. The date of ac-

quisition is the date on which control of the enterprise is effectively transferred to the acquirer, or the date of establishment. Sold or wound-up enterprises are recognized in the consolidated income statement until the date of sale or winding-up. Comparative figures are not adjusted for newly acquired, sold or wound-up enterprises.

Upon the acquisition of new enterprises in which the Group gains a controlling interest in the acquired enterprise, the purchase method is used, which means that the identifiable assets, liabilities and contingent liabilities of the newly acquired enterprises are measured at fair value at the acquisition date. Restructuring provisions regarding the acquired enterprise are only recognized in the transfer balance sheet if they constitute a liability for the enterprise acquired. The tax effect of revaluations made is taken into account.

The cost of an enterprise consists of the fair value of the consideration paid for the enterprise acquired. If the final determination of the consideration depends on one or more future events, the effect of such events is recognized at fair value at the acquisition date. Costs directly attributable to the acquisition are recognized directly in profit or loss upon being incurred.

Positive balances between (i) the purchase price, the value of any minority interests in the acquired enterprise plus the fair value of previously acquired equity investments, and (ii) the fair value of the assets, liabilities and contingent liabilities acquired are recognized as goodwill in the balance sheet under intangible assets, and the goodwill amount is subjected to impairment tests at least once a year. If the carrying amount of the asset exceeds the recoverable amount, it is written down to the recoverable amount. Any negative balances are recognized as income in profit or loss.

For business combinations effected before 1 February 2004, the accounting classification according to the previous accounting policies has been retained. Thus, goodwill deriving from such business combinations is recognized on the basis of the cost recognized according to the previous accounting policies (the Danish Financial Statements Act and Danish accounting standards), net of amortization and impairment until 31 January 2004. Goodwill recognized in the opening balance sheet was tested for impairment at 1 February 2004 and continues to be subjected to impairment tests on an ongoing basis. As of 31 January 2011, the carrying amount of goodwill relating to business combinations effected before 1 February 2004 totalled DKK 29.1 million.

Gains or losses on the sale or winding-up of subsidiaries

and associates that result in the cessation of control and significant influence, respectively, are determined as the difference between (i) the fair value of the sales proceeds or winding-up proceeds plus the fair value of any remaining equity investments and (ii) the carrying amount of net assets at the date of sale or winding-up, including goodwill, less any minority interests. The gain or loss calculated is recognized in profit or loss together with accumulated foreign-exchange adjustments previously recognized in other comprehensive income.

### **Associates/joint ventures in the consolidated financial statements**

In the consolidated financial statements, investments in associates are recognized and measured according to the equity method, which means that investments are measured at the proportionate share of the associates' carrying amount, determined according to the Group's accounting policies, with the addition of goodwill and plus or less any proportionate intercompany profits or losses.

The proportionate share of the associate's results after tax and the proportionate elimination of unrealized intercompany profits and losses are recognized in profit or loss, less any impairment of goodwill. The proportionate share of all transactions and events recognized in the associate's other comprehensive income is recognized in consolidated comprehensive income.

Investments in associates with a negative equity value are measured at DKK 0. Receivables and other long-term financial assets considered to be part of the overall investment in the associate are written down by any remaining negative equity value. Trade receivables and other receivables are written down to the extent that they are considered uncollectible. A provision for the remaining negative equity value is only recognized if the Group has a legal or constructive obligation to meet the relevant associate's liabilities.

Associates whose activities comprise projects within the Group's primary sphere of activity (development and contract work), and which are managed together with other investors in accordance with shareholders' or similar agreements (joint ventures), are included in the consolidated financial statements by pro rata consolidation of the associates' accounting items, so that a proportionate share, equal to the participation in the associates, is included in the corresponding items in the consolidated financial statements.

### **Translation of foreign-currency items**

A functional currency is determined for each of the reporting enterprises in the Group. The functional currency is



the currency used in the primary economic environment in which the individual reporting enterprise operates. Transactions in currencies other than the individual enterprise's functional currency are considered foreign-currency transactions and are translated into the functional currency on initial recognition, based on the exchange rates ruling at the dates of the transactions. Exchange differences arising between the exchange rate on the transaction date and the exchange rate on the payment date are recognized in profit or loss under financial items.

Receivables, payables and other monetary items in foreign currencies that have not been settled by the reporting date are translated into the functional currency according to the exchange rates ruling at the reporting date. Realized and unrealized exchange gains and losses are recognized in profit or loss as financial items. Property, plant and equipment, intangible assets, projects in progress or completed and other non-monetary assets that have been bought in foreign currencies and are measured on the basis of historical cost are translated at the exchange rate ruling on the transaction date. Non-monetary items that are revalued at fair value are translated at the exchange rate ruling on the date of revaluation.

When enterprises that present financial statements in a functional currency other than Danish kroner (DKK) are recognized in the consolidated financial statements, profit or loss items are translated on the basis of the average exchange rates for the period under review, and balance sheet items (including goodwill) are translated on the basis of the exchange rates ruling at the reporting date. If the average exchange rates for the period under review deviate significantly from the actual exchange rates at the transaction dates, the actual exchange rates are used instead. Exchange differences arising on translating foreign enterprises' beginning-of-year equity at the exchange rate ruling at the reporting date and on translating the income statement items from the average exchange rate for the period under review to the exchange rate at the reporting date are recognized in other comprehensive income. Exchange differences arising as a result of changes recognized directly in the equity of the foreign reporting enterprise are also recognized in other comprehensive income.

Foreign-exchange adjustments of intercompany accounts with foreign subsidiaries that are considered additions to/deductions from the net investment are recognized in other comprehensive income in the consolidated financial statements, while they are recognized in profit or loss in the parent company financial statements.

When associates/joint ventures that present financial statements in a functional currency other than DKK are re-

cognized in the consolidated financial statements, income statement items are translated on the basis of the average exchange rates for the period under review, and balance sheet items are translated on the basis of the exchange rates ruling at the reporting date. Exchange differences arising on translating foreign enterprises' beginning-of-year equity at the exchange rate ruling at the reporting date and on translating the income statement items from the average exchange rate for the period under review to the exchange rate at the reporting date are recognized in other comprehensive income. Exchange differences arising as a result of changes recognized directly in the equity of the foreign reporting enterprise are also recognized in other comprehensive income.

In connection with the Group's transition to the presentation of financial statements according to IFRS, accumulated foreign-exchange differences on the translation of foreign subsidiaries posted to equity were reset to zero in the opening balance sheet at 1 February 2004, such that only exchange differences arising after 1 February 2004 appear from the item "Reserve for foreign-exchange adjustments" under equity.

### **Derivative financial instruments**

On initial recognition, derivative financial instruments are measured at fair value at the settlement date. Costs that are directly attributable to the purchase or issuance of the individual financial instrument (transaction costs) are added to the fair value on initial recognition, unless the financial asset or liability is measured at fair value with fair-value adjustments recognized in profit or loss.

After initial recognition, the derivative financial instruments are measured at fair value at the reporting date. Positive and negative fair values of derivative financial instruments are recognized under other receivables and other debt.

Changes in the fair value of derivative financial instruments that are classified as and meet the conditions for the fair-value hedging of a recognized asset or liability are recognized in profit or loss together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments that are classified as and meet the conditions for effective hedging of future transactions are recognized in other comprehensive income. Any ineffective portion is recognized immediately in profit or loss. When the hedged transactions are realized, the accumulated changes are recognized as part of the cost of the relevant transactions.

Changes in the fair value of derivative financial instruments

that are used to hedge net investments in foreign subsidiaries are recognized in the consolidated financial statements under other comprehensive income in the event of hedge effectiveness. Any ineffective portion is recognized immediately in profit or loss. When the relevant foreign enterprise is sold, the accumulated changes in value are transferred to profit or loss.

Derivative financial instruments that do not meet the conditions for treatment as hedging instruments are considered trading portfolios and are measured at fair value, with fair-value adjustments being recognized in profit or loss under financial items on a continuing basis.

### **Share-based incentive schemes**

The Group's incentive schemes are equity-based warrants schemes. The equity-based incentive schemes are measured at the fair value of the options at the time of allocation and are recognized in profit or loss under staff costs over the vesting period. A corresponding amount is recorded directly in equity.

In connection with initial recognition of the share options, an estimate is made of the number of options to which the employees are expected to become entitled. Subsequently, adjustments are made to reflect changes in the estimated number of vested options, such that the overall recognition is based on the actual number of vested options.

The fair value of the options allocated is estimated by using the Black & Scholes formula, based on the parameters indicated in note 7.

No intercompany settlement takes place between the Parent Company and subsidiaries in respect of the Parent Company's share-based payments to employees in subsidiaries. In the Parent Company's financial statements, the value of incentive schemes allocated to subsidiaries' employees is recognized under "Investments in subsidiaries", with a corresponding amount recorded directly in equity.

### **Income statement**

#### **Net revenue**

The sales method is used to recognize income on projects sold; see IAS 18, Revenue. Thus, profits are recognized once the project has been sold, construction completed and all essential elements of the sales agreement fulfilled.

The percentage of completion method is used for projects meeting the definition of a construction contract; see IAS 11. Thus, the revenue for the year on these projects corresponds to the selling price of the work performed during

the year. The recognized profit is the estimated profit on the project, calculated on the basis of its stage of completion.

Where the Group is in charge of development, letting and construction management, etc. on behalf of investors and receives fee income for such services, the fee income is recognized as income on a continuous basis in step with the provision of services.

Where a sold project consists of several instalment deliveries that can be segregated and the financial effect can be assessed separately and measured reliably for each delivery, the profit on the individual instalment delivery is recognized when all essential elements of the agreement have been fulfilled.

Rental income on completed projects and investment properties is accrued and recognized in accordance with the lease agreements concluded.

For other income, the sales method is used.

Net revenue is measured at the fair value of the consideration received or receivable. If a sale is based on interest-free credit with a term extending beyond the usual credit period, the fair value of the consideration receivable is calculated by discounting future payments. The difference between the fair value and nominal value of the consideration is recognized in profit or loss as financial income over the extended credit period by using the effective interest method.

#### **External direct project costs**

This item consists of all costs relating to projects incurred to generate the year's revenue and includes direct project costs, as well as interest during the construction period, plus a share of the relevant indirect project costs, determined as a percentage of staff costs, project materials, cost of premises and maintenance and depreciation resulting from the project development activity and proportionately attributable to the project development capacity utilized.

Moreover, this item includes any impairment losses on projects in progress or completed and the expensing of project development costs to the extent that the relevant projects are not expected to be realized.

#### **Value adjustment of investment properties, etc.**

Changes in the fair values of investment properties are recognized in profit or loss under the item "Value adjustment of investment properties, net".

Realized gains and losses on the sale of investment proper-

ties are determined as the difference between the carrying amount and the selling price and are also recognized in profit or loss under the item "Value adjustment of investment properties, net".

#### **Other external expenses**

The item "Other external expenses" includes costs for administration, cost of premises and operating expenses for cars.

#### **Income from investments in associates in the consolidated financial statements**

The proportionate share of the associates' results after tax and the proportionate elimination of unrealized intercompany profits and losses, less any impairment of goodwill, are recognized in consolidated profit or loss. The proportionate share of all transactions recognized in the associate's other comprehensive income is recognized in the Group's other comprehensive income.

#### **Dividends on investments in subsidiaries and associates in the Parent Company's financial statements**

Dividends on investments in subsidiaries and associates are recognized in the Parent Company's profit or loss under financial income in the financial year in which the right to dividend vests. Usually, this will be the date on which the General Meeting of shareholders adopts the distribution of dividend from the relevant company.

#### **Financial income and expenses**

Financial income and expenses include interest income and expenses, realized and unrealized gains and losses on foreign-currency transactions, debt and securities as well as the amortization of financial liabilities. In addition, any dividends on investments in subsidiaries and associates, see above, are included in the Parent Company's profit or loss under financial income.

Interest income and interest expenses are accrued, based on the principal and the effective interest rate. The effective interest rate is the discount rate used to discount the expected payments associated with the financial asset or financial liability to ensure that the present value of such asset or liability is equal to its carrying amount.

Borrowing costs that are directly associated with the acquisition, construction or production of assets are capitalized as part of the cost of the relevant asset. Other borrowing costs are recognized in the income statement.

#### **Tax on profit/loss for the year**

The tax for the year, which consists of the year's current tax and changes in deferred tax, is recognized in profit or loss as follows: the portion attributable to the profit or loss for the year is recognized in profit or loss, and the portion

attributable to items under equity or other comprehensive income is posted directly to equity or other comprehensive income.

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax paid on account. The calculation of the year's current tax is based on the tax rates and tax rules applicable at the reporting date.

Deferred tax is calculated according to the balance-sheet liability method on the basis of all temporary differences between the carrying amount and the tax base of assets and liabilities, except temporary differences arising on the initial recognition of either goodwill or a transaction that is not a business combination and that does not affect the profit or loss or taxable income upon initial recognition.

Deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability. Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognized in the balance sheet at the value at which the asset is expected to be realized, either by setoff against deferred tax liabilities or as net tax assets for setoff against future positive taxable income within the same entity subject to joint taxation. At each reporting date, it is reconsidered whether it is likely that sufficient future taxable income will be generated to utilize the deferred tax asset, based on an individual and specific assessment. If it is considered that an individual tax asset cannot be utilized, it is written down against profit or loss.

Deferred tax on temporary differences related to equity investments in subsidiaries and associates is recognized, unless the Parent Company is able to control when the deferred tax will crystallize and the deferred tax is not likely to crystallize as current tax in the foreseeable future.

Deferred tax is measured according to the tax rules and rates that will be applicable in the respective countries at the time when the deferred tax is expected to crystallize as current tax, based on the legislation in force at the reporting date. Any changes in deferred tax resulting from changed tax rates and tax rules are recognized in profit or loss, unless the deferred tax is attributable to items previously recognized directly in equity or in other comprehensive income. In such cases, the change in deferred tax is also recognized directly in equity or in other comprehensive income.

The Parent Company is jointly taxed with all Danish subsidiaries. The Parent Company administers the joint taxation. The total income taxes payable by the jointly taxed

companies are distributed between the Danish jointly taxed companies in proportion to their taxable income.

Balances arising under the interest deduction limitation rules laid down in the Danish Corporation Tax Act have been distributed between the jointly taxed companies according to the joint taxation agreement concluded.

## **Balance sheet**

### **Goodwill**

On initial recognition, goodwill is recognized and measured as the difference between (i) the cost of the acquired enterprise, the value of any minority interests in the acquired enterprise plus the fair value of previously acquired equity investments, and (ii) the fair value of the assets, liabilities and contingent liabilities acquired; see the description under "Consolidated financial statements".

The carrying amount of goodwill is allocated to the Group's cash-flow-generating units at the date of acquisition. Cash-flow-generating units are defined on the basis of the management structure and internal financial control and reporting in the Group.

Goodwill is not amortized. The amount of goodwill is subjected to impairment tests at least once a year to ensure that the asset is written down to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount is determined as the higher of the fair value less selling costs and the present value of estimated future net cash flows from the cash-flow-generating unit to which the goodwill relates. Impairment of goodwill is recognized in a separate line under profit or loss. Impairment of goodwill is not reversed.

### **Investment properties and investment properties under construction**

Properties are classified as investment properties when they are held to obtain rental income and/or capital gains. On initial recognition, investment properties are measured at cost, consisting of the acquisition cost of the property and directly associated costs.

Subsequently, investment properties are measured at fair value. The valuation is made on the basis of a discounted cash-flow model, where future cash flows are discounted to net present value on the basis of a given rate of return. The rate of return is fixed for each individual property.

The valuation of the Group's investment properties under construction is also based on a specific assessment of project progress at the reporting date, including the risks attaching to project completion. The costs incurred in con-

nection with construction are added to the value of the property.

Changes in the fair value are recognized in profit or loss under "Value adjustment of investment properties, net" in the financial year in which the change occurs.

### **Other fixtures and fittings, tools and equipment**

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. The cost consists of the acquisition cost and costs directly associated with the acquisition until the date when the asset is ready for use. The carrying amounts of other fixtures and fittings, tools and equipment are reviewed at the reporting date to identify any indications of impairment. If such indications are identified, the recoverable amount of the asset is calculated to assess the need for any impairment and the extent of such impairment.

The cost of these assets is depreciated according to the straight-line method over their expected useful lives, viz. a period of 5-10 years. Leasehold improvements are depreciated according to the straight-line method over the term of the lease.

### **Investments in subsidiaries and associates in the Parent Company's financial statements**

The Parent Company's investments in subsidiaries and associates are measured at cost. The carrying amounts of investments in subsidiaries and associates are reviewed at the reporting date to identify any indications of impairment. If such indications are identified, the recoverable amount of the asset is calculated to assess the need for any impairment and the extent of such impairment. If the cost exceeds the recoverable amount, it is written down to the recoverable amount. If the dividend distributed exceeds total earnings from the subsidiary or associate since its acquisition, this is considered an indication of impairment.

Impairment losses are recognized in profit or loss.

Upon the sale of equity investments in subsidiaries and associates, gains or losses are determined as the difference between (i) the carrying amount of the sold equity investments and (ii) the fair value of the sales proceeds and the fair value of any remaining equity investments.

### **Other non-current assets**

Other securities and investments consist of mortgage deeds and instruments of indebtedness created in connection with project sales as well as unlisted shares, and are measured at amortized cost.

Long-term securities and investments are classified as fi-

nancial assets held to maturity.

#### **Projects in progress or completed**

Projects in progress or completed consist of real property projects.

The project portfolio is recognized on the basis of the direct costs attributable to the projects, including interest during the project period, plus a share of the relevant indirect project costs. Where considered necessary, the projects have been written down to a lower value, and the capitalized amounts are subjected to impairment tests on a continuous basis to ensure that the assets are written down to the extent that the carrying amount exceeds the recoverable amount.

Additions for indirect project costs are calculated as a percentage of staff costs, project materials, the cost and maintenance of premises and depreciation resulting from project development and proportionately attributable to the project development capacity utilized.

Prepayments from customers on sold projects in progress (forward funding) are deducted from the carrying amount of the project portfolio, and any negative net amount, determined for each individual project, is included in the item "Prepayments received from customers".

#### **Receivables**

Receivables consist of trade receivables, receivables from contract work in progress, receivables from associates and other receivables. Receivables are classified as loans and receivables, which are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments.

Receivables are measured at amortized cost, usually equal to the nominal value, or at the net realizable value where this is lower. Impairment losses on receivables are calculated on the basis of an assessment of the individual receivables.

Financial assets and liabilities are charged against the balance sheet if the Company has a right of setoff and at the same time intends or is under a contractual obligation to realize assets and liabilities simultaneously.

Prepayments, recognized under assets, consist of paid expenses relating to subsequent financial years. Deferred income is measured at cost in the balance sheet.

#### **Construction contracts**

When the outcome of a construction contract can be estimated reliably, the construction contract is measured at the selling price of the work performed as of the reporting date (the percentage of completion method) less any amounts invoiced on account and writedowns for impairment. The selling price is measured on the basis of the stage of completion as of the reporting date and the total revenue expected from the individual construction contract.

The stage of completion of each individual project is normally calculated as the proportion between the resources used by the Group and the total budgeted use of resources.

When the outcome of the construction contract cannot be measured reliably, the construction contract is measured at the construction costs incurred if it is probable that they will be recoverable. If it is probable that the total construction costs will exceed total contract revenue, the estimated loss is recognized as a cost immediately.

The individual construction contract in progress is recognized in the balance sheet under receivables or liabilities, depending on whether its net value is a receivable or a liability.

#### **Securities**

Securities under current assets consist of listed and unlisted shares.

Securities are classified as financial assets available for sale, viz. financial assets that are not derivative financial instruments and that are either classified as available for sale or that cannot be classified as loans or receivables, financial assets measured at fair value via profit or loss, or held-to-maturity financial assets.

Available-for-sale securities are measured at fair value on the reporting date. Fair-value adjustments are recognized in other comprehensive income and are recognized in profit or loss on the sale or settlement of the securities.

Listed securities are measured at their official listed price, and unlisted securities are measured at their fair value, based on the calculated value in use.

Equity interests that are not traded in an active market, and where the fair value cannot be determined with a sufficient degree of reliability, are measured at cost.

#### **Equity**

Dividend is recognized as a liability at the time of its adoption at the Annual General Meeting.



Acquired treasury shares are recognized at cost and included in retained earnings under equity. If treasury shares are sold, the pertinent consideration received is recognized directly in equity. A capital reduction effected by the cancellation of treasury shares will reduce the share capital and increase retained earnings. Dividend on treasury shares is recognized directly in equity under retained earnings.

#### **Pension obligations and the like**

In case of defined contribution plans, fixed contributions are paid regularly to independent pension companies and the like. The contributions are recognized in profit or loss over the period during which the employees have performed the work entitling them to the pension contribution. Contributions payable are recognized as a liability in the balance sheet.

#### **Provisions**

Provisions are recognized when a legal or constructive obligation is incurred due to events before or at the reporting date, and meeting the obligation is likely to result in an outflow of economic benefits.

This item includes provisions for rent guarantees, with the provision being based on experience with rent guarantees and on an individual assessment of the individual leases, as well as provisions for the negative equity of associates, etc. to the extent that the Group has a legal or constructive obligation to meet the relevant associate's liabilities.

Provisions are measured as the best estimate of the costs required to settle the relevant liabilities at the reporting date. Provisions for liabilities with an expected maturity of more than one year are classified as non-current liabilities and measured at present value.

#### **Liabilities other than provisions**

Long-term financial liabilities are measured at cost at the time the relevant loans are raised, equivalent to the proceeds received after transaction costs. Subsequently, financial liabilities are measured at amortized cost, such that the difference between the proceeds and nominal value is recognized in profit or loss as an interest expense over the term of the loan.

Other financial liabilities are recognized at amortized cost, which usually corresponds to the nominal value.

Lease payments relating to operational leases are recognized in profit or loss according to the straight-line method, over the term of the lease.

Financial liabilities, which comprise payables to credit institutions, trade payables and other debt, are classified as

“Financial liabilities measured at amortized cost”.

Deferred income, recognized under liabilities, consists of income received that relates to subsequent financial years. Deferred income is measured at cost in the balance sheet.

#### **Cash flow statement**

The cash flow statement for the Parent Company and for the Group is presented according to the indirect method, based on the profit or loss from ordinary activities before financing, and shows cash flows generated from operating, investing and financing activities, as well as cash and cash equivalents at the beginning and end of the financial year.

Cash flows relating to operating activities are calculated as the operating profit or loss, adjusted for non-cash operating items, changes in working capital and paid financial income, financial expenses and corporate income tax.

Cash flows relating to investing activities comprise payments made in connection with the purchase and sale of enterprises, property, plant and equipment and other non-current assets. In addition, cash flows relating to assets under finance leases are recognized in the form of lease payments made.

Cash flows relating to financing activities consist of changes in the Parent Company's share capital and associated costs, the raising and repayment of loans, other repayments on interest-bearing debt as well as the payment of dividend.

Cash flows in currencies other than the functional currency are recognized in the cash flow statement by using average exchange rates for the period under review, unless they deviate significantly from the actual exchange rates at the transaction dates.

In preparing the consolidated cash flow statement, opening balance sheets and cash flows in foreign currencies are translated on the basis of the foreign-exchange rates prevailing at the reporting date. This eliminates the effect of exchange differences on the period's movements and cash flows. Interest paid is shown separately. Consequently, project interest for the period is not included in liquidity movements resulting from the project portfolio. Thus, the figures in the cash flow statement cannot be inferred directly from the financial statements.

Cash and cash equivalents comprise free cash resources.



## Segment information

The segment information is prepared in accordance with the Group's accounting policies, based on the Group's internal management reporting.

Segment income and expenses and segment assets and liabilities comprise the items directly allocable to the individual segment, as well as the items that can be allocated to the individual segments on a reliable basis. The unallocated items relate mainly to assets, liabilities, income and expenses associated with the Group's administrative functions, corporate income tax, and the like.

Non-current assets in the segments comprise the assets used directly in the operation of the segments, including intangible assets, property, plant and equipment and investments in associates. Current assets in the segments comprise the assets directly allocable to the operating activities in the segment, including projects in progress or completed, trade receivables, other receivables, prepayments and cash and cash equivalents.

Liabilities in the segments comprise the liabilities allocable to the operating activities in the segment, including trade payables, payables to credit institutions, provisions, other debt and the like.

## Ratio definitions

Return on equity:

Profit/loss excluding minority interests x 100

Average equity excluding minority interests

EBIT-margin:

Profit/loss before financing x 100

Net revenue

Solvency ratio  
(based on equity):

Equity including minority interests x 100

Total assets

Book value per share:

Equity excluding minority interests x 100

Number of shares

Price/book value (P/BV):

Listed price

Book value per share

Earnings per share:

Profit/loss excluding minority interests

Average number of shares in circulation

Diluted earnings per share:

Diluted profit/loss excluding minority interests

Diluted average number of diluted shares

Dividend per share:

The Parent Company's dividend per share

## Note 2. Accounting estimates and assessments

Many account items cannot be measured with certainty, but only estimated. Such estimates consist of assessments based on the most recent information available at the time of presenting the financial statements. It may be necessary to change previous estimates based on changes in the assumptions underlying the estimate or based on supplementary information, additional experience or subsequent events.

In connection with the practical application of the accounting policies described, Management has made a number of significant accounting estimates and assessments that have materially affected this Annual Report:

### Recognition of revenue

Revenue on projects that can be classified as construction contracts is recognized according to IAS 11. For sold projects consisting of several instalment deliveries that can be segregated, where the financial effect can be assessed separately, the profit on the individual instalment delivery is recognized when all essential elements of the agreement have been fulfilled, thus meeting the recognition criteria of IAS 18. Thus, Management specifically assesses each individual project for the purpose of determining recognition principle and method.

### Investment properties and investment properties under construction

The Group's investment properties and investment properties under construction are measured at fair value in the balance sheet. The valuation is made on the basis of a discounted cash-flow model, where expected future cash flows are discounted to net present value on the basis of a given rate of return. The valuation of the Group's investment properties under construction is also based on a specific assessment of project progress at the reporting date, including the risks attaching to project completion. If any changes occur in the assumptions used, the value may deviate from the value determined at 31 January 2011. In the 2010/11 financial year, a positive value adjustment of the Group's investment properties and investment properties under construction was made, amounting to DKK 30.0 million. The carrying amount of investment properties and investment properties under construction amounted to DKK 387.4 million at 31 January 2011.

### Projects in progress or completed

The need for impairment of projects in progress and completed projects is based on a specific assessment of each individual project, including existing project budgets and the expected future development potential. If the actual course of a project deviates from the expected develop-

ment, this may necessitate adjustments to the impairment recognized. The changed estimate of the impairment of projects in progress and completed projects has had a negative impact on the profit for the year of DKK 4.0 million. The impairment totalled DKK 188.1 million at 31 January 2011. The carrying amount of projects in progress or completed totalled DKK 3,424.7 million at 31 January 2011.

### Receivables

The need for impairment of receivables is based on a specific assessment of each individual receivable. If any changes occur in the assumptions used, the value may deviate from the value determined at 31 January 2011. The carrying amount of receivables totalled DKK 317.9 million at 31 January 2011.

### Deferred tax assets

The valuation has been based on the existing possibilities for carrying forward losses and for joint taxation or group contributions. A change in the conditions for carrying forward losses and joint taxation/group contributions could result in the value of the tax assets being either higher or lower than the carrying amount computed at 31 January 2011. The valuation of the tax asset has been based on existing budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. The valuation for the next two years has been based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities. These valuations are subject to some uncertainty, for which reason a provision has been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. A change in the terms and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax assets being lower than that computed at 31 January 2011, which could have a material adverse effect on the Group's results of operations and financial position. The value adjustment totalled DKK 29.5 million at 31 January 2011. The carrying amount of deferred tax assets totalled DKK 287.2 million at 31 January 2011.

### Goodwill

To assess the need for impairment of the goodwill amounts recognized, the values in use of the cash-flow-generating units to which the goodwill amount is attributable must be calculated. Calculating the value in use assumes that an estimate of future expected cash flows in the individual cash-flow-generating unit has been made and that a reasonable discount rate has been determined. The goodwill amount recognized in the balance sheet has not been written down for impairment. The carrying amount of goodwill totalled DKK 33.3 million at 31 January 2011.

### Note 3. Segment information

The Group's internal reporting to the Parent Company's Supervisory Board is split into two business units, viz. TKD Nordeuropa and Euro Mall Holding, and the remaining business activities, referred to as TKD.

TKD Nordeuropa operates on the Group's markets in Denmark, Sweden, Finland, Latvia and Lithuania, and primarily in the retail property segment (shopping centres and retail parks), the office segment and the mixed segment.

Euro Mall Holding operates on the Group's Central European markets in Poland, the Czech Republic and Slovakia, and primarily in the retail property segment (shopping centres and retail parks) and the mixed segment, and in Poland also in the residential segment

The remaining activities, referred to as TKD, make up the rest of the Group. In addition to the holding function for TKD Nordeuropa and Euro Mall Holding, TKD comprises the projects in Russia and Germany, including the Group's German investment properties.

The segment information has been disclosed accordingly.

The accounting policies used in compiling the segment information are the same as those used by the Group; see the description above.

<b>31 Jan 2011</b>	TKD Nordeuropa	Euro Mall Holding	TKD	Elimination	Total
Net revenue, external customers	<b>443.3</b>	<b>124.1</b>	<b>9.5</b>	<b>0.0</b>	<b>576.9</b>
Value adjustment of investment properties, net	<b>0.0</b>	<b>28.7</b>	<b>1.3</b>	<b>0.0</b>	<b>30.0</b>
Financial income	<b>2.5</b>	<b>4.0</b>	<b>21.7</b>	<b>0.0</b>	<b>28.2</b>
Financial expenses	<b>-40.7</b>	<b>-38.4</b>	<b>-2.3</b>	<b>0.0</b>	<b>-81.4</b>
Depreciation, amortization and impairment	<b>0.4</b>	<b>0.8</b>	<b>1.8</b>	<b>0.0</b>	<b>3.0</b>
Shares of profit or loss in associates	<b>0.1</b>	<b>2.0</b>	<b>-1.9</b>	<b>0.0</b>	<b>0.2</b>
Tax on profit/loss for the year	<b>-4.0</b>	<b>9.2</b>	<b>-5.8</b>	<b>0.0</b>	<b>-0.6</b>
Profit/loss after tax	<b>9.8</b>	<b>57.1</b>	<b>6.7</b>	<b>0.0</b>	<b>73.6</b>
Segment assets	<b>1,837.0</b>	<b>2,159.0</b>	<b>2,050.7</b>	<b>-1,424.7</b>	<b>4,622.0</b>
Investments in associates	<b>0.1</b>	<b>3.5</b>	<b>0.0</b>	<b>0.0</b>	<b>3.6</b>
Capital expenditure *)	<b>0.0</b>	<b>1.7</b>	<b>0.7</b>	<b>0.0</b>	<b>2.4</b>
Segment liabilities	<b>1,505.8</b>	<b>1,286.9</b>	<b>184.7</b>	<b>-221.4</b>	<b>2,756.0</b>

<b>31 Jan 2010</b>	TKD Nordeuropa	Euro Mall Holding	TKD	Elimination	Total
Net revenue, external customers	1,223.1	118.9	27.9	0.0	1,369.9
Value adjustment of investment properties, net	0.0	5.9	-16.8	0.0	-10.9
Financing, net	-4.5	6.4	-19.8	0.0	-17.9
Depreciation, amortization and impairment	1.4	1.2	1.9	0.0	4.5
Shares of profit or loss in associates	0.0	0.7	-0.9	0.0	-0.2
Tax on profit/loss for the year	12.4	13.1	-11.5	0.0	14.0
Profit/loss after tax	23.9	42.0	-40.5	0.0	25.4
Segment assets	1,756.4	2,001.8	1,986.0	-1,366.9	4,377.3
Investments in associates	0.0	1.5	23.2	0.0	24.7
Capital expenditure *)	0.1	0.5	0.5	0.0	1.1
Segment liabilities	1,377.4	1,170.3	392.6	-156.4	2,783.9

### Note 3. Segment information, continued

#### Geographical information

TK Development operates primarily on the markets in Denmark, Sweden, Finland, Poland and the Czech Republic. Because of the Group's accounting policies for recognizing sold projects, revenue in the individual countries may vary substantially from one year to another.

For the purpose of presenting information about geographical areas, the information about the distribution of revenue on geographical segments was prepared on the basis of project location.

	2010/11	
	Net revenue, external customers	Non-current assets **)
Denmark	181.9	37.2
Sweden	260.4	0.1
Germany	8.4	197.6
Czech Republic	45.5	191.2
Poland	78.5	1.3
Other countries ***)	2.2	0.1
Total	576.9	427.5

	2009/10	
	Net revenue, external customers	Non-current assets **)
Denmark	45.6	38.6
Sweden	1,175.9	-
Germany	-	196.0
Czech Republic	-	159.1
Other countries ***)	148.4	3.9
Total	1,369.9	397.6

Non-current assets relate primarily to the Group's investment properties in the Czech Republic and Germany; see note 18.

#### Revenue from individual customers exceeding 10 % of total revenue

In 2010/11, TKD Nordeuropa sold two projects to two different customers where the revenue on each project exceeded 10 % of the Group's total revenue. The revenue on these projects amounted to DKK 141.5 million and DKK 111.7 million, respectively. In the 2009/10 financial year, the revenue deriving from one individual customer of TKD Nordeuropa amounted to DKK 1,085.7 million.

\*) Capital expenditure comprises additions to intangible assets and property, plant and equipment.

\*\*) Non-current assets comprise intangible assets and property, plant and equipment.

\*\*\*) Net revenue for other countries comprises the remaining revenue, including revenue in the countries for which no specific amount is indicated for the individual year.

### Note 4. Net revenue

	2010/11	2009/10
Sale of projects and properties	371.9	1,224.1
Income from construction contracts (recognized according to the percentage of completion method)	34.4	47.8
Rental income	139.8	66.6
Sale of services	30.8	31.4
Total net revenue	576.9	1,369.9

## Note 5. External direct project costs

	2010/11	2009/10
Project costs	346.9	1,155.0
Impairment losses on projects in progress and completed projects	4.0	3.5
Reversal of impairment losses on projects in progress and completed projects	0.0	0.0
External direct project costs, total	350.9	1,158.5

A need for impairment on an individual project was identified in the 2010/11 financial year. This impairment loss amounts to DKK 4.0 million (2009/10: DKK 3.5 million).

## Note 6. Other external expenses

	2010/11	2009/10
Administrative expenses	19.6	21.9
Cost of premises	11.9	11.7
Cars, operating expenses	5.1	5.0
Other external expenses, total	36.6	38.6

## Note 7. Staff costs

	2010/11	2009/10
Fees for Supervisory Board	2.3	2.3
Salaries, etc. for the Parent Company's Executive Board; see below	8.2	8.2
Defined contribution pension plans	1.0	0.5
Social security costs	8.2	10.1
Costs of incentive scheme, other employees	2.9	2.9
Other salaries	63.6	71.9
Other staff costs	3.0	4.0
Total staff costs	89.2	99.9
Average number of employees	132	146
Number of employees at year-end	129	136

### Salaries, etc. for the Parent Company's Executive Board:

2010/11	Salary	Pension	Bonus	Incentive scheme	Total
Frede Clausen	4.0	0.1	0.0	0.5	4.6
Robert Andersen	3.0	0.1	0.0	0.5	3.6
Salaries, etc., total	7.0	0.2	0.0	1.0	8.2
2009/10					
Frede Clausen	4.0	0.1	0.0	0.5	4.6
Robert Andersen	3.0	0.1	0.0	0.5	3.6
Salaries, etc., total	7.0	0.2	0.0	1.0	8.2

## Note 7. Staff costs, continued

In addition, the Executive Board has the usual free benefits, including free company car. The value of these benefits amounted to DKK 0.1 million per Executive Board member in 2010/11 (2009/10: DKK 0.1 million per Executive Board member).

The Supervisory Board is composed of the Chairman, Deputy Chairman and four other members. Supervisory Board members are paid a basic fee of DKK 250,000. The Chairman is paid three times the basic fee and the Deputy Chairman twice the basic fee, while the remaining members are paid the basic fee.

### Defined contribution plans

The Group has entered into defined contribution plans with the majority of the employees in Danish group companies. According to these plans, the group companies pay a monthly amount of 2 % of the relevant employees' basic salaries to independent pension companies.

An amount of DKK 1.2 million was expensed for defined contribution plans in the 2010/11 financial year (2009/10: DKK 0.7 million).

No employees in the Group are comprised by defined benefit plans.

## Note 8. Share-based payment

The Group has two incentive schemes.

### May 2008 scheme:

At the Annual General Meeting on 27 May 2008, the Supervisory Board of TK Development was authorized to issue warrants for a total of up to nominally DKK 14,000,000 (700,000 shares of DKK 20 each) to the Executive Board and other executive staff members in the Group. On 5 June 2008, the Supervisory Board decided to exercise this authorization and issued 170,000 warrants to the Executive Board and 528,000 warrants to other executive staff members, a total of 698,000 warrants. As a consequence of the capital reduction and capital increase implemented in August 2010, where the subscription price for the newly issued shares was lower than the market value of the shares, the Supervisory Board resolved to adjust the number of warrants allocated and the subscription price for exercising the warrants. Thus, the number of warrants allocated has been adjusted by 101,300, broken down by 25,550 to the Executive Board and 75,750 to other executive staff members. Due to the termination of employment, 37,803 of the total warrants allocated have lapsed, leaving 761,497 active warrants at the reporting date.

Under the four-year warrant scheme, warrants can be exercised at the earliest three years after the grant date, and any shares subscribed for are subject to an additional lock-up period of up to three years. This means that shares up to a market value equal to the subscription amount, plus tax liability, can be disposed of without limitation, while shares in excess of such amount can be disposed of, at the earliest, during six trading windows in the three-year lock-up period, such that up to 1/6 of such shares can be disposed of during each window. The 761,497 warrants correspond to approx. 1.8 % of the share capital.

The above-mentioned warrants can be exercised in three six-week periods (windows) placed as follows:

- following publication of the preliminary announcement of financial statements for the 2010/11 financial year (from around 30 April 2011);
- following publication of the interim report for the six months ending 31 July 2011 (from around 30 September 2011); and
- following publication of the preliminary announcement of financial statements for the 2011/12 financial year (from around 30 April 2012).

The subscription price has been fixed on the basis of the average listed market price during the period 9–20 June 2008, with an annual 8 % adjustment to reflect an advance return to existing shareholders, and less regular dividend payments made to shareholders until the time of exercise of the warrants, subsequently adjusted for the capital increase implemented in August 2010. Thus, based on a price of DKK 66.9 per share of nominally DKK 15, the subscription price, before deduction for any dividend, can be calculated at DKK 72.5, DKK 74.9 and DKK 78.4 for the exercise of warrants in the three respective six-week periods.



## Note 8. Share-based payment, continued

Based on a share price of DKK 66.9 and a dividend of DKK 0 per share per year, the value of the warrants has been calculated at DKK 11.9 million, using the Black & Scholes formula. The amount is expensed periodically over the term of the incentive scheme. The calculation has been based on a volatility of 40 % and an interest level of 5 % p.a. Volatility has been determined on the basis of historical volatility and the expected future volatility of the price of the Parent Company's shares. In addition, it has been assumed that the warrants will be exercised in the intermediate exercise period. Active warrants break down as follows: 195,550 to the Executive Board and 565,947 to other executive staff members.

### June 2010 scheme:

At the Annual General Meeting on 25 May 2010, the Supervisory Board of TK Development was authorized to issue warrants for a total of up to nominally DKK 8,000,000.00 (400,000 shares of DKK 20 each) to the Executive Board and other executive staff members in the Group. On 4 June 2010, the Supervisory Board decided to exercise this authorization and issued 100,000 warrants to the Executive Board and 294,000 warrants to other executive staff members, a total of 394,000 warrants. As a consequence of the capital reduction and capital increase implemented in August 2010, where the subscription price for the newly issued shares was lower than the market value of the shares, the Supervisory Board resolved to adjust the number of warrants allocated and the subscription price for exercising the warrants. Thus, the number of warrants allocated has been adjusted by 59,216, broken down by 15,030 to the Executive Board and 44,186 to other executive staff members. Due to the termination of employment, 6,901 of the total warrants allocated have lapsed, leaving 446,315 active warrants at the reporting date.

Under the three-year warrant scheme, warrants can be exercised at the earliest two years after the grant date, and any shares subscribed for are subject to an additional lock-up period of up to two years. This means that shares up to a market value equal to the subscription amount, plus tax liability, can be disposed of without limitation, while shares in excess of such amount can be disposed of, at the earliest, during four half-yearly trading windows in the two-year lock-up period, such that up to 1/4 of such shares can be disposed of during each window. The 446,315 warrants correspond to 1.1 % of the share capital.

The warrants allocated under the incentive scheme can be exercised in three six-week periods placed as follows:

- following publication of the preliminary announcement of financial statements for the 2011/12 financial year (from around 30 April 2012);
- following publication of the interim report for the six months ending 31 July 2012 (from around 30 September 2012); and
- following publication of the preliminary announcement of financial statements for the 2012/13 financial year (from around 30 April 2013).

The subscription price has been fixed as a simple average of the daily market prices quoted for all trades in the TK Development share during the period from 9 to 22 June 2010, plus an annual 8 % adjustment to reflect an advance return to existing shareholders and less regular dividend payments made to shareholders until the time of exercise of the warrants, subsequently adjusted for the capital increase implemented. Thus, based on a price of DKK 21.1 per share, the subscription price, before deduction for any dividend, can be calculated at DKK 24.3, DKK 25.2 and DKK 26.3 for the exercise of warrants in the three respective six-week periods.

Based on a price of DKK 21.1 per share and a dividend of DKK 0 per share per year, using the Black & Scholes pricing formula, the value of the newly issued warrants has been calculated at DKK 1.9 million, to be expensed over the term of the incentive scheme. The calculation is based on an anticipated future volatility of the price of the Parent Company's shares of 40 % and an interest level of 5 % p.a. In addition, it is assumed that the warrants will be exercised in the intermediate exercise period.

Active warrants break down as follows: 115,030 to the Executive Board and 331,285 to other executive staff members.

## Note 8. Share-based payment, continued

The development in outstanding warrants is shown below:

	Number of warrants		Weighted average exercise prices	
	31 Jan 2011	31 Jan 2010	31 Jan 2011	31 Jan 2010
Outstanding warrants, beginning of year	1,350,000	1,376,000	56.84	81.61
Allocated during the financial year	554,516	0	34.90	-
Lapsed due to termination of employment	-20,704	-26,000	58.33	81.27
Expired in the financial year	-676,000	0	77.05	
Outstanding warrants, end of year	1,207,812	1,350,000	56.53	83.41
Number of warrants exercisable at the reporting date	0	676,000		
Share-based payment recognized in the profit or loss (DKK million)	3.9	3.9		

For the outstanding warrants at 31 January 2011, the exercise prices range from DKK 24.3 to DKK 78.4 per warrant (2009/10: DKK 74.54 to DKK 90.2 per warrant). The weighted average term to expiry has been calculated at 11 months (2009/10: 11 months).

## Note 9. Fees payable to the auditors elected at the General Meeting

	2010/11	2009/10
Total fees, Deloitte	2.5	1.9
Total fees, Nielsen & Christensen	1.7	1.0
Total fees	4.2	2.9

### Fees break down as follows:

#### Deloitte:

Statutory audit	1.8	1.9
Other assurance engagements	0.5	0.0
Tax consultancy	0.2	0.0
Total	2.5	1.9

#### Nielsen & Christensen:

Statutory audit	0.9	0.9
Other assurance engagements	0.5	0.0
Tax consultancy	0.1	0.1
Other services	0.2	0.0
Total	1.7	1.0

## Note 10. Investments in associates

	2010/11	2009/10
Cost at 1 February	22.4	21.8
Capital investments	1.5	0.6
Disposals for the year	-23.2	0.0
<b>Cost at 31 January</b>	<b>0.7</b>	<b>22.4</b>
Revaluations and impairment at 1 February	-4.5	-4.3
Share of profit/loss for the year after tax	0.2	-0.2
<b>Revaluations and impairment at 31 January</b>	<b>-4.3</b>	<b>-4.5</b>
<b>Transferred for setoff against receivables/provisions</b>	<b>7.2</b>	<b>6.8</b>
<b>Carrying amount at 31 January</b>	<b>3.6</b>	<b>24.7</b>

In the consolidated balance sheet, investments in associates are measured according to the equity method after deduction of any impairment. The Group's associates appear from the overview of group companies, note 40.

### Financial disclosures for associates:

	2010/11	2009/10
Income	67.3	52.9
Profit/loss for the year	1.0	-0.6
Assets	228.4	157.5
Liabilities	238.3	103.5
The Group's share of profit/loss for the year	0.2	-0.2
The Group's share of equity	-3.6	17.8

## Note 11. Investments in joint ventures

For an overview of the Group's investments in joint ventures, please see the overview of group companies in note 40, which also shows the accounting treatment of each individual company in the Consolidated Financial Statements. The figures below represent the Group's share.

	2010/11	2009/10
Income	87.1	59.2
Expenses	24.0	33.7
Current assets	757.3	652.1
Non-current assets	189.9	159.5
Current liabilities	577.8	531.6
Non-current liabilities	24.8	26.0

## Note 12. Financial income

	2010/11	2009/10
Interest, cash and cash equivalents, etc.	1.4	1.7
Interest income from joint ventures	3.1	5.0
Interest income from associates	0.2	0.3
Other interest income	2.7	0.0
<b>Financial income from loans and receivables</b>	<b>7.4</b>	<b>7.0</b>
Interest from securities (held-to-maturity)	0.1	0.1
Foreign-exchange gains	14.5	1.2
Other financial income	6.2	2.3
<b>Total financial income</b>	<b>28.2</b>	<b>10.6</b>
<b>Which breaks down as follows:</b>		
Interest income from financial assets not measured at fair value through profit and loss	7.5	9.4
Other financial income	20.7	1.2
<b>Total financial income</b>	<b>28.2</b>	<b>10.6</b>

## Note 13. Financial expenses

	2010/11	2009/10
Interest expenses, credit institutions	110.6	117.8
Interest expenses, joint ventures	3.3	9.7
Other interest expenses	4.4	0.0
Foreign-exchange losses and capital losses on securities	7.2	0.4
Other financial expenses	6.8	4.7
Of which capitalized financial expenses	-50.9	-104.1
<b>Total financial expenses</b>	<b>81.4</b>	<b>28.5</b>
<b>Which break down as follows:</b>		
Interest expenses on financial liabilities not measured at fair value through profit and loss	74.2	28.1
Other financial expenses	7.2	0.4
<b>Total financial expenses</b>	<b>81.4</b>	<b>28.5</b>

An interest rate of 2.5 – 9.0 % is used to capitalize interest on projects in progress, depending on the interest rate applicable to the individual project loans (2009/10: 2.5 – 9.25 %).

## Note 14. Corporate income tax

	2010/11	2009/10
Accrued corporate income tax	11.9	27.8
Adjustment regarding tax relating to prior year(s)	-2.7	0.6
Change in deferred tax	-2.0	-15.8
Deferred tax transferred from other comprehensive income	-6.6	1.4
<b>Tax on profit/loss for the year</b>	<b>0.6</b>	<b>14.0</b>

### The tax on the profit/loss for the year results as follows:

Tax calculated based on the Danish tax rate	18.6	9.9
Difference in tax rate, foreign subsidiaries	0.1	0.5
Adjustment relating to prior year(s)	-2.7	0.6
<b>Tax effect of:</b>		
Non-taxable income/expenses	-5.5	3.5
Change in impairment of tax assets	-0.1	-20.8
of which, change relating to unavailability of losses written down in prior year(s)	4.2	16.1
Change of tax rate	0.4	0.3
Difference, tax on foreign-exchange adjustments transferred from other comprehensive income	-8.5	1.1
Other	-5.9	2.8
<b>Tax on profit/loss for the year</b>	<b>0.6</b>	<b>14.0</b>
Effective tax rate	0.9 %	35.6 %

Deferred tax asset at 1 February	284.9	265.7
Deferred tax liabilities at 1 February	-59.2	-43.3
<b>Deferred tax asset/tax liability (net) at 1 February</b>	<b>225.7</b>	<b>222.4</b>
Foreign-exchange adjustment of balance, beginning of year	-3.5	0.7
Deferred tax for the year recognized in profit or loss for the year	2.0	15.8
Adjustment relating to prior year(s) recognized in profit or loss for the year	-0.7	0.0
Deferred tax for the year recognized in other comprehensive income	2.8	-7.2
Other additions, net	5.8	-6.0
<b>Deferred tax asset/tax liability (net) at 31 January</b>	<b>232.1</b>	<b>225.7</b>

### Recognized in the balance sheet as follows:

Deferred tax asset at 31 January; see note 21	287.2	284.9
Deferred tax liabilities at 31 January; see note 32	-55.1	-59.2
<b>Deferred tax asset/tax liability (net) at 31 January</b>	<b>232.1</b>	<b>225.7</b>

## Note 15. Earnings per share

	2010/11	2009/10
Earnings in DKK per share (EPS)	2.1	0.9
Diluted earnings in DKK per share (EPS-D)	2.1	0.9
<b>Profit/loss for the year</b>	<b>73.6</b>	<b>25.4</b>
<b>Shareholders' share of profit/loss for the year</b>	<b>73.6</b>	<b>25.4</b>
Average number of shares of nom. DKK 15 (2009/10 of nom. DKK 20)	35,095,222	28,043,810
<b>Average number of shares in circulation of nom. DKK 15 (2009/10 of nom. DKK 20)</b>	<b>35,095,222</b>	<b>28,043,810</b>

The outstanding warrants do not have a dilutive effect, as the average market price of ordinary shares in the financial year or the comparative year did not exceed the subscription price in the first window. This means that the outstanding warrants are "out-of-the-money" and therefore not included in the diluted average number of shares in circulation. In the longer term, the outstanding warrants may have an effect on earnings per share.

The Group's accounting policies have been changed following the implementation of the revised IAS 27, *Consolidated and Separate Financial Statements*; see note 1. The effect on earnings per share can be specified as follows:

	Effect on earnings per share		Effect on earnings per share, diluted	
	2010/11	2009/10	2010/11	2009/10
The change to accounting policies relating to the accounting treatment of transactions resulting in the acquisition/loss of control of ownership interests in the Group's subsidiaries	0.0	0.0	0.0	0.0

## Note 16. Dividends

In the 2010/11 financial year, no dividends were distributed to the Company's shareholders for the 2009/10 financial year. At the Annual General Meeting on 24 May 2011, the Supervisory Board will propose that no dividends be distributed to the Company's shareholders for the 2010/11 financial year.



## Note 17. Goodwill

	31 Jan 2011	31 Jan 2010
Cost at 1 February	47.8	47.8
Additions	0.0	0.0
<b>Cost at 31 January</b>	<b>47.8</b>	<b>47.8</b>
Amortization and impairment at 1 February	14.5	14.5
Impairment for the year	0.0	0.0
<b>Amortization and impairment at 31 January</b>	<b>14.5</b>	<b>14.5</b>
<b>Carrying amount at 31 January</b>	<b>33.3</b>	<b>33.3</b>

The total goodwill relates to the cash-flow-generating unit, Euro Mall Holding A/S; see note 3.

At 31 January 2011, Management performed an impairment test of the carrying amount of goodwill. The recoverable amount is based on the value in use, which has been determined using the expected cash flows on the basis of budgets for the next three financial years and forecasts for another two financial years approved by the Supervisory Board and recognition of the terminal value in year five. The calculation of the recoverable amount included a discount rate of 10 % before tax. The impairment test did not give rise to any recognition of impairment.

Management assesses that significant changes to the basic assumptions would not result in the carrying amount of goodwill exceeding the recoverable amount.

## Note 18. Investment properties

	31 Jan 2011		31 Jan 2010		
	Completed investment properties	Investment properties under construction	Completed investment properties	Investment properties under construction	
Cost at 1 February	333.7	0.0	334.2	0.0	
Foreign-exchange adjustments, beginning of year	0.5	0.0	-0.5	0.0	
Costs of improvements	0.1	0.0	0.0	0.0	
Additions	0.0	1.7	0.0	0.0	
<b>Cost at 31 January</b>	<b>334.3</b>	<b>1.7</b>	<b>333.7</b>	<b>0.0</b>	
Revaluations at 1 February	120.0	0.0	114.1	0.0	
Revaluations for the year	1.6	27.1	5.9	0.0	
<b>Revaluations at 31 January</b>	<b>121.6</b>	<b>27.1</b>	<b>120.0</b>	<b>0.0</b>	
Impairment at 1 February	98.6	0.0	81.8	0.0	
Impairment for the year	2.1	0.0	19.2	0.0	
Impairment reversed	-3.4	0.0	-2.4	0.0	
<b>Impairment at 31 January</b>	<b>97.3</b>	<b>0.0</b>	<b>98.6</b>	<b>0.0</b>	
<b>Revaluations and impairment at 31 January</b>	<b>24.3</b>	<b>27.1</b>	<b>21.4</b>	<b>0.0</b>	
<b>Carrying amount at 31 January</b>	<b>358.6</b>	<b>28.8</b>	<b>355.1</b>	<b>0.0</b>	
<b>Which breaks down as follows:</b>					
Central European investment properties	161.0	28.8	159.1	0.0	
German investment properties	197.6	0.0	196.0	0.0	
<b>Total</b>	<b>358.6</b>	<b>28.8</b>	<b>355.1</b>	<b>0.0</b>	
Rental income, investment properties	23.7	0.0	26.6	0.0	
Direct operating expenses, premises let	-2.0	0.0	-2.3	0.0	
Direct operating expenses, unlet premises	-0.7	0.0	-1.1	0.0	
<b>Net income from investment properties</b>	<b>21.0</b>	<b>0.0</b>	<b>23.2</b>	<b>0.0</b>	
Completed investment properties:	Location	Ownership interest in %	Required return	Year acquired	m <sup>2</sup> .
Futurum Hradec Kralové	Czech Republic	20 %	7.0 %	2000	18,300
Lüdenscheid/Berlin	Germany	100 %	6.5 %	1994-1998	26,000

The Czech investment property and the ongoing extension are owned through a joint venture with GE Capital and Heitman, in which the Group has access to a performance-driven share of the value adjustments of the property, which is recognized in the carrying amount at 31 January 2011.

The carrying amount of the Czech investment property totalled DKK 161.0 million at 31 January 2011. The valuation is based on an unchanged rate of return of 7.0 % p.a. calculated on the basis of a discounted cash-flow model over a five-year period and recognition of the terminal value in year five. The value adjustment for the year amounts to DKK 1.6 million.

The joint venture has decided to initiate the contemplated 10,000 m<sup>2</sup> extension of the existing investment property. The opening is scheduled for spring 2012. As is the case for the existing shopping centre, the valuation is based on a rate of return of 7.0 % p.a. calculated on the basis of a discounted cash-flow model over a five-year period and recognition of the terminal value in year five. In addition, the valuation is based on a specific assessment of project progress at the reporting date, including the risks attaching to project completion. This assessment takes into account that a construction contract has been concluded with a contractor, that construction started in January 2011 and that the occupancy rate was 77 % at the reporting date. The total value adjustment for 2010/11 amounts to DKK 27.1 million.

## Note 18. Investment properties, continued

The valuation of the Group's German investment properties is based on an unchanged required rate of return of 6.5 % p.a. calculated on the basis of a discounted cash-flow model over a ten-year period and recognition of the terminal value in year ten. The carrying amount of the Group's German investment properties totalled DKK 197.6 million at 31 January 2011. The value adjustment for the year amounts to DKK 1.3 million.

The services of an external valuer have not been used to value the Group's investment properties.

## Note 19. Other fixtures and fittings, tools and equipment

	31 Jan 2011	31 Jan 2010
Cost at 1 February	55.0	59.7
Foreign-exchange adjustments, beginning of year	0.7	0.8
Additions	0.6	1.0
Disposals	-2.6	-6.5
<b>Cost at 31 January</b>	<b>53.7</b>	<b>55.0</b>
Depreciation and impairment at 1 February	45.8	45.4
Foreign-exchange adjustments, beginning of year	0.3	0.4
Depreciation for the year	3.0	4.0
Depreciation and impairment, assets disposed of	-2.2	-4.0
<b>Depreciation and impairment at 31 January</b>	<b>46.9</b>	<b>45.8</b>
<b>Carrying amount at 31 January</b>	<b>6.8</b>	<b>9.2</b>

Other fixtures and fittings, tools and equipment are depreciated over a term of five years. Leasehold improvements included in the above amounts are depreciated according to the straight-line method over the term of the lease. The carrying amount of leasehold improvements is considered insignificant, for which reason other fixtures and fittings, tools and equipment are not divided into different classifications.

## Note 20. Other securities and investments

	31 Jan 2011	31 Jan 2010
Cost at 1 February	16.3	16.3
Additions for the year	0.7	0.0
Disposals for the year	-0.1	0.0
<b>Cost at 31 January</b>	<b>16.9</b>	<b>16.3</b>
Revaluations and impairment at 1 February	-15.0	-15.0
Revaluations and impairment for the year	0.0	0.0
<b>Revaluations and impairment at 31 January</b>	<b>-15.0</b>	<b>-15.0</b>
<b>Carrying amount at 31 January</b>	<b>1.9</b>	<b>1.3</b>

Other securities and investments consist mainly of mortgage deeds on real property and unlisted shares.

The carrying amount of other securities and investments is equal to their fair value. The fair value has been determined at the present value of future principal repayments and interest payments by using the effective interest method.

## Note 21. Deferred tax assets

	31 Jan 2011	31 Jan 2010
Deferred tax assets at 1 February	314.5	322.1
Change of tax rate	0.1	-0.5
Additions for the year	15.0	31.9
Disposals for the year	-19.6	-34.8
Tax on other comprehensive income	5.0	-5.8
Foreign-exchange adjustments	1.7	1.6
<b>Deferred tax assets at 31 January</b>	<b>316.7</b>	<b>314.5</b>
Value adjustment at 1 February	-29.6	-56.4
Value adjustment for the year	0.1	26.8
<b>Value adjustments at 31 January</b>	<b>-29.5</b>	<b>-29.6</b>
<b>Carrying amount at 31 January</b>	<b>287.2</b>	<b>284.9</b>
<b>Deferred tax assets relate to:</b>		
Investments	1.5	1.5
Property, plant and equipment	0.4	0.4
Other non-current assets	18.4	15.6
Current assets	-30.3	-21.6
Provisions	1.7	-1.7
Value of tax loss(es)	325.0	320.3
Impairment of tax assets	-29.5	-29.6
<b>Total</b>	<b>287.2</b>	<b>284.9</b>
Deferred tax assets at 31 January; see above	287.2	284.9
Deferred tax liabilities at 31 January; see note 32	-55.1	-59.2
Deferred tax assets/tax liabilities (net) at 31 January	232.1	225.7

31 Jan 2011	Deferred tax asset/tax liability (net) at 1 February	Recognized in profit/loss	Recognized in other comprehensive income	Foreign-exchange adjustments, beginning of year	Deferred tax asset/tax liability (net) at 31 January
Investments	1.5	0.0	0.0	0.0	1.5
Property, plant and equipment	0.4	0.0	0.0	0.0	0.4
Other non-current assets	15.6	2.8	0.0	0.0	18.4
Current assets	-62.9	-12.7	8.6	-1.7	-68.7
Untaxed reserve relating to Sweden	-19.4	0.8	0.0	-2.9	-21.5
Provisions	-1.4	4.8	0.0	0.0	3.4
Value of tax losses	321.5	5.5	0.0	1.1	328.1
Impairment of tax assets	-29.6	0.1	0.0	0.0	-29.5
<b>Total</b>	<b>225.7</b>	<b>1.3</b>	<b>8.6</b>	<b>-3.5</b>	<b>232.1</b>

## Note 21. Deferred tax assets, continued

31 Jan 2010	Deferred tax asset/tax liability (net) at 1 February	Recognized in profit/loss	Recognized in other comprehensive income	Other additions/disposals	Company acquisitions	Foreign-exchange adjustments, beginning of year	Deferred tax asset/tax liability (net) at 31 January
Investments	1.5	0.0	0.0	0.0	0.0	0.0	1.5
Property, plant and equipment	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Other non-current assets	20.6	-5.0	0.0	0.0	0.0	0.0	15.6
Current assets	-48.4	5.5	-11.8	-0.6	-6.0	-1.6	-62.9
Untaxed reserve relating to Sweden	-8.9	-10.2	0.0	0.0	0.0	-0.3	-19.4
Provisions	3.5	-4.9	0.0	0.0	0.0	0.0	-1.4
Value of tax losses	310.1	8.2	0.0	0.0	0.6	2.6	321.5
Impairment of tax assets	-56.4	20.8	6.0	0.0	0.0	0.0	-29.6
<b>Total</b>	<b>222.4</b>	<b>14.4</b>	<b>-5.8</b>	<b>-0.6</b>	<b>-5.4</b>	<b>0.7</b>	<b>225.7</b>

A significant share of the total tax asset relates to the Danish share of joint taxation, as the tax loss carryforwards have no expiry date.

The valuation of the tax asset is based on existing budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. The valuation for the next two years has been based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities. These valuations are subject to some uncertainty, for which reason a provision has been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. On this basis, Management assessed the total impairment loss on the tax asset to be DKK 29.5 million at 31 January 2011. At 31 January 2010, total impairment of the tax asset amounted to DKK 29.6 million.

The impairment of the tax asset relates mainly to Danish tax losses that can be carried forward perpetually, as well as Polish and Czech losses that expire within one to five years.

## Note 22. Projects in progress or completed

	31 Jan 2011	31 Jan 2010
Projects in progress or completed excl. interest, etc.	3,413.8	3,361.5
Capitalized interest, etc.	483.1	425.1
Payments received on account	-284.1	-350.7
Impairment	-188.1	-182.4
<b>Total projects in progress or completed</b>	<b>3,424.7</b>	<b>3,253.5</b>

The carrying amount of the portion of the project portfolio on which impairment losses have been recognized is DKK 767.1 million (2009/10: DKK 652.5 million).

## Note 23. Trade receivables

	31 Jan 2011	31 Jan 2010
Receivables relating to re-invoiced construction contracts	0.0	0.2
Receivables from tenants	19.6	13.3
Other trade receivables	135.4	93.0
<b>Total trade receivables</b>	<b>155.0</b>	<b>106.5</b>
<b>Impairment for the year recognized in the income statement</b>	<b>-7.5</b>	<b>-1.4</b>

	31 Jan 2011	31 Jan 2010
Impairment at 1 February	8.9	7.0
Foreign-exchange adjustments, beginning of year	0.3	0.5
Applied for the year	-1.2	-0.1
Provisions for the year	8.8	1.5
Reversed provisions	-0.1	0.0
<b>Impairment at 31 January</b>	<b>16.7</b>	<b>8.9</b>

Any impairment is made to the net realizable value, equal to the sum total of future net cash flows that the receivables are expected to generate. Impairment losses on receivables are calculated on the basis of an assessment of the individual receivables. The carrying amount of receivables written down to net realizable value based on an individual assessment is DKK 17.0 million. The corresponding amount at 31 January 2010 was DKK 5.6 million.

There are no major overdue receivables that have not been written down for impairment.

The carrying amount of the receivables corresponds to the fair value. Interest income of DKK 0.0 million (2009/10: DKK 0.0 million) on impaired receivables has been recognized as revenue.

## Note 24. Contract work in progress

	31 Jan 2011	31 Jan 2010
Cost of work performed at the reporting date	29.9	8.7
Profit on account	12.3	9.1
Amounts invoiced on account	-30.0	0.0
<b>Total contract work in progress</b>	<b>12.2</b>	<b>17.8</b>

Withheld payments for work performed amount to DKK 0.0 million (2009/10: DKK 0.0 million).

## Note 25. Securities

	31 Jan 2011	31 Jan 2010
Listed securities	0.1	0.1
Unlisted securities	3.9	3.9
<b>Total securities</b>	<b>4.0</b>	<b>4.0</b>

Securities consisting of listed shares and unlisted equity interests and securities are classified as "Financial assets available for sale". Listed securities consist of listed shares and are measured at fair value. Unlisted equity interests are not traded in an active market. As the fair value of these equity interests cannot be determined with a sufficient degree of reliability, they are measured at cost. Unlisted securities, except unlisted equity interests, are measured at cost on initial recognition and subsequently at fair value.



## Note 26. Deposits in custody and escrow accounts

	31 Jan 2011	31 Jan 2010
Custody accounts and other accounts that the Group cannot fully dispose of	63.6	68.7
Setoff of financial liabilities	0.0	-5.2
<b>Total deposits in custody and escrow accounts</b>	<b>63.6</b>	<b>63.5</b>

## Note 27. Share capital

The share capital consists of 42,065,715 shares of DKK 15 each (nom. DKK 630,985,725). The share capital has been paid up in full. The shares are not divided into several share classes, and no shares are subject to special rights or restrictions, including restrictions with regard to the payment of dividend and repayment of capital.

Changes in the share capital over the past five years:

	Number in thousands		Nominal value	
	Changes	Year-end	Changes	Year-end
2006/07	0.0	28,043.8	0.0	560.9
2007/08	0.0	28,043.8	0.0	560.9
2008/09	0.0	28,043.8	0.0	560.9
2009/10	0.0	28,043.8	0.0	560.9
<b>2010/11:</b>				
Capital reduction on change of share denomination from nom. 20 to nom. 15	-	28,043.8	-140.2	420.7
Capital increase against cash payment	14,021.9	42,065.7	210.3	631.0

The Group did not hold treasury shares in the 2010/11 financial year or in the comparative year.

## Note 28. Other reserves

	Special reserve	Reserve for value adjustment of available-for-sale financial assets	Reserve for value adjustment of hedging instruments	Reserve for foreign-exchange adjustments	Total
Other reserves at 1 February 2009	0.0	-0.1	-31.4	-4.8	-36.3
Exchange-rate adjustment, foreign operations	0.0	0.0	0.0	32.5	32.5
Value adjustment of hedging instruments	0.0	0.0	31.4	0.0	31.4
Value adjustment of financial assets available for sale	0.0	0.0	0.0	0.0	0.0
Deferred tax on other comprehensive income	0.0	0.0	0.0	-5.8	-5.8
<b>Other reserves at 31 January 2010</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>21.9</b>	<b>21.8</b>
Capital reduction	<b>140.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>140.2</b>
Exchange-rate adjustment, foreign operations	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.2</b>	<b>4.2</b>
Value adjustment of hedging instruments	<b>0.0</b>	<b>0.0</b>	<b>-2.3</b>	<b>0.0</b>	<b>-2.3</b>
Value adjustment of financial assets available for sale	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Deferred tax on other comprehensive income	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>-4.2</b>	<b>-3.8</b>
<b>Other reserves at 31 January 2011</b>	<b>140.2</b>	<b>-0.1</b>	<b>-1.9</b>	<b>21.9</b>	<b>160.1</b>

The special reserve concerns a special fund that arose in connection with the capital reduction implemented in August, when the denomination of the Group's shares was changed from DKK 20 to DKK 15. This reserve can be used only following a resolution passed at the General Meeting.

The reserve for value adjustment of financial assets available for sale comprises the accumulated net change in the fair value of financial assets classified as available for sale. The reserve is dissolved as the relevant financial assets are sold or expire.

The reserve for value adjustment of hedging instruments comprises unrealized losses on forward-exchange transactions and interest-rate hedging transactions concluded to hedge future transactions.

The reserve for foreign-exchange adjustments comprises all foreign-exchange adjustments arising on the translation of financial statements for enterprises with a functional currency other than Danish kroner; foreign-exchange adjustments relating to assets and liabilities that are part of the Group's net investment in such enterprises; and foreign-exchange adjustments relating to any hedging transactions that hedge the Group's net investment in such enterprises. On the sale or winding-up of subsidiaries, the accumulated foreign-exchange adjustments recognized in other comprehensive income in respect of the relevant subsidiary are transferred to the profit or loss.

## Note 29. Payables to credit institutions

	31 Jan 2011	31 Jan 2010
Payables to credit institutions are recognized as follows in the balance sheet:		
Non-current liabilities	146.4	26.0
Current liabilities before setoffs	2,199.5	2,303.2
<b>Total payables to credit institutions</b>	<b>2,345.9</b>	<b>2,329.2</b>

Assets set off against current liabilities:

Cash and cash equivalents	0.0	-5.2
<b>Payables to credit institutions after setoff against assets</b>	<b>2,345.9</b>	<b>2,324.0</b>

Financial liabilities have been offset against trade receivables and tied-up cash and cash equivalents, to the extent that the Company has a right of setoff and also intends or is contractually obliged to realize assets and liabilities at the same time.

Fair value	2,346.2	2,329.9
Carrying amount	2,345.9	2,329.2

The fair value has been determined at the present value of future principal repayments and interest payments by using the effective interest method.

At 31 January, the Group had the following loans and credits:

Loans	Maturity	Fixed/ variable	Effective rate		Carrying amount		Fair value	
			2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Mortgage credit DKK	2012-2027	fixed	1.6 - 4.1 %	4.1 %	70.1	25.3	70.4	26.0
Bank DKK	2011-2012	variable	3.5-5.5 %	4.5-6 %	1,002.8	1,175.6	1,002.8	1,175.6
Bank SEK	2011-2023	variable	4 - 5 %	2.5-3.5 %	45.0	42.2	45.0	42.2
Bank PLN	2011	variable	8 - 9 %	7-9.25 %	176.1	180.4	176.1	180.4
Bank CZK	2011-2012	variable	2.75 - 3.75 %	3.5-4 %	50.6	50.8	50.6	50.8
Bank EUR	2011-2027	variable	2 - 6 %	2.5-5 %	1,001.3	854.9	1,001.3	854.9
<b>Total</b>					<b>2,345.9</b>	<b>2,329.2</b>	<b>2,346.2</b>	<b>2,329.9</b>

## Note 30. Provisions

	31 Jan 2011	31 Jan 2010
Rent guarantees for properties sold at 1 February	22.1	11.9
Foreign-exchange adjustments, beginning of year	2.0	0.0
Applied during the year	-14.5	-5.4
Reversed rent guarantees	-3.4	-2.7
Provisions for the year	11.1	18.3
<b>Rent guarantees for properties sold at 31 January</b>	<b>17.3</b>	<b>22.1</b>
Other provisions at 1 February	6.8	6.6
Reversed provisions	-6.8	0.0
Provisions for the year	0.0	0.2
<b>Other provisions at 31 January</b>	<b>0.0</b>	<b>6.8</b>
<b>Provisions at 31 January</b>	<b>17.3</b>	<b>28.9</b>
	31 Jan 2011	31 Jan 2010
Expected maturity dates of the liabilities provided for:		
0-1 year	10.1	14.2
1-5 years	7.2	14.7
> 5 years	0.0	0.0
<b>Provisions at 31 January</b>	<b>17.3</b>	<b>28.9</b>

Rent guarantee liabilities for sold properties have been calculated based on experience with rent guarantees and an individual assessment of each lease.

Other provisions at 31 January 2010 relates to provisions for negative equity in an associate.

## Note 31. Operating leases

For the years 2011-2015, operating leases for the rental of office premises, office machines and operating equipment have been concluded. The leases have been concluded for a one- to five-year period with fixed lease payments that are index-adjusted annually. The leases are non-terminable for the period mentioned, after which the majority can be renewed for three- to five-year periods.

Future minimum lease payments according to non-terminable lease contracts break down as follows:

	2010/11	2009/10
Within 1 year	10.2	9.0
Within 1-5 years	8.5	11.0
After 5 years	0.0	0.0
<b>Total</b>	<b>18.7</b>	<b>20.0</b>
Minimum lease payments for the year recognized in the income statement	12.4	12.4

## Note 32. Deferred tax liabilities

	31 Jan 2011	31 Jan 2010
Deferred tax liability at 1 February	59.2	43.3
Additions for the year	13.0	30.6
Disposals for the year	-18.8	-15.7
Tax on other comprehensive income	-3.6	0.0
Foreign-exchange adjustments	5.3	1.0
<b>Deferred tax liabilities at 31 January</b>	<b>55.1</b>	<b>59.2</b>

### Deferred tax liabilities relate to:

Current assets	38.4	41.3
Untaxed reserve relating to Sweden	21.6	19.4
Provisions	-1.7	-0.3
Value of tax losses	-3.2	-1.2
<b>Total</b>	<b>55.1</b>	<b>59.2</b>

The Group has no deferred tax liabilities relating to investments in subsidiaries, associates or joint ventures that have not been recognized in the balance sheet. The contingent retaxation liability attaching to German subsidiaries regarding which no provisions for deferred tax have been made amounted to DKK 97.0 million (2009/10: DKK 97.9 million). The Company will check whether such tax liability will be triggered, which is considered unlikely.

## Note 33. Other debt

	31 Jan 2011	31 Jan 2010
Employee-related payables	5.4	5.8
Holiday pay obligations	7.6	7.9
Derivative financial instruments	2.7	0.0
Other debt	176.5	176.0
<b>Other debt, total</b>	<b>192.2</b>	<b>189.7</b>

### Broken down as follows under liabilities:

Non-current liabilities (employee bonds)	3.9	3.9
Current liabilities	188.3	185.8
<b>Other debt, total</b>	<b>192.2</b>	<b>189.7</b>

The carrying amount of employee-related payables consisting of salaries, A-tax, social security contributions, holiday pay, etc., project-related costs and other costs payable is equal to the fair value of these payables.

Holiday pay obligations represent the Group's liability to pay salary during holiday periods to which the employees had earned entitlement by the reporting date and which are to be taken in the following financial year(s).

## Note 34. Contingent assets and liabilities as well as security furnished

### Contingent assets

A contingent asset in the form of deferred tax assets not recognized appears from note 21.

### Contingent liabilities and security furnished

	31 Jan 2011	31 Jan 2010
Share of surety and guarantee commitments in associates	28.2	0.0
Surety and guarantee commitments on behalf of associates	4.0	5.1
Surety and guarantee commitments on behalf of joint ventures	1.2	1.1
Surety and surety and guarantee commitments in joint ventures	0.0	5.8
Other surety and guarantee commitments	100.3	34.1
Carrying amount of project portfolio furnished as security to credit institutions	3,154.5	2,938.6
Carrying amount of escrow account deposits, etc., investments, receivables and property, plant and equipment furnished as security to credit institutions	450.7	387.9

The figures in brackets are comparative figures for 2009/10.

The amounts stated for surety and guarantee commitments on behalf of associates and joint ventures are the upper limits.

The Group's other surety and guarantee commitments consist primarily of the Group's total rent guarantee commitments for which no provisions have been made in the financial statements. The provisions made in the financial statements relate to the rent guarantees that are likely to be called up.

The Group's project portfolio amounts to DKK 3,424.7 million (DKK 3,253.5 million), of which DKK 3,154.5 million (DKK 2,938.6 million) has been furnished as security to the credit institutions that have granted building credits or mortgage credit loans.

The carrying amount of escrow account deposits, etc., and non-current assets totalling DKK 450.7 million (DKK 387.9 million), consists of security furnished in the form of escrow accounts, securities, etc., DKK 66.2 million (DKK 32.8 million), and investment properties, DKK 384.5 million (DKK 355.1 million).

Usual performance bonds have been furnished for construction works performed. The performance bonds have been issued via a credit insurance company. To a large extent, any work to be carried out under performance bonds will be attributable to sub-contractors.

TK Development may in some cases be required to make the necessary funds available to joint ventures in step with the development and execution of specific projects, or to contribute further capital where this is necessary.

TK Development is currently party to the following lawsuit that is of relevance due to its scope:

In the summer of 2002, De Samvirkende Købmænd, a trade association of grocery retailers, filed a complaint with the Nature Protection Board of Appeal (Naturklagenævnet) in respect of the City of Copenhagen's approval of the layout of the Field's department store. In particular, the claim asserted that the Field's department store is not one department store, but that it consists of several individual stores. The Nature Protection Board of Appeal made its decision in the matter on 19 December 2003, after which the department store layout was approved. De Samvirkende Købmænd subsequently took out a writ against the Nature Protection Board of Appeal before the Danish High Court. At the beginning of 2011, the High Court gave judgment in favour of De Samvirkende Købmænd. Neither the owner of the centre nor any company in the TK Development Group is a direct party to the case, but the High Court's judgment may have the effect that the Field's department store will have to be redesigned following negotiations with the relevant local authorities. As a result of the judgment, the owner of Field's may have to incur the financial burden of causing the necessary changes to the building layout, and in that connection it cannot be ruled out that a claim may be made against the Group. Regardless of the judgment, Management still believes the risk of this case to be negligible.

In addition, the Group is involved in a few disputes, none of which is deemed to have a scope that, either individually or collectively, may affect the Group's performance to any appreciable extent.

The contingent retaxation liability attaching to German subsidiaries regarding which no provisions for deferred tax have been made amounts to DKK 97.0 million (2009/10: DKK 97.9 million). The Company will check whether such tax liability will be triggered, which is considered unlikely.



## Note 35. Financial risks and financial instruments

### Capital management

The Group's capital structure consists of equity, cash and cash equivalents and payables to credit institutions.

The Company's Management reviews the Group's capital structure on a regular basis, as well as the need for any adjustments. Management's overall aim is to provide a capital structure that supports the Group's long-term growth, while at the same time ensuring the best possible relation between equity and loan capital and thus maximizing the return for the Company's shareholders.

### Financial targets

The Group has adopted a solvency target corresponding to a solvency ratio of around 30 %, and compliance with this target also represents a covenant that commits the Group vis-à-vis its main banker. This target was met throughout the financial year. The solvency ratio was 40.4 % at 31 January 2011 (31 January 2010: 36.4 %).

### Liquidity covenant

The Group introduced liquidity covenants in spring 2004. In short, the liquidity covenant expresses that the Group's cash resources – to enable the Group to cover liabilities requiring substantial liquidity - must at any time correspond to the fixed costs for the next six-month period, excluding funds received as proceeds from projects sold, but including project liabilities materializing within the next six months.

The covenant represents a liquidity target for the whole Group and a commitment to the Group's main banker. The covenant must be calculated and met before projects requiring liquidity can be acquired and initiated.

The covenant is expressed as follows:

$$L + K > E + O + R,$$

where:

- L = The TK Development Group's free cash resources in the form of deposits with banks and the value of listed Danish government and mortgage bonds with a term to maturity of less than five years.
- K = The TK Development Group's amounts available on committed operating credit facilities from time to time.
- E = The planned impact on cash resources from the projects which the TK Development Group is obliged to complete within six months, including the new/expanded project, taking into account committed project credit facilities from financial institutions and forward funding.
- O = The TK Development Group's cash non-project-related capacity costs for the following six months less management fees falling due within six months. In addition, pre-agreed project fees from final and binding agreements with project investors falling due within six months are to be set off against the amount.
- R = Interest accruing on the TK Development Group's operating credit facilities for the following six months.

The Group's solvency and liquidity covenant were both met during the year under review.

### Dividend policy

TK' Development's long-term policy is to distribute a portion of the year's profit as dividends or alternatively via a share repurchase programme. This will always be done with due regard for the Group's capital structure, solvency, cash resources and investment plans.

### Breach of loan agreements

During the financial year and the comparative year, the TK Development Group was not in breach of any loan agreements.

## Note 35. Financial risks and financial instruments, continued

Categories of financial instruments	31 Jan 2011	31 Jan 2010
Other securities and investments	1.9	1.3
<b>Financial assets held to maturity</b>	<b>1.9</b>	<b>1.3</b>
Trade receivables	155.0	106.5
Receivables from associates	20.3	2.9
Contract work in progress	12.2	17.8
Other receivables	106.6	125.7
Cash, cash equivalents, including custody and escrow accounts	159.9	141.0
<b>Loans and receivables</b>	<b>454.0</b>	<b>393.9</b>
Securities	4.0	4.0
<b>Financial assets available for sale</b>	<b>4.0</b>	<b>4.0</b>
Credit institutions	2,345.9	2,324.0
Trade payables	104.8	144.1
Other debt	189.5	185.8
<b>Financial liabilities measured at amortized cost</b>	<b>2,640.2</b>	<b>2,653.9</b>
Derivative financial instruments entered into to hedge interest rates	2.7	0.0
<b>Hedging instruments</b>	<b>2.7</b>	<b>0.0</b>

### The Group's risk management policy

As a consequence of its activities, TK Development is exposed to fluctuations in foreign-exchange and interest rates. The overall objective of the Group's risk policy is to manage risks and exposures and thus minimize the negative effects on earnings and cash flows. To the extent possible, the Parent Company manages the Group's financial risks centrally and coordinates the Group's liquidity management, including the raising of funds and the investment of surplus funds.

### Foreign-exchange risks

The Group primarily hedges its foreign-exchange risks by matching the currency of payments received with the currency of payments made. As a main rule, the financing of the individual projects, whether raised with credit institutions or by forward funding, is raised in the same currency as the currency agreed or expected to be used for the project sale. Likewise, the main rule is for construction contracts to be concluded in the project invoicing currency. In the cases where the Company concludes the construction contract in a different currency than the relevant project's invoicing currency, it will be assessed in each case whether the foreign-exchange risk is to be hedged through a forward agreement or other derivative financial instruments. No forward agreements or other derivative financial instruments were used in the 2010/11 financial year. In the comparative year, a forward contract was concluded to hedge the contract currency for a project, which differed from the invoicing currency. This forward contract was finally settled in the comparative year.

### Interest-rate risks

As a main rule, the TK Development Group finances its projects in progress by way of short-term, floating-rate bank loans or by forward funding, generally based on a fixed interest rate. Other interest-bearing debt is largely subject to variable interest (floating-rate debt).

Based on the Group's risk policy, Management regularly assesses whether a portion of its loans should be hedged by financial instruments. Two interest swaps were entered into in 2010/11 to hedge interest-rate risks. These hedging transactions relate to two completed projects in Poland. The swap contracts expire in 2013 and 2014, respectively. No derivative financial instruments were used to hedge interest-rate risks in the comparative year.

## **Note 35. Financial risks and financial instruments, continued**

### **Liquidity risks**

The Group manages its liquidity risks by using continuous short-term cash budgets and long-term cash budgets that cover several years. The Group aims to continuously secure an optimum liquidity buffer to make efficient use of its cash resources in case of unforeseen fluctuations in cash withdrawals. The Group aims to optimize its liquidity buffer by raising loans or forward funding for its projects in progress.

To provide for sufficient future financial resources, Management has adopted a liquidity target for the whole Group. In addition, Management has adopted a solvency target for the whole Group corresponding to a solvency ratio of minimum 30 %, calculated as the ratio of equity to total assets. The Group has undertaken a commitment towards its main banker to meet a liquidity target and a solvency target. Both targets were met during the period under review.

### **Credit risks**

In connection with the sale of the Group's projects, the title to a project does not pass to the investor until payment has been effected. Thus, the Group's sale of projects does not generally generate credit risks as such. Each receivable is assessed individually, after which any necessary impairment losses are recognized.

The maximum credit risks associated with securities, equity investments, trade receivables, other receivables, cash and cash equivalents and deposits in custody and escrow accounts correspond to their carrying amounts. The impairment losses for the year relating to trade receivables appear from note 23.

No impairment losses on other financial assets were recognized in the 2010/11 financial year (2009/10: DKK 0.8 million). The carrying amount of other receivables written down to net realizable value amounts to DKK 0.9 million (2009/10: DKK 0.9 million).

## Note 35. Financial risks and financial instruments, continued

### Foreign-exchange risks relating to recognized assets and liabilities:

2010/11	Cash, cash equivalents, custody accounts and securities	Receivables	Credit institutions	Liabilities	Unsecured net position
EUR	34.1	61.9	-1,001.3	-56.1	-961.4
SEK	27.9	47.0	-45.0	-24.4	5.5
PLN	33.0	23.9	-176.1	-31.6	-150.8
CZK	12.3	7.1	-50.6	-17.6	-48.8
<b>31 Jan 2011</b>	<b>107.3</b>	<b>139.9</b>	<b>-1,273.0</b>	<b>-129.7</b>	<b>-1,155.5</b>

2009/10	Cash, cash equivalents, custody accounts and securities	Receivables	Credit institutions	Liabilities	Unsecured net position
EUR	15.0	52.0	-848.9	-56.1	-838.0
SEK	27.6	25.8	-42.1	-17.2	-5.9
PLN	32.1	27.1	-180.4	-29.4	-150.6
CZK	15.1	3.7	-50.8	-15.0	-47.0
<b>31 Jan 2010</b>	<b>89.8</b>	<b>108.6</b>	<b>-1,122.2</b>	<b>-117.7</b>	<b>-1,041.5</b>

Sensitivity of profit/loss and equity to foreign-exchange fluctuations	2010/11	2009/10
Effect if the EUR rate were 10 % lower than the actual rate	72.1	62.9
Effect if the SEK rate were 10 % lower than the actual rate	-0.4	0.4
Effect if the PLN rate were 10 % lower than the actual rate	11.3	11.3
Effect if the CZK rate were 10 % lower than the actual rate	3.7	3.5

The Group's major foreign-exchange exposures relate to EUR, SEK, PLN and CZK. The above calculations show the effect on equity and profit or loss if the rate of the relevant currency had been 10 % lower than the actual rate. A corresponding increase in foreign-exchange rates would have a corresponding negative impact on profit or loss and equity.

As all foreign-exchange adjustments relating to the above-mentioned financial instruments are recognized in the income statement, any exchange-rate fluctuations will have the same effect on profit or loss and equity.

No forward-exchange contracts were entered into the 2010/11 financial year. In the 2009/10 financial year, a forward contract was concluded to hedge the contract currency for a project, which differed from the invoicing currency. This forward contract was finally settled in the 2009/10 financial year.

## Note 35. Financial risks and financial instruments, continued

### Interest-rate risks and the dates of revaluation or maturity regarding financial assets and liabilities:

	Date of revaluation/maturity			Total	Effective rate in %
	0-1 year	1-5 years	> 5 years		
<b>2010/11</b>					
Other securities and investments	0.1	0.9	0.9	1.9	0 - 7.75 %
Securities	4.0	0.0	0.0	4.0	0 %
Trade receivables	155.0	0.0	0.0	155.0	0 %
Other receivables	106.6	0.0	0.0	106.6	0 - 6.5 %
Deposits with credit institutions (cash, cash equivalents and custody and escrow accounts)	159.9	0.0	0.0	159.9	1 - 3 %
Receivables from associates	17.8	2.5	0.0	20.3	0 - 6 %
Trade payables	-104.8	0.0	0.0	-104.8	0 %
Other debt	-188.3	-3.9	0.0	-192.2	0 - 6.5 %
Payables to credit institutions	-2,199.5	-146.4	0.0	-2,345.9	2 - 9 %
<b>Total at 31 January 2011</b>	<b>-2,049.2</b>	<b>-146.9</b>	<b>0.9</b>	<b>-2,195.2</b>	

	Date of revaluation/maturity			Total	Effective rate in %
	0-1 year	1-5 years	> 5 years		
<b>2009/10</b>					
Other securities and investments	0.1	0.2	1.0	1.3	7.75 %
Securities	4.0	0.0	0.0	4.0	0 %
Trade receivables	106.5	0.0	0.0	106.5	0 %
Other receivables	125.7	0.0	0.0	125.7	0 %
Deposits with credit institutions (cash, cash equivalents and custody and escrow accounts)	141.0	0.0	0.0	141.0	1 - 3 %
Receivables from associates	2.9	0.0	0.0	2.9	6 - 8 %
Trade payables	-144.1	0.0	0.0	-144.1	0 %
Other debt	-185.8	-3.9	0.0	-189.7	0 - 5 %
Payables to credit institutions	-2,298.0	-26.0	0.0	-2,324.0	2.5 - 9.25 %
<b>Total at 31 January 2010</b>	<b>-2,247.7</b>	<b>-29.7</b>	<b>1.0</b>	<b>-2,276.4</b>	

With regard to interest-rate sensitivity, an increase in the interest level of 1 % p.a. compared to the interest level at the reporting date in respect of the Group's variable-interest deposits with and payables to credit institutions would have a negative impact on the profit or loss for the year, and thus on equity, of DKK 16.2 million for a full year. A fall in the interest level of 1 % p.a. would result in a corresponding positive impact on the profit or loss for the year and on equity. For the 2009/10 financial year, the interest-rate sensitivity in case of a change in the interest level of 1 % p.a. would have a DKK 16.3 million impact for a full year.

### Liquidity risks

The maturity dates of financial liabilities are specified for the individual categories of liabilities in the notes, with the exception of trade payables and other debt largely falling due for payment within one year. The TKD Group's liquidity reserve consists of cash and cash equivalents as well as unutilized credit facilities.

	2010/11	2009/10
<b>The liquidity reserve breaks down as follows:</b>		
Cash and cash equivalents	96.3	77.5
Unutilized credit facilities	71.1	20.3
<b>Total</b>	<b>167.4</b>	<b>97.8</b>
Deposited funds for later release	63.6	63.5
<b>Total liquidity reserve</b>	<b>231.0</b>	<b>161.3</b>

### Note 36. Transactions with related parties

The Company has no related parties with a controlling interest.

The Company has the following related parties:

Supervisory Board and Executive Board (and their related parties)

Joint ventures and associates; see the overview of group companies, note 40.

	2010/11	2009/10
<b>Supervisory Board and Executive Board (and their related parties)</b>		
Holding of shares, in terms of number	3,631,447	2,382,628
Obligation towards Executive Board, employee bonds	1.5	1.5
Underwriting commission, rights issue	0.3	0.0
Remuneration, etc. to the Supervisory Board and Executive Board, see note 7.		
<b>Joint ventures</b>		
Fees from joint ventures	3.9	0.3
Interest income from joint ventures	3.1	5.0
Interest expenses, joint ventures	-3.3	-9.7
Receivables from joint ventures	67.6	87.1
Payables to joint ventures	94.8	110.1
<b>Associates</b>		
Interest income from associates	0.2	0.3
Receivables from associates	20.3	2.9

Apart from the above, there were no transactions with related parties in the year under review. In accordance with the accounting policies, transactions with subsidiaries are eliminated in the Consolidated Financial Statements.

No security or guarantees had been furnished for balances owing to or by related parties at the reporting date. Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. In 2010/11 no impairment was made to provide for any probable losses (2009/10: DKK 0.2 million).

Suretyships and guarantees have been issued on behalf of joint ventures and associates; see note 34.

### Note 37. Post-balance sheet events

No such post-balance sheet events have occurred as could change the assessment of the Annual Report.

### Note 38. Approval of Annual Report for publication

At the board meeting on 28 April 2011, the Supervisory Board approved the Annual Report for publication. The Annual Report will be submitted to the Company's shareholders for adoption at the Annual General Meeting on 24 May 2011.

### Note 39. New IFRS and IFRIC interpretations

At the date of publication of this Annual Report, a number of new or amended financial reporting standards and IFRIC interpretations had not yet entered into force or been approved by the EU. Thus, they have not been incorporated into the Annual Report. The implementation of the above-mentioned standards and interpretations is not expected to materially affect the annual reports for the next financial years.



## Note 40. Overview of group companies

No parent companies other than the listed company TK Development A/S prepare consolidated financial statements.

The TKD Group's subsidiaries					
Name	Reg. office	Ownership interest	Name	Reg. office	Ownership interest
TK Bygge-Holding A/S	Aalborg	100 %	Swiatowid Development Sp. z o.o.	Warsaw	100 %
TKD Nordeuropa A/S	Aalborg	100 %	TK Development Sp. z o.o. in liquidation	Warsaw	100 %
TK Bygge-Holding Russia A/S	Aalborg	100 %	D & V Properties Sp. z o.o.	Warsaw	100 %
TK Development Danmark A/S	Aalborg	100 %	TK Development Polska Sp. z o.o.	Warsaw	100 %
TKD Projekt A/S	Aalborg	100 %	Centrum Handlowe Targowek Sp. z o.o. in liquidation	Warsaw	100 %
TK POC A/S	Aalborg	100 %	Euro Mall Polska XXI Sp. z o.o. in liquidation	Warsaw	100 %
Komplementarselskabet POC ApS	Aalborg	100 %	Euro Mall Polska III Sp. z o.o.	Warsaw	100 %
Kommanditaktieselskabet Frederikssund Shoppingcenter	Aalborg	100 %	TK Czech Operations s.r.o.	Prague	100 %
Komplementarselskabet Frederikssund Shoppingcenter ApS	Aalborg	100 %	Euro Mall Czech VI s.r.o.	Prague	100 %
Driftsselskabet Frederikssund ApS	Aalborg	100 %	Euro Mall Brno South Retail Park s.r.o.	Prague	100 %
Kommanditaktieselskabet Marsvej	Aalborg	100 %	TK Development Czech II s.r.o.	Prague	100 %
Komplementarselskabet Marsvej ApS	Aalborg	100 %	Euro Mall Ceske Budejovice s.r.o.	Prague	100 %
Kommanditaktieselskabet Østre Teglade 7	Aalborg	100 %	TK Sites s.r.o. in liquidation	Prague	100 %
Komplementarselskabet Østre Teglade ApS	Aalborg	100 %	TK Czech Development III s.r.o.	Prague	100 %
Euro Mall Holding A/S	Aalborg	100 %	Euro Mall Project s.r.o.	Prague	100 %
Euro Mall Poland Holding A/S	Aalborg	100 %	Euro Mall Bohemia s.r.o.	Prague	100 %
K/S Tampere IV Finland in liquidation	Copenhagen	100 %	Euro Mall City s.r.o.	Prague	100 %
ApS Komplementarselskabet Tampere retail IV, Finland, in liquidation	Copenhagen	100 %	Euro Mall Delta s.r.o.	Prague	100 %
Euro Mall Sweden AB	Stockholm	100 %	Euro Mall Event s.r.o.	Prague	100 %
TK Development Sweden Holding AB	Stockholm	100 %	Euro Mall Praha a.s.	Prague	100 %
TK Projekt AB	Stockholm	100 %	TK Development Slovakia s.r.o.	Bratislava	100 %
EMÖ Projekt AB	Stockholm	100 %	Saprex s.r.o.	Bratislava	100 %
EMÖ Center AB	Stockholm	100 %	Targest s.r.o.	Bratislava	100 %
TK Utveckling AB	Stockholm	100 %	UAB TK Development Lietuva	Vilnius	100 %
TK Sverige AB	Stockholm	100 %	UAB "Profista"	Vilnius	100 %
Byggetto i Blekinge AB	Stockholm	100 %	SIA TKD Retail Park	Riga	100 %
Enebyången Fastighets AB Stockholm	Stockholm	100 %	SIA "KK"	Riga	100 %
TKD Suomi OY	Helsinki	100 %	Euro Mall Luxembourg S.A.	Luxembourg	100 %
OY TKD Construction Finland	Helsinki	100 %	Euro Mall Poland Invest B.V.	Amsterdam	100 %
Kaarinan Kauppakuutonen OY	Helsinki	100 %	Euro Mall Czech & Slovakia Invest B.V.	Amsterdam	100 %
TK Polska Operations S.A.	Warsaw	100 %	Euro Mall Czech Invest B.V.	Amsterdam	100 %
Euro Mall Polska X Sp. z o.o.	Warsaw	100 %	Euro Mall Sterboholy Holding B.V.	Amsterdam	100 %
Euro Mall Targówek III Sp. z o.o.	Warsaw	100 %	TK Development Bau GmbH	Berlin	100 %
Euro Mall Targówek Sp. z o.o.	Warsaw	100 %	TK Development GmbH	Berlin	100 %
Jero II Sp. z o.o. in liquidation	Warsaw	100 %	TKH Datzeberg Grundstücksgesellschaft mbH	Berlin	100 %
Euro Mall Polska XIV Sp. z o.o.	Warsaw	100 %	TKH Projektbeteiligungsgesellschaft mbH in liquidation	Berlin	100 %
Euro Mall Polska XV Sp. z o.o.	Warsaw	100 %	TKH Oranienburg Grundstücksgesellschaft mbH	Berlin	100 %
Nowa Willda Sp. z o.o.	Warsaw	100 %	TKH Mahlow Wohnungsbaugesellschaft mbH	Berlin	100 %
TK Polska Development II Sp. z o.o.	Warsaw	100 %	TKH Ferienwohnungsgesellschaft mbH	Berlin	100 %
Euro Mall Polska XXII Sp. z o.o.	Warsaw	100 %	EKZ Datzeberg Scan-Car GmbH	Berlin	100 %
Euro Mall Polska XXIII Sp. z o.o.	Warsaw	100 %	EKZ Datzeberg Scan-Car GmbH & Co. KG	Berlin	100 %

The companies are included in the Consolidated Financial Statements by full consolidation.

## Note 40. Overview of group companies, continued

The TKD Group's joint ventures					
Kommanditaktieselskabet Østre Havn P/S	Aalborg	50 %	ApS Komplementarselskabet DLU nr. 1 in liquidation	Copenhagen	50 %
Østre Havn ApS	Aalborg	50 %	Euro Mall Polska XVI Sp. z o.o.	Warsaw	76 %
Ringsted Outlet Center P/S	Aalborg	50 %	Euro Mall Polska XIX Sp. z o.o.	Warsaw	76 %
SPV Ringsted ApS	Aalborg	50 %	Euro Mall Polska XX Sp. z o.o.	Warsaw	76 %
Udviklingselskabet Nordkranen A/S	Copenhagen	50 %	Euro Mall Hradec Kralove Real Estate s.r.o.	Prague	20 %
Kommanditaktieselskabet Danlink-Udvikling	Copenhagen	50 %	Euro Mall FM a.s.	Prague	90 %
Komplementarselskabet DLU ApS	Copenhagen	50 %	Euro Mall Sterboholý SC a.s.	Prague	75 %
Kommanditaktieselskabet DLU nr. 1 in liquidation	Copenhagen	50 %	Euro Mall Ventures S.á.r.l.	Luxembourg	20 %

The companies are included in the Consolidated Financial Statements by pro-rata consolidation.

Associates					
Trøjborg ApS	Ikast-Brande	20 %	Euro Mall Center Management s.r.o. *)	Prague	33 %
EMCM Holding A/S *)	Herning	33 %	SIA EMCM Baltic *)	Riga	33 %
Euro Mall Center Management Poland Sp. z o.o. *)	Warsaw	33 %	UAB EMCM Baltic *)	Vilnius	33 %
Fashion Arena Centre Management s.r.o. *)	Prague	33 %	Euro Mall Center Management s.r.o. *)	Bratislava	33 %
			Pedersen Fritscheshof Neubrandenburg KG	Hamburg	35 %

\*) The Group's ownership interest amounts to 33 %, while the Group holds 50 % of the voting rights. The companies are recognized in the Consolidated Financial Statements according to the equity method.

## PARENT COMPANY FINANCIAL STATEMENTS

### Income statement

DKKm	Note	2010/11	2009/10
Net revenue		0.0	0.0
External direct project costs	3	0.0	-0.2
<b>Gross profit/loss</b>		<b>0.0</b>	<b>-0.2</b>
Other external expenses	4	4.3	3.8
Staff costs	5	3.5	2.4
<b>Total</b>		<b>7.8</b>	<b>6.2</b>
<b>Profit/loss before financing and depreciation</b>		<b>7.8</b>	<b>-6.4</b>
Depreciation and impairment of long-term assets		0.0	0.0
<b>Profit/loss before financing</b>		<b>-7.8</b>	<b>-6.4</b>
Income from investments in associates	8	69.1	54.1
Financial income	9	53.2	48.2
Financial expenses	10	-12.2	-9.7
<b>Total</b>		<b>110.1</b>	<b>92.6</b>
<b>Profit/loss before tax</b>		<b>102.3</b>	<b>86.2</b>
Tax on profit/loss for the year	11	9.6	14.3
<b>Profit/loss for the year</b>		<b>92.7</b>	<b>71.9</b>

### Comprehensive income statement

Profit/loss for the year according to income statement		92.7	71.9
<b>Comprehensive income statement for the year</b>		<b>92.7</b>	<b>71.9</b>

## Balance sheet

DKKm	Note	31 Jan. 2011	31 Jan. 2010
<b>ASSETS</b>			
<b>Long-term assets</b>			
Goodwill	12	5.1	5.1
<b>Intangible assets</b>		<b>5.1</b>	<b>5.1</b>
Investments in associates	8	1,167.4	1,163.7
Receivables from associates		1,044.4	824.8
Deferred tax assets	13	52.3	42.2
<b>Other long-term assets</b>		<b>2,264.1</b>	<b>2,030.7</b>
<b>Total long-term assets</b>		<b>2,269.2</b>	<b>2,035.8</b>
<b>Short-term assets</b>			
Other receivables		0.8	0.3
Corporate income tax		0.0	0.0
Prepayments		0.5	0.2
<b>Total receivables</b>		<b>1.3</b>	<b>0.5</b>
Securities	14	4.0	4.0
Deposits in blocked and escrow accounts	15	0.7	5.7
Cash and cash equivalents		0.7	0.1
<b>Total short-term assets</b>		<b>6.7</b>	<b>10.3</b>
<b>ASSETS</b>		<b>2,275.9</b>	<b>2,046.1</b>

## Balance sheet

DKKm	Note	31 jan. 2011	31 Jan. 2010
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Share capital	16	631.0	560.9
Other reserves	16	140.2	0.0
Retained earnings		1,321.2	1,237.9
<b>Total equity</b>		<b>2,092.4</b>	<b>1,798.8</b>
<b>Liabilities</b>			
Credit institutions	17	121.6	0.0
Provisions	18	19.2	19.2
Other debt	20	3.9	3.9
<b>Total long-term liabilities</b>		<b>144.7</b>	<b>23.1</b>
Credit institutions	17	16.6	189.0
Trade payables		0.6	0.7
Payables to group enterprises		0.0	7.4
Corporate income tax		19.7	23.3
Provisions	18	0.0	1.9
Other debt	20	1.9	1.9
<b>Total short-term liabilities</b>		<b>38.8</b>	<b>224.2</b>
<b>Total liabilities</b>		<b>183.5</b>	<b>247.3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,275.9</b>	<b>2,046.1</b>

## Statement of changes in equity

DKKm	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity at 1 February 2009</b>	560.9	0.0	1,162.1	1,723.0
Profit for the year	0.0	0.0	71.9	71.9
<b>Total comprehensive income for the year</b>	0.0	0.0	71.9	71.9
Share-based payment	0.0	0.0	3.9	3.9
<b>Equity at 31 January 2010</b>	560.9	0.0	1,237.9	1,798.8
Profit for the year	0.0	0.0	92.7	92.7
<b>Total comprehensive income for the year</b>	0.0	0.0	92.7	92.7
Capital reduction	-140.2	140.2	0.0	0.0
Capital increase	210.3	0.0	0.0	210.3
Costs of share issue	0.0	0.0	-13.3	-13.3
Share-based payment	0.0	0.0	3.9	3.9
<b>Equity at 31 January 2011</b>	631.0	140.2	1,321.2	2,092.4

## Cash flow statement

DKKm	2010/11	2009/10
Profit/loss before financing	-7.8	-6.4
Adjustments for non-cash items:		
Share based payment	0.2	0.2
Provisions	-1.9	-0.4
Exchange-rate adjustments	-0.1	-0.3
Increase/decrease in receivables	-103.7	-112.6
Increase/decrease in payables and other debt	-7.5	5.6
Changes in deposits on blocked and escrow accounts	4.9	2.6
<b>Cash flows from operating activities before net financials and tax</b>	<b>-115.9</b>	<b>-111.3</b>
Interest paid, etc.	-12.2	-9.5
Interest received, etc.	53.2	48.2
Corporate income tax paid	-23.3	-0.1
<b>Cash flows from operating activities</b>	<b>-98.2</b>	<b>-72.7</b>
Purchase of securities and investments	-116.6	0.0
Dividend received	69.1	69.1
<b>Cash flows from investing activities</b>	<b>-47.5</b>	<b>69.1</b>
Capital increase	210.3	0.0
Cost of share issue	-13.3	0.0
Raising of long-term financing	121.6	0.0
Repayment of short-term financing	-172.3	0.0
Raising of short-term financing	0.0	3.6
<b>Cash flows from financing activities</b>	<b>146.3</b>	<b>3.6</b>
<b>Cash flows for the year</b>	<b>0.6</b>	<b>0.0</b>
Cash and cash equivalents, beginning of year	0.1	0.1
<b>Cash and cash equivalents at year-end</b>	<b>0.7</b>	<b>0.1</b>

The figures in the cash flow statement cannot be inferred from the Consolidated Financial Statements alone.



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## Note 1. Accounting policies

Reference is made to note 1 in the Consolidated Financial Statements.

## Note 2. Accounting estimates and assessments

Many account items cannot be measured with certainty, but only estimated. Such estimates consist of assessments based on the most recent information available at the time of presenting the financial statements. It may be necessary to change previous estimates based on changes in the assumptions underlying the estimate or based on supplementary information, additional experience or subsequent events.

In connection with the practical application of the accounting policies described, Management has made a number of significant accounting estimates and assessments that have materially affected this Annual Report:

### Deferred tax assets

The valuation has been based on the existing possibilities for carrying forward losses and for joint taxation. A change in the conditions for carrying forward losses and joint taxation could result in the value of the tax assets being either higher or lower than the carrying amount computed at 31 January 2011. The valuation of the tax asset has been based on existing budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. The valuation for the next two years has been based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities. These valuations are subject to some uncertainty, for which reason a provision has been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. A change in the terms and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax assets being lower than that computed at 31 January 2011, which could have a material adverse effect on the Group's results of operations and financial position. The carrying amount of deferred tax assets totalled DKK 52.3 million at 31 January 2011.

### Investments in and receivables from group enterprises

To assess the need for impairment of investments in and receivables from group enterprises in the Parent Company Financial Statements, the values in use of the cash-flow-generating units to which the investment and receivable relate must be calculated. Calculating the value in use assumes that an estimate of future expected cash flows in the individual cash-flow-generating unit has been made and that a reasonable discount rate has been determined. If the actual course of an investment deviates from the expected development, this may necessitate adjustments to the impairment recognized. No changes to the impairment of investments were made in the 2010/11 financial year. The impairment totalled DKK 460.2 million at 31 January 2011. The carrying amount of investments in group enterprises totalled DKK 1,167.4 million at 31 January 2011.

## Note 3. External direct project costs

	2010/11	2009/10
External direct project costs	0.0	0.2
External direct project costs, total	0.0	0.2

#### Note 4. Other external expenses

	2010/11	2009/10
Administrative expenses	4.0	3.5
Cars, operating expenses	0.3	0.3
Other external expenses, total	4.3	3.8

#### Note 5. Staff costs

	2010/11	2009/10
Fees for Supervisory Board	2.3	2.3
Salaries, etc. for the Parent Company's Executive Board; see below	8.2	8.2
Social security costs	0.4	0.7
Other salaries and staff costs	0.4	-0.6
Reinvoiced via service agreements	-7.8	-8.2
Total staff costs	3.5	2.4
Average number of employees	2	2
Number of employees at year-end	2	2

#### Salaries, etc. for the Parent Company's Executive Board:

	Salary	Pension	Bonus	Incentive scheme	Total
<b>2010/11</b>					
Frede Clausen	4.0	0.1	0.0	0.5	4.6
Robert Andersen	3.0	0.1	0.0	0.5	3.6
Salaries, etc., total	7.0	0.2	0.0	1.0	8.2
<b>2009/10</b>					
Frede Clausen	4.0	0.1	0.0	0.5	4.6
Robert Andersen	3.0	0.1	0.0	0.5	3.6
Salaries, etc., total	7.0	0.2	0.0	1.0	8.2

In addition, the Executive Board has the usual free benefits, including free company car. The value of these benefits amounted to DKK 0.1 million per Executive Board member in 2010/11 (2009/10: DKK 0.1 million per Executive Board member).

The Supervisory Board is composed of the Chairman, Deputy Chairman and four other members. Supervisory Board members are paid a basic fee of DKK 250,000. The Chairman is paid three times the basic fee and the Deputy Chairman twice the basic fee, while the remaining members are paid the basic fee.

#### Defined contribution plans

The Company has entered into defined contribution plans with the employees in the Company. According to these plans, the Company pays a monthly amount of 2 % of the relevant employees' basic salaries to independent pension companies.

An amount of DKK 0.2 million was expensed for defined contribution plans in the 2010/11 financial year (2009/10: DKK 0.2 million).

No employees in the Company are comprised by defined benefit plans.

## Note 6. Share-based payment

The Group has two incentive schemes. For a more detailed description, please see note 8 in the Consolidated Financial Statements.

	2010/11	2009/10
Share-based payment recognized in the profit or loss (DKK million)	1.1	1.0

## Note 7. Fees payable to the auditors elected at the General Meeting

	2010/11	2009/10
Total fees, Deloitte	0.8	0.2
Total fees, Nielsen & Christensen	0.9	0.1
<b>Total fees</b>	<b>1.7</b>	<b>0.3</b>

Fees break down as follows:

### Deloitte:

Statutory audit	0.3	0.2
Other assurance engagements	0.5	0.0
<b>Total</b>	<b>0.8</b>	<b>0.2</b>

### Nielsen & Christensen:

Statutory audit	0.2	0.1
Other assurance engagements	0.5	0.0
Tax consultancy	0.1	0.0
Other services	0.1	0.0
<b>Total</b>	<b>0.9</b>	<b>0.1</b>

## Note 8. Investments in group enterprises

	2010/11	2009/10
Cost at 1 February	1,237.2	1,233.4
Additions for the year	120.2	3.8
<b>Cost at 31 January</b>	<b>1,357.4</b>	<b>1,237.2</b>
Impairment at 1 February	-460.2	-445.2
Impairment for the year	0.0	-15.0
<b>Impairment at 31 January</b>	<b>-460.2</b>	<b>-460.2</b>
Setoffs at 1 February	386.7	371.7
Impairment set off against receivables/provisions	-116.5	15.0
<b>Setoffs at 31 January</b>	<b>270.2</b>	<b>386.7</b>
<b>Carrying amount at 31 January</b>	<b>1,167.4</b>	<b>1,163.7</b>

Investments in group enterprises are recognized at cost. Investments and receivables were subjected to an impairment test at 31 January. In the cases where the cost exceeds the recoverable amount, it is written down to such lower value.

The recoverable amount is based on the value in use, which has been determined using the expected cash flows on the basis of budgets for the next three financial years and forecasts for another two financial years approved by the Supervisory Board and recognition of the terminal value in year five. The calculation of the recoverable amount included a discount rate of 10 % before tax.

Impairment is recognized in the line "Income from investments in group enterprises".

	2010/11	2009/10
<b>Income from investments:</b>		
Impairment for the year; see above	0.0	-15.0
Dividends	69.1	69.1
<b>Total income from investments</b>	<b>69.1</b>	<b>54.1</b>

Overview of investments in group enterprises:

Name	Reg. office	Ownership interest
TK Bygge-Holding A/S	Aalborg	100 %
TK Development Bau GmbH	Berlin	100 %
TK Development GmbH	Berlin	100 %
TKD Nordeuropa A/S *	Aalborg	48 %

\*) The company is considered a group enterprise as it is wholly owned, directly and indirectly, by TK Development A/S.

The ownership interests shown above are the Company's direct holdings.

## Note 9. Financial income

	2010/11	2009/10
Interest income from group enterprises	50.3	42.9
<b>Financial income from loans and receivables</b>	<b>50.3</b>	<b>42.9</b>
Other financial income	2.9	5.3
<b>Total financial income</b>	<b>53.2</b>	<b>48.2</b>
<b>Which breaks down as follows:</b>		
<b>Interest income from financial assets not measured at fair value through profit and loss</b>	<b>53.2</b>	<b>48.2</b>

## Note 10. Financial expenses

	2010/11	2009/10
Interest expenses, credit institutions	10.7	9.3
Interest expenses, group enterprises	0.7	0.0
Miscellaneous interest expenses	0.8	0.1
Foreign-exchange losses and capital losses on securities	0.0	0.3
<b>Total financial expenses</b>	<b>12.2</b>	<b>9.7</b>

### Which break down as follows:

Interest expenses on financial liabilities not measured at fair value through profit and loss	12.2	9.4
Other financial expenses	0.0	0.3
<b>Total financial expenses</b>	<b>12.2</b>	<b>9.7</b>

## Note 11. Corporate income tax

	2010/11	2009/10
Accrued corporate income tax	19.8	23.3
Adjustment regarding current tax relating to prior year(s)	-0.1	0.1
Change in deferred tax	-10.1	-9.1
<b>Tax on profit/loss for the year</b>	<b>9.6</b>	<b>14.3</b>

### The tax on the profit/loss for the year results as follows:

Danish tax rate	25.6	21.6
Adjustment relating to prior year(s)	0.0	9.5
<b>Tax effect of:</b>		
Non-deductible expenses/non-taxable income	-17.2	-13.5
Other	0.1	-0.1
Change in value adjustment	1.1	-3.2
<b>Tax on profit/loss for the year</b>	<b>9.6</b>	<b>14.3</b>

<b>Deferred tax assets at 1 February</b>	<b>42.2</b>	<b>33.1</b>
Deferred tax for the year recognized in profit or loss for the year	10.1	9.1
<b>Deferred tax assets at 31 January</b>	<b>52.3</b>	<b>42.2</b>

## Note 12. Goodwill

	31 Jan 2011	31 Jan 2010
Cost at 1 February	7.7	7.7
Additions	0.0	0.0
<b>Cost at 31 January</b>	<b>7.7</b>	<b>7.7</b>
<b>Amortization and impairment at 1 February</b>	<b>2.6</b>	<b>2.6</b>
Impairment for the year	0.0	0.0
<b>Amortization and impairment at 31 January</b>	<b>2.6</b>	<b>2.6</b>
<b>Carrying amount at 31 January</b>	<b>5.1</b>	<b>5.1</b>

## Note 12. Goodwill, continued

The total goodwill relates to the cash-flow-generating unit, Euro Mall Holding A/S; see note 3 in the Consolidated Financial Statements.

At 31 January 2011, Management performed an impairment test of the carrying amount of goodwill. The recoverable amount is based on the value in use, which has been determined using the expected cash flows on the basis of budgets for the next three financial years and forecasts for another two financial years approved by the Supervisory Board and recognition of the terminal value in year five. The calculation of the recoverable amount included a discount rate of 10 % before tax. The impairment test did not give rise to any recognition of impairment.

Management assesses that significant changes to the basic assumptions would not result in the carrying amount of goodwill exceeding the recoverable amount.

## Note 13. Deferred tax assets

	31 Jan 2011	31 Jan 2010
Deferred tax assets at 1 February	43.9	38.0
Additions for the year	11.2	5.9
Disposals for the year	0.0	0.0
<b>Deferred tax assets at 31 January</b>	<b>55.1</b>	<b>43.9</b>
Value adjustment at 1 February	-1.7	-4.9
Value adjustment for the year	-1.1	3.2
<b>Value adjustments at 31 January</b>	<b>-2.8</b>	<b>-1.7</b>
<b>Carrying amount at 31 January</b>	<b>52.3</b>	<b>42.2</b>
<b>Deferred tax assets relate to:</b>		
Investments	1.5	0.0
Current assets	-1.5	0.2
Provisions	0.0	0.0
Value of tax losses	55.1	43.8
Impairment of tax assets	-2.8	-1.8
<b>Total</b>	<b>52.3</b>	<b>42.2</b>

The change in deferred tax assets for the year has been recognized in the income statement.

The contingent retaxation liability attaching to German subsidiaries regarding which no provisions for deferred tax have been made amounted to DKK 97.0 million (2009/10: DKK 97.9 million). The Company will check whether such tax liability will be triggered, which is considered unlikely.

## Note 14. Securities

	31 Jan 2011	31 Jan 2010
Listed securities	0.1	0.1
Unlisted securities	3.9	3.9
<b>Total securities</b>	<b>4.0</b>	<b>4.0</b>

Securities consisting of listed shares and unlisted equity interests are classified as "financial assets available for sale". Listed securities consist of listed shares and are measured at fair value. Unlisted equity interests are not traded in an active market. As the fair value of these equity interests cannot be determined with a sufficient degree of reliability, they are measured at cost.



## Note 15. Deposits in custody and escrow accounts

	31 Jan 2011	31 Jan 2010
Custody accounts and other accounts that the Company cannot fully dispose of	0.7	5.7
<b>Total deposits in custody and escrow accounts</b>	<b>0.7</b>	<b>5.7</b>

## Note 16. Share capital and other reserves

### Share capital

Reference is made to note 27 in the consolidated financial statement.

### Other reserves

Other reserves amount to DKK 140.2 million and concerns a special fund that arose in connection with the capital reduction implemented in August, when the denomination of the Group's shares was changed from DKK 20 to DKK 15. This reserve can be used only following a resolution passed at the General Meeting.

## Note 17. Payables to credit institutions

	31 Jan 2011	31 Jan 2010
<b>Payables to credit institutions are recognized as follows in the balance sheet:</b>		
Non-current liabilities	121.6	0.0
Current liabilities	16.6	189.0
<b>Total payables to credit institutions</b>	<b>138.2</b>	<b>189.0</b>

Financial liabilities are offset against trade receivables and tied-up cash and cash equivalents, to the extent that the Company has a right of setoff and also intends or is contractually obliged to realize assets and liabilities at the same time. No setoffs were made in the year under review or the previous financial year.

<b>Fair value</b>	<b>138.2</b>	<b>189.0</b>
<b>Carrying amount</b>	<b>138.2</b>	<b>189.0</b>

At 31 January, the Parent Company had the following loans and credits:

Loans	Maturity	Fixed/variable	Effective rate		Carrying amount		Fair value	
			2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Bank DKK	2011	variable	4 - 5 %	4 - 6 %	16.6	189.0	16.6	189.0
Bank EUR	2013	variable	4 - 5 %	N/A	121.6	0.0	121.6	0.0

## Note 18. Provisions

	31 Jan 2011	31 Jan 2010
Rent guarantees for properties sold at 1 February	1.9	2.3
Applied during the year	-1.9	-0.4
Rent guarantees for properties sold at 31 January	0.0	1.9
Other provisions at 1 February	19.2	19.2
Provisions for the year	0.0	0.0
Other provisions at 31 January	19.2	19.2
<b>Provisions at 31 January</b>	<b>19.2</b>	<b>21.1</b>
Expected maturity dates of the liabilities provided for:		
0-1 year	0.0	1.9
1-5 years	19.2	19.2
<b>Provisions at 31 January</b>	<b>19.2</b>	<b>21.1</b>

Rent guarantee liabilities for sold properties have been calculated based on experience with rent guarantees and an individual assessment of each lease.

Other provisions relate to provisions for negative equity in a subsidiary.

## Note 19. Operating leases

For the year 2011, operating leases for the rental of operating equipment have been concluded. The leases have been concluded for a one-year period with fixed lease payments.

Future minimum lease payments according to non-terminable lease contracts break down as follows:

	31 Jan 2011	31 Jan 2010
Within 1 year	0.2	0.2
Within 1-5 years	0.0	0.2
After 5 years	0.0	0.0
<b>Total</b>	<b>0.2</b>	<b>0.4</b>
Minimum lease payments for the year recognized in the income statement	0.2	0.2

## Note 20. Other debt

	31 Jan 2011	31 Jan 2010
Employee-related payables	4.4	4.8
Holiday pay obligations	1.0	0.9
Other debt	0.4	0.1
<b>Other debt, total</b>	<b>5.8</b>	<b>5.8</b>

### Broken down as follows under liabilities:

Non-current liabilities (employee bonds)	3.9	3.9
Current liabilities	1.9	1.9
<b>Other debt, total</b>	<b>5.8</b>	<b>5.8</b>

The carrying amount of employee-related payables consisting of salaries, A-tax, social security contributions, holiday pay, etc., project-related costs and other costs payable is equal to the fair value of these payables. Holiday pay obligations represent the Company's liability to pay salary during holiday periods to which the employees had earned entitlement by the reporting date and which are to be taken in the following financial year(s).

## Note 21. Contingent assets and liabilities as well as security furnished

### Contingent assets

Contingent assets in the form of tax assets not recognized appear from note 13.

### Contingent liabilities and security furnished

	31 Jan 2011	31 Jan 2010
Surety and guarantee commitments on behalf of group enterprises	1,874.3	1,833.1
Other surety and guarantee commitments	22.6	7.6
Carrying amount of equity investments furnished as security to credit institutions	153.0	0.0

The figures in brackets are comparative figures for 2009/10.

The amounts stated for surety and guarantee commitments on behalf of group enterprises are the upper limits. At 31 January 2011, the subsidiaries had drawn an amount of DKK 1,802.1 million (DKK 1,610.1 million) on their credit facilities.

In addition, the Company has guaranteed the liabilities of a few group enterprises in relation to construction contracts, and a few other project related contracts.

The contingent retaxation liability attaching to German subsidiaries regarding which no provisions for deferred tax have been made amounts to DKK 97.0 million (2009/10: DKK 97.9 million). The Company will check whether such tax liability will be triggered, which is considered unlikely.

## Note 22. Financial risks and financial instruments

Categories of financial instruments	31 Jan 2011	31 Jan 2010
Receivables from group enterprises	1,044.4	824.8
Other receivables	0.8	0.3
Cash, cash equivalents and custody and escrow accounts	1.4	5.8
<b>Loans and receivables</b>	<b>1,046.6</b>	<b>830.9</b>
Securities	4.0	4.0
<b>Financial assets available for sale</b>	<b>4.0</b>	<b>4.0</b>
Credit institutions	138.2	189.0
Payables to group enterprises	0.0	7.4
Trade payables	0.6	0.7
Other debt	5.8	5.8
<b>Financial liabilities measured at amortized cost</b>	<b>144.6</b>	<b>202.9</b>

For a description of the Company's capital management, risk management policy, foreign-exchange risks, interest-rate risks, liquidity risks and credit risks, please see note 35 in the Consolidated Financial Statements.

### Foreign-exchange risks relating to recognized assets and liabilities

In the 2010/11 financial year and the comparative year, the Company did not enter into any forward agreements or other derivative financial instruments to hedge foreign-exchange risks in the Company.

2010/11	Cash, cash equivalents and securities	Receivables	Credit institutions	Liabilities	Unsecured net position
EUR at 31 January 2011	1.2	226.9	-121.6	0.0	106.5
PLN at 31 January 2011	0.0	6.8	0.0	0.0	6.8
CZK at 31 January 2011	0.0	0.1	0.0	0.0	0.1
2009/10					
EUR at 31 January 2010	5.7	111.0	0.0	-1.9	114.8
Sensitivity of profit/loss and equity to foreign-exchange fluctuations				2010/11	2009/10
Effect if the EUR rate were 10 % lower than the actual rate				-8.0	-8.6

The Company's major foreign-exchange exposures relate to EUR. The above calculations show the effect on equity and profit or loss if the rate of exchange for EUR had been 10 % lower than the actual rate. A corresponding increase in the foreign-exchange rate would have a corresponding positive impact on profit or loss and equity.

As all foreign-exchange adjustments relating to the above-mentioned financial instruments are recognized in the income statement, any exchange-rate fluctuations will have the same effect on profit or loss and equity.

## Note 22. Financial risks and financial instruments, continued

Interest-rate risks and the dates of revaluation or maturity regarding financial assets and liabilities:

	Date of revaluation/maturity			Total	Effective rate in %
	0-1 year	1-5 years	> 5 years		
<b>2010/11</b>					
Securities	4.0	0.0	0.0	4.0	0 %
Receivables from group enterprises	0.0	1,044.4	0.0	1,044.4	0 - 6 %
Other receivables	0.8	0.0	0.0	0.8	0 %
Deposits with credit institutions	1.4	0.0	0.0	1.4	0.25 - 2 %
Payables to credit institutions	-16.6	-121.6	0.0	-138.2	4 - 5 %
Trade payables	-0.6	0.0	0.0	-0.6	0 %
Other debt	-1.9	-3.9	0.0	-5.8	0 - 5 %
<b>Total at 31 January 2011</b>	<b>-12.9</b>	<b>918.9</b>	<b>0.0</b>	<b>906.0</b>	
<b>2009/10</b>					
Securities	4.0	0.0	0.0	4.0	0 %
Receivables from group enterprises	0.0	824.8	0.0	824.8	6 - 8 %
Other receivables	0.3	0.0	0.0	0.3	0 %
Deposits with credit institutions	5.8	0.0	0.0	5.8	1 - 3 %
Payables to credit institutions	-189.0	0.0	0.0	-189.0	4 - 6 %
Trade payables	-0.7	0.0	0.0	-0.7	0 %
Other debt	-1.9	-3.9	0.0	-5.8	0 - 5 %
<b>Total at 31 January 2010</b>	<b>-181.5</b>	<b>820.9</b>	<b>0.0</b>	<b>639.4</b>	

With regard to interest-rate sensitivity, an increase in the interest level of 1 % p.a. compared to the interest level at the reporting date in respect of the Company's variable-interest deposits with and payables to credit institutions would have a negative impact on the profit or loss for the year, and thus on equity, of DKK 1.0 million for a full year. A fall in the interest level of 1 % p.a. would result in a corresponding positive impact on the profit or loss for the year and on equity. For the 2009/10 financial year, the interest-rate sensitivity in case of a change in the interest level of 1 % p.a. would have a DKK 1.3 million impact for a full year.

### Liquidity risks

The maturity dates of financial liabilities are specified for the individual categories of liabilities in the notes, with the exception of trade payables and other debt largely falling due for payment within one year. The Company's liquidity reserve consists of cash and cash equivalents as well as unutilized credit facilities. Reference is also made to note 35 in the Consolidated Financial Statements.

### Breach of loan agreements

During the financial year and the previous year, the Company was not in breach of any loan agreements.

## Note 23. Transactions with related parties

The Company has no related parties with a controlling interest.

The Company has the following related parties:

Supervisory Board and Executive Board (and their related parties)

Associates, joint ventures and group enterprises; see the overview of group companies, note 40.

	2010/11	2009/10
<b>Supervisory Board and Executive Board (and their related parties)</b>		
Holding of shares, in terms of number	3,631,447	2,382,628
Obligation towards Executive Board, employee bonds	1.5	1.5
Underwriting commission, rights issue	0.3	0.0

Remuneration, etc. to the Supervisory Board and Executive Board, see note 5.

### Joint ventures and group enterprises

Interest income from group enterprises	50.3	42.9
Interest expenses, group enterprises	0.7	0.0
Receivables from group enterprises	1,044.4	824.8
Payables to group enterprises	0.0	7.4
Impairment for the year of investments in group enterprises	0.0	15.0
Total impairment of investments in group enterprises	460.2	460.2
Costs allocated to group enterprises according to service agreements concluded	7.8	8.2
Guarantee commission to group enterprises	2.9	0.0
Dividends from subsidiaries	69.1	69.1
Capital increase in group enterprises	116.6	0.0

Surety and other security furnished for subsidiaries appear from note 21. Suretyships and guarantees have been issued on behalf of joint ventures and associates; see note 34 in the Consolidated Financial Statements.

Apart from this, no security or guarantees had been furnished for balances owing to or by related parties at the reporting date. Receivables and payables are expected to be settled by payment in cash. No losses were realized on receivables from related parties. The impairment made to provide for any probable losses on investments in group enterprises amounted to DKK 0.0 in 2010/11 (2009/10: DKK 15.0 million).

Apart from the above, there were no transactions with related parties in the year under review.

## Note 24. Post-balance sheet events

No such post-balance sheet events have occurred as could change the assessment of the Annual Report.

## Note 25. Approval of Annual Report for publication

Reference is made to note 38 in the Consolidated Financial Statements.

## Note 26. New IFRS and IFRIC interpretations

Reference is made to note 39 in the Consolidated Financial Statements.