Preliminary announcement of financial statements 2011/12

Company announcement no. 4/2012, 26 April 2012, TK Development A/S, CVR no. 24256782

Sillebroen, shopping centre, Frederikssund, Denmark

TK development

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SUMMARY

- TK Development recorded a profit of DKK 27.0 million after tax, compared to DKK 73.6 million the year before. This performance meets recent expectations.
- Viewed in light of the Company's beginning-of-year profit estimate of about DKK 100 million after tax for 2011/12, the profit realized is disappointing. However, given the property market situation and the turbulence on financial markets throughout the summer and autumn of 2011, Management considers the profit for the year acceptable.
- Consolidated equity totalled DKK 1,876.4 million at 31 January 2012, corresponding to a solvency ratio of 40.4 %.
- The Group has entered into an agreement for the sale of its retail park in Kristianstad, Sweden, to a Swedish investor. The total project comprises about 6,200 m², including the existing building of about 4,500 m², which was handed over to the investor in April 2011.
- In June 2011, the Group sold its stake in Euro Mall Centre Management to the US Group CB Richard Ellis.
- Construction on a 10,000 m² extension to the Group's Czech investment property, the Futurum Hradec Králové shopping centre, is progressing as planned. The opening has been scheduled for 10 May 2012. The current occupancy rate of the extension is 97 %.
- In Poland, the construction of 5,600 m² of office space in the Tivoli Residential Park, Warsaw, was completed in August 2011. Following their sale to users and private investors, the project units were handed over to the buyers in autumn 2011.
- In addition, in autumn 2011 the Group sold a plot of land in Warsaw, Poland, and realized a satisfactory profit on this sale.
- Construction of the first phase of the Group's project in Bielany, Poland, commenced in mid-2011. The total project area comprises about 56,200 m², primarily housing, consisting of 900-1,000 units, with 136 units being built in the first phase.
- The Group's letting situation remains satisfactory, and its completed shopping centres continue to perform well with a satisfactory influx of customers.
- The Group's total project portfolio amounted to DKK 3,498 million at 31 January 2012, of which DKK 2,027 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 140 million, equal to a return on cost of about 7 %. Based on full occupancy, the return on cost is expected to reach 7.8 %. Negotiations for the sale of several of these projects are ongoing.
- In total, the Group's completed, cash-flow-generating projects and its investment properties amount to DKK 2,394 million. The Group's net interest-bearing debt amounts to DKK 2,245 million.
- At 31 January 2012, the Group's project portfolio comprised 776,000 m² (31 January 2011: 798,000 m²).
- The continued uncertainty on the international financial markets has led to consistently long decision-making processes among financing sources, tenants and investors alike. During the year, the Group therefore postponed the expected construction start dates for several projects. Moreover, the sales of one or more major completed projects have not yet been realized.
- Changed investor behaviour, with a requirement for lower project risk, has resulted in a sluggish decision-making process and thus a lower rate of project turnover. This weakened project flow – combined with current and expected market conditions – has caused Management to reassess the Group's business model.
- The Group's primary focus will continue to be real property development. As an alternative, the Group can choose to initiate projects with a view to construction and subsequent startup and maturing over a short span of years, with such projects typically being classified as investment properties.
- Management considers it of great importance for the Group to sell a number of major completed projects in the 2012/13 financial year. The sale of major completed projects will generate the cash resources required to underpin future operations and project flow, and thus long-term earnings. In light of the volatility of financial markets, the volume, timing and proceeds of major project sales are subject to uncertainty. Despite this uncertainty, Management expects to sell a number of projects in the near future and to generate positive pre-tax results for the 2012/13 financial year.
- In February 2012, a draft Bill to amend the Danish Corporation Tax Act and other tax legislation was introduced, proposing changes to the rules for tax loss carryforwards. For TK Development, an adoption of the draft Bill will lengthen the time horizon for utilizing tax losses considerably, and thus substantially increase the uncertainty attaching to utilization of the tax asset. An adoption of the draft Bill and the associated uncertainty relating to utilization of the tax asset will necessitate a significant impairment of the Group's tax asset in 2012/13. This impairment is assessed to be in the DKK 110-150 million range.

Further information is available from Frede Clausen, President and CEO, on tel. +45 8896 1010.

The expectations mentioned in this announcement, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Expectations may be affected by various factors, as mentioned in the section ”Risk issues”, which applies in particular to the valuation of the Group’s deferred tax asset.

COMPANY INFORMATION

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

The Annual General Meeting will be held at 3 p.m. on 24 May 2012 at Aalborg Kongres & Kultur Center, Europahallen, Europa Plads 4, DK-9000 Aalborg

CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKKm	2007/08	2008/09	2009/10	2010/11	**2011/12**
Financial highlights:					
Net revenue	2,598.9	1,073.2	1,384.9	602.4	**359.8**
Value adjustment of investment properties, net	44.5	57.7	-10.9	30.0	**36.7**
Gross profit/loss	553.8	375.0	200.5	256.0	**195.8**
Operating profit/loss (EBIT)	386.8	201.7	57.5	127.2	**65.5**
Financing, etc.	-41.7	-33.4	-17.9	-53.2	**-83.6**
Profit/loss before tax	345.4	168.0	39.4	74.2	**14.3**
Profit/loss for the year	271.9	155.2	25.4	73.6	**27.0**
Shareholders' share of profit/loss for the year	249.5	155.2	25.4	73.6	**27.0**
Balance sheet total	4,070.9	3,816.1	4,377.3	4,622.0	**4,639.5**
Property, plant and equipment	598.8	380.8	364.3	394.2	**445.2**
of which investment properties/investment properties under construction	584.6	366.5	355.1	387.4	**440.5**
Total project portfolio	1,945.5	2,541.3	3,249.5	3,424.7	**3,498.1**
of which projects in progress or completed	1,998.3	2,541.3	3,253.5	3,424.7	**3,498.1**
of which prepayments received from customers	-52.8	0.0	-4.0	0.0	**0.0**
Contract work in progress	0.0	3.7	17.8	12.2	**18.2**
Equity excl. minority interests	1,439.9	1,506.0	1,593.4	1,866.0	**1,876.4**
Equity	1,533.8	1,506.0	1,593.4	1,866.0	**1,876.4**
Cash flows from operating activities	142.6	-331.7	-582.8	-182.7	**-78.8**
Net interest-bearing debt, end of year	1,094.9	1,509.5	2,178.9	2,170.2	**2,244.9**
Key ratios:					
Return on equity (ROE)	19.2 %	10.5 %	1.6 %	4.3 %	**1.4%**
EBIT margin	14.9 %	18.8 %	4.2 %	21.1 %	**18.2%**
Solvency ratio (based on equity)	37.7 %	39.5 %	36.4 %	40.4 %	**40.4%**
Equity value in DKK per share	48.3	50.5	53.4	44.4	**44.6**
Price/book value (P/BV)	1.2	0.4	0.5	0.5	**0.3**
Number of shares, end of year	28,043,810	28,043,810	28,043,810	42,065,715	**42,065,715**
Average numbers of shares, adjusted	28,043,810	28,043,810	28,043,810	35,095,222	**42,065,715**
Earnings per share (EPS) in DKK	8.4	5.2	0.9	2.1	**0.6**
Dividend in DKK per share	0	0	0	0	**0**
Listed price in DKK per share	59	21	27	23	**14**
Key ratios adjusted for warrants:					
Return on equity (ROE)	19.2 %	10.5 %	1.6 %	4.3 %	**1.4%**
Solvency ratio (based on equity)	37.7 %	39.5 %	36.4 %	40.4 %	**40.4%**
Equity value in DKK per share	47.9	50.5	53.4	44.4	**44.6**
Diluted earnings per share (EPS-D) in DKK	8.3	5.2	0.9	2.1	**0.6**

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.

TK DEVELOPMENT IN OUTLINE

Financial review

TK Development recorded a profit of DKK 27.0 million after tax, which reflects the recent profit estimate of about DKK 25 million after tax. The profit after tax for the 2010/11 financial year amounted to DKK 73.6 million.

Viewed in light of the Company's beginning-of-year profit estimate of about DKK 100 million after tax for 2011/12, the profit realized is disappointing. However, given the property market situation and the turbulence on financial markets throughout the summer and autumn of 2011, Management considers the profit for the year acceptable.

The balance sheet total amounted to DKK 4,639.5 million at 31 January 2012 against DKK 4,622.0 million at 31 January 2011. Consolidated equity totalled DKK 1,876.4 million, and the solvency ratio stood at 40.4 %.

Accounting policies

The consolidated financial statements and parent financial statements for 2011/12 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 financial statements and parent financial statements for 2011/12 have been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2011.

The implementation of new and amended financial reporting standards and interpretations that entered into force in the 2011/12 financial year has not impacted recognition and measurement in the consolidated financial statements.

Compared to the consolidated financial statements and parent financial statements for 2010/11, the operating costs related to the Group's completed projects have been reclassified. These costs were previously offset against revenue, but were reclassified in 2011/12. Thus, they are now included under "External direct project costs". Comparative figures have been restated to reflect this reclassification.

The accounting policies have been consistently applied with those in the 2010/11 Annual Report.

The consolidated financial statements and parent 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 the financial year totalled DKK 359.8 million against DKK 602.4 million in 2010/11. Revenue has declined because relatively few projects were sold in 2011/12.

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 195.8 million against DKK 256.0 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 36.7 million, of which DKK 0.5 million is attributable to German investment properties, DKK 8.5 million to the Czech investment property, Futurum Hradec Králové, and DKK 27.7 million to the ongoing extension of the latter property. The Futurum Hradec Králové shopping centre is fully let, and the letting status remained satisfactory throughout the year. The Group continues to record higher rent levels for the German residential rental properties in step with the replacement of tenants. The total value adjustment for 2010/11 amounted to DKK 30.0 million.

An extension of the Group's Czech investment property, comprising about 9,950 m², is being built. Construction, which started in January 2011, is progressing as planned, and the opening is scheduled for 10 May 2012. The value adjustment of this extension amounted to DKK 27.7 million in 2011/12 against DKK 27.1 million the year before.

The gross margin for 2011/12 includes the profit on account on a single project, an amount of DKK 3.8 million recognized according to the percentage of completion method. In 2010/11, the profit on account recognized according to the percentage of completion method amounted to DKK 3.0 million.

Staff costs and other external expenses

Staff costs and other external expenses amounted to DKK 127.5 million, which includes non-recurring costs of DKK 4.6 million related to the cost and capacity reduction that the Group implemented at the end of January 2012; for more details, please see below. Corrected for this amount, total staff costs and other external expenses amounted to DKK 122.9 million, corresponding to a 2.3 % decline relative to 2010/11.

Staff costs totalled DKK 92.9 million, and DKK 88.3 million when corrected for the above-mentioned non-recurring costs, against DKK 89.2 million in 2010/11. The number of employees was reduced from 129 at the beginning of the financial year to 119 at 31 January 2012. When the employees who have received their notice leave the Group, the number of employees will be further reduced.

Other external expenses amounted to DKK 34.6 million, a 5.5 % reduction compared to 2010/11.

Income from investments in associates

Income from investments in associates amounted to DKK 32.4 million against DKK 0.2 million in 2010/11, deriving mainly from the gain on the Group's sale of its stake in Euro Mall Centre Management; see below.

Financing

In the year under review, TK Development recorded net financing expenses of DKK 83.6 million, up DKK 30.4 million on the previous year. This increase in financing expenses is a natural consequence of the Group opening the Sillebroen shopping centre, Frederikssund, Denmark, in March 2010, as well as the opening of phase II of the Fashion Arena Outlet Center, Prague, the Czech Republic, in October 2010. Both projects yield rental income that is recognized in gross profit, but also involve financing expenses.

Tax on profit/loss for the year

Tax on the profit for the year represented an income of DKK 12.7 million. As a substantial part of foreign earnings on projects abroad is realized as tax-free capital gains, tax is calculated on the basis of negative taxable results, and accordingly tax on the profit for the year represents an income. This calculation also includes a valuation of the Group's tax asset; for more details, see below.

Balance sheet

The Group's balance sheet total amounted to DKK 4,639.5 million, on a par with the balance sheet total at 31 January 2011.

Goodwill

Goodwill is unchanged compared to 31 January 2011, amounting to DKK 33.3 million at 31 January 2012. 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 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. The valuation at 31 January 2012 is based on an unchanged required rate of return compared to 31 January 2011, 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 the Group's investment properties amounted to DKK 366.9 million against DKK 358.6 million at 31 January 2011. Of the value at 31 January 2012, DKK 197.6 million relates to the Group's German investment properties and DKK 169.3 million relates to the Group's Czech investment property. The value of the Group's investment property under construction amounted to DKK 73.6 million against DKK 28.8 million at 31 January 2011.

Deferred tax assets

Deferred tax assets were recorded at DKK 291.7 million in the balance sheet against DKK 287.2 million at 31 January 2011. The valuation of the tax assets 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 is based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities.

Due to the substantial uncertainties attaching to these valuations, provisions have 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 conditions 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 2012, which could have a material adverse effect on the Group's results of operations and financial position.

In February 2012, a draft Bill to amend the Danish Corporation Tax Act and other tax legislation was introduced, proposing changes to the rules for tax loss carryforwards. The draft Bill proposes that only 60 % of losses from previous income tax years in excess of DKK 1 million will be deductible from the year's taxable income and that the new rules should take effect as from the 2013 income tax year.

For TK Development, an adoption of the draft Bill will lengthen the time horizon for utilizing tax losses considerably, and thus substantially increase the uncertainty attaching to utilization of the tax asset. An adoption of the draft Bill and the associated uncertainty relating to utilization of the tax asset will necessitate a significant impairment of the Group's tax asset in 2012/13. This impairment is assessed to be in the DKK 110-150 million range.

Project portfolio

The total project portfolio came to DKK 3,498.1 million against DKK 3,424.7 million at 31 January 2011. The increase of DKK 73.4 million is a combined result of project handovers and new project investments.

Total prepayments based on forward-funding agreements amounted to DKK 293.3 million against DKK 284.1 million at 31 January 2011. The increase in forward funding since 31 January 2011 results mainly from an accumulation of forward funding and prepayments relating to projects in progress. At 31 January 2012, forward funding represented 91.6 % of the gross carrying amount of sold projects.

Receivables

Total receivables amounted to DKK 262.3 million, a decrease of DKK 48.4 million from 31 January 2011, which is primarily attributable to trade receivables.

Cash and cash equivalents

Cash and cash equivalents amounted to DKK 55.1 million at 31 January 2012 against DKK 96.3 million at 31 January 2011. The Group's total cash resources came to DKK 134.8 million against DKK 231.0 million at 31 January 2011.

Equity

The Group's equity came to DKK 1,876.4 million against DKK 1,866.0 million at 31 January 2011.

Since 31 January 2011, equity has partly been affected by the profit for the year and negative market-value adjustments after tax of DKK 19.0 million related to foreign subsidiaries.

The solvency ratio amounts to 40.4 %.

Non-current liabilities

The Group's non-current liabilities represented DKK 195.7 million, a decline of DKK 16.9 million compared to 31 January 2011. The decline is partly attributable to a reduction in deferred tax liabilities and an increase in long-term bank financing.

Current liabilities

The Group's current liabilities represented DKK 2,567.4 million against DKK 2,543.4 million at 31 January 2011.

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.

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 total project credits outstanding at 31 January 2012, credits worth DKK 516.0 million are due to mature in the 2012/13 financial year. Several of the project credits are expected to be repaid in connection with the sale of projects. The Group is dependent on its ability to continue obtaining either a prolongation or alternative financing of the remaining project credits. The Group is in ongoing dialogue with the relevant credit institutions, and Management anticipates being able to either prolong or refinance the existing project credits.

Cash flow statement

The Group's cash flows from operating activities were negative in the amount of DKK 78.8 million (2010/11: DKK -182.7 million), due in part to the net investment in projects, a reduction of funds tied up in receivables and security deposits, as well as other operating items.

Cash flows from investing activities were positive in the amount of DKK 9.8 million (2010/11: DKK -4.2 million), a combined result of further investment in the ongoing extension of the Group's Czech investment property and the sale of its stake in Euro Mall Centre Management to the US group CB Richard Ellis in June 2011.

The cash flows from financing activities for the year were positive in the amount of DKK 32.3 million (2010/11: DKK 199.5 million). This is primarily a combined result of positive cash flows from the financing of project investments and negative cash flows from the repayment of debt in connection with project sales.

Handed-over projects

In 2011/12, the Group handed over projects of about 20,600 m². No projects were handed over in the fourth quarter of 2011/12. The following projects were handed over during the year under review:

Kofoten, Kristianstad, Sweden

This project consists of a 6,200 m² retail park, including the existing building of 4,500 m², which has been fully let. The extension, which has also been fully let, comprises about 1,700 m², and construction started in autumn 2011. In April 2011, the Group entered into an agreement with a Swedish investor regarding the sale of the entire project, and the existing building was handed over to the investor in April 2011.

Sale of land, Hadsundvej, Aalborg, Denmark
The Group has transferred residential development rights for about 6,600 m² of land at Hadsundvej, Aalborg, Denmark, to a private investor.

Tivoli Residential Park, service/office space, Targówek, Warsaw, Poland
In Poland, the construction of 5,600 m² of office space in the Tivoli Residential Park, Warsaw, was completed in August 2011. Following their sale to users and private investors, the project units were handed over to the buyers in autumn 2011.

In addition, in autumn 2011, the Group sold a plot of land in Warsaw, Poland, and realized a satisfactory profit on this sale.

Sale of Euro Mall Centre Management

In June 2011, the Group sold its stake in Euro Mall Centre Management to the US Group CB Richard Ellis. The selling price has been fixed at an amount payable up front, with a four-year earn-out period based on the earnings made by the company in the preceding three years. The recognized gain on the sale includes a valuation of this earn-out, based on existing budget projections for the relevant years and discounted to net present value. The earn-out is subject to neither a minimum nor a maximum.

Business model adapted

On 24 January 2012, the Company announced that Management had resolved to adapt the Group's business model. This resolution was based in part on the following reasons:

- Market conditions have undergone great changes since the onset of the financial crisis. However, tenants continue to show reasonable interest in new prime-location projects, and, while focusing on low project risk, investors are taking a greater interest in viable projects.
- Land prices, rental levels, construction costs and selling prices have stabilized at a new price level after the financial crisis. Against this background, new projects are expected to yield profits at the level realized before the crisis, thus generating a gross margin of 15-20 % measured on the basis of project cost. However, a low profit is expected to be realized on projects already completed.
- Access to financing for developer and property businesses is expected to remain challenging, one reason being that the banks need to strengthen their financial position and reduce their balance sheets.
- Investors will continue to focus on low project risk. As well as a sluggish decision-making process, this means that more investors will delay investing until projects have been started up or matured. This results in a lower project turnover. The weaker project flow was an essential element in Management's decision to adapt the Group's business model.

Based on the above, Management is of the opinion that a viable business platform can be established as set out below:

1. The Group's primary focus will continue to be <u>real property development.</u>
   - The Group can develop projects for its own account, with or without advance project sales, and can either finance the projects on its own books or procure staged financing from the buyer in step with project completion, also termed forward funding.
   - Projects can also be developed together with business partners during the construction period.

1. The Group can choose to <u>initiate projects with a view to construction and subsequent startup and maturing over a short span of years, such projects typically being classified as investment properties.</u>
   - This added element to the business model is a natural consequence of the changed risk picture, including in particular the change in investor behaviour, which means that the development process for some projects is not optimally finalized until they have been matured and run in. The portfolio of investment properties generated by this new element will ensure both a positive operating margin and a positive cash flow, viewed in isolation. After the maturing process, the project returns can be even better documented, and thus higher project selling prices can be obtained.
   - Investment properties can be developed either for the Group's own account or in project development joint ventures with co-investors that wish to participate in both the construction and maturing phases. By entering into joint ventures, the Group will achieve more effective placement of its equity financing of projects under development, better risk spread, and more efficient use of the Group's staff resources and competencies.
   - A project will typically be classified as an investment property prior to construction startup and this classification will be announced to the market. This means that the value of the properties will reflect a market value calculated by using a market-based return requirement in a discounted cashflow model.

In future, the Group will utilize its know-how to encompass both property development and asset management. Development competencies continue to be fully in place in the Group's four main markets, Denmark, Sweden, Poland, and the Czech Republic/Slovakia. The Group has mainly outsourced the property management of completed properties, but handles asset management internally.

In addition to the strategies described above and the cost reduction measures outlined below, Management's aim with the implemented changes is to transform the Group's operations and balance sheet as follows:

- For new development projects where long-term investors are expected to focus on startup and maturing before investing, the Group will accord priority to executing the development and maturing phases in collaboration with a partner.
- Partnerships will enable the Group to utilize its know-how and resources more efficiently, thus adding more value to the projects.
- The partial ownership of certain projects through partnerships will improve risk diversification and equity allocation.
- To a large extent, the Group will attempt to secure new projects on an option basis.
- The Group expects to continuously reduce the carrying amount of building sites in step with project completion.
- The Group will aim for its operating result before tax to break even before selling major projects, see below:

Fees from third-party owned or partly owned projects
- Development fee
- Letting fee
- Construction fee
- Asset management fee.

+ Rental income, the portfolio
+ Fees
+ Profits on minor development projects

Gross profit/loss
÷ Costs
÷ Interest

Profit/loss before tax (to break even as a minimum)

+ Profits on major development projects
+ Upside on collaboration projects

Reduction of the Group's cost level

As a consequence of the weaker project flow, Management has decided to reduce cash capacity costs by about 20 %, which will have an annual impact of about DKK 25 million. This cost reduction will consist mainly of payroll cuts of about 20 %, to be based on staff dismissals, other retirement agreements and salary cuts for individual employees. The Group will reduce its standard staffing level from 135 to 112 employees, and the affected employees received their notice of termination in January 2012.

The individual salary cuts will affect the Group's Executive Board and a number of the Group's other executive staff members, who have voluntarily agreed to a 20 % salary reduction for the next 24 months. At the same time, the Group's Supervisory Board will accept a 20 % fee reduction and recommend to the Annual General Meeting to be held in May 2012 that this reduction shall apply for the 2012/13 financial year. Moreover, the Supervisory Board intends to make the same recommendation for the 2013/14 financial year. The cuts in Management's remuneration should be viewed as part of the overall goal to obtain significant savings and at the same time retain the competencies necessary for the future generation of results. The financial one-time impact of staff dismissals, etc. has been recognized in the financial statements for 2011/12 and amounts to about DKK 4.6 million before tax. The cost reduction will have effect from February 2012 and is expected to take full impact as from August 2012.

Management believes that following the adaptation of the business model, including the reduction of the cost level, the Group has created a more viable business platform for its future development.

Progress in the Group's projects

TK Development focuses on selling its completed projects and executing the remaining projects in its portfolio, as well as on securing satisfactory pre-construction letting or sales. The Group also focuses on new project opportunities. This ensures continuous positive progress as well as further optimization of individual projects. The resulting strong project portfolio enables the Group to meet the challenges posed by the current market conditions.

The Group will make the startup of major new projects contingent on obtaining either full or partial financing for them or on freeing up substantial cash resources from the sale of one or more major completed projects.

The Group's total project portfolio amounted to DKK 3,498 million at 31 January 2012 (31 January 2011: DKK 3,425 million), of which DKK 2,027 million (31 January 2011: 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 generally proceeding satisfactorily. The annual net rent from the current leases amounts to DKK 140 million (31 January 2011: DKK 146 million), equal to a return on cost of about

Selected completed projects

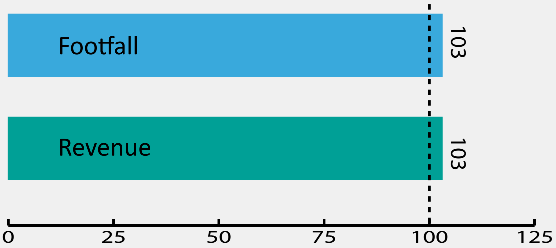
Sillebroen

Opening	**2010**
Leasable space	**25,000 m²**
Occupancy rate	**89 %**
Footfall 2011	**3,093,168**

The Sillebroen shopping centre recorded satisfactory performance in 2011. In a difficult market with subdued private consumption, the shopping centre managed to generate growth in both annual footfall and revenue and attracted 3.1 million customers in 2011. During the year under review, a few tenants were replaced, which is why the occupancy rate fell from 93 % to 89 %. At present, TK is negotiating with tenants interested in renting premises in the centre.

Anchor tenants

Kvickly, Fakta, H&M, FONA, Sport-Master, Vero Moda, Vila, Wagner, Deichmann.



Index figures for the period from May to December 2011 compared to the same period of 2010 (2010 = index 100).

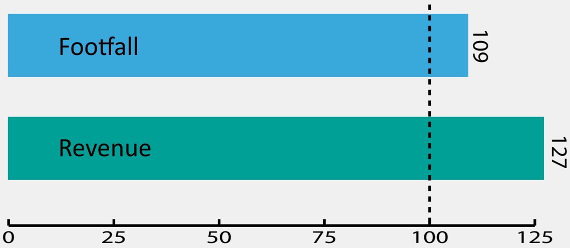
Fashion Arena Outlet Center

Opening	**2007/2010**
Leasable space	**25,000 m²**
Occupancy rate	**90 %**
Footfall 2011	**1,938,445**

Throughout the year under review, Fashion Arena in Prague truly distinguished itself as one of the outlet centres with the highest attraction value in Central Europe. In October 2010, the opening of the last and second phase of the centre was clearly reflected in the development of footfall and revenue, which increased by 9 % and 27 % respectively in 2011. More than 1.9 million customers visited Fashion Arena in 2011.

Anchor tenants

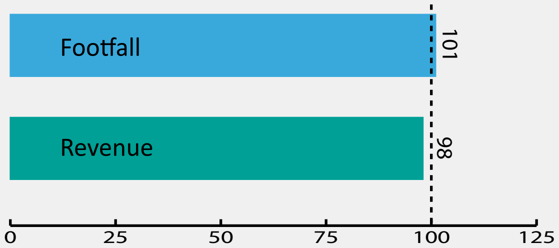
Tommy Hilfiger, Benetton, Tom Tailor, Ecco, Gant, Lacoste, Levi Strauss & Co., Esprit, Nike, Adidas.



Index figures for 2011 compared to 2010 (2010 = index 100).

Galeria Tarnovia

Opening	**2009**
Leasable space	**16,500 m²**
Occupancy rate	**96 %**
Footfall 2011	**1,764,096**



Index figures for 2011 compared to 2010 (2010 = index 100).

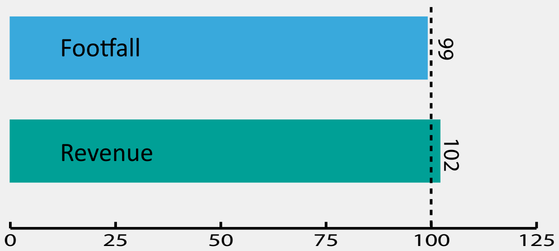
Galeria Tarnovia recorded satisfactory development in 2011. Thus, customer and revenue figures remained at about the same level as in 2010. It is also worth noting that Simply Market replaced the previous supermarket operator in Galeria Tarnovia in December 2011. The replacement has contributed to the significant progress recorded by the shopping centre during the first months of 2012. More than 1.7 million customers visited Galeria Tarnovia in 2011.

Anchor tenants

H&M, New Yorker, Euro RTV AGD, Reserved, Deichmann, Douglas, Rossmann, Stradivarius, Takko Fashion, Simply Market.

Galeria Sandecja

Opening	**2009**
Leasable space	**17,300 m²**
Occupancy rate	**95 %**
Footfall 2011	**2,411,633**



Index figures for 2011 compared to 2010 (2010 = index 100).

Galeria Sandecja achieved satisfactory performance in 2011. The annual footfall declined slightly compared to 2010, but this lower number of customers nevertheless boosted revenue by about 2 %. During the year, a few tenants were replaced, which is why the occupancy rate dropped from 97 % to 95 %. However, it should be noted that Galeria Sandecja is still attracting satisfactory interest, and thus TK is negotiating with several prospective tenants.

Anchor tenants

H&M, New Yorker, Reserved, Deichmann, Douglas, Camaieu, Carry, Euro RTV AGD, Carrefour.

7 %. Based on full occupancy, the return on cost is expected to reach 7.8 %. Negotiations for the sale of several of these projects are ongoing.

In total, the Group's completed, cash-flow-generating projects and its investment properties amount to DKK 2,394 million (31 January 2011: DKK 2,466 million). The Group's net interest-bearing debt amounts to DKK 2,245 million (31 January 2011: DKK 2,170 million).

Completed projects

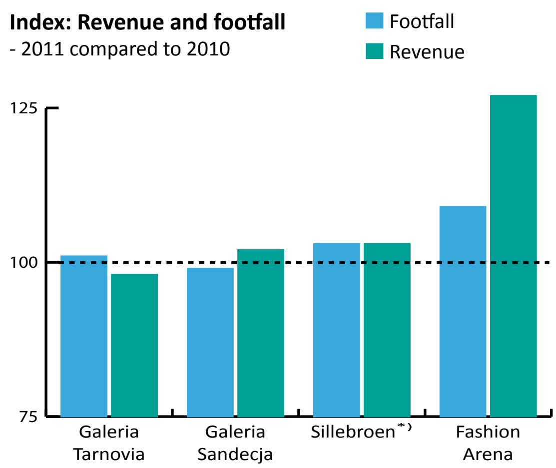
The Group's Sillebroen shopping centre in Frederikssund, Denmark, which opened in March 2010, has a current occupancy rate of 89 %. The departure of tenants has caused the occupancy rate to drop from the figure most recently published. The Group has launched initiatives to raise the occupancy rate and is negotiating with tenants for the remaining premises. The shopping centre still has a satisfactory influx of customers that meets expectations and is also performing satisfactorily. More than 3 million customers visited the shopping centre in 2011. Major tenants include Kvickly, Fakta, H&M, Fona, Sport-Master, Vero Moda, Vila and Wagner.

The Group's Galeria Sandecja shopping centre in Nowy Sącz, Poland, which opened in October 2009, is performing well, with a satisfactory influx of customers. The shopping centre had an annual footfall of 2.4 million in 2011. The current occupancy rate is 95 %, which reflects the recent replacement of a few tenants. Major tenants include supermarket operator Carrefour as well as H&M, New Yorker, Reserved, Deichmann, Douglas, Camaieu and Euro RTV AGD.

The Group's Galeria Tarnovia shopping centre in Tarnów, Poland, which opened in November 2009, has a current occupancy rate of 96 %. The shopping centre continues to perform well with a satisfactory influx of customers, attracting more than 1.7 million visitors in 2011. In December 2011, Simply Market replaced the previous supermarket operator. This replacement has contributed to the significant progress recorded by the shopping centre during the first months of 2012. Other tenants include H&M, New Yorker, Reserved, Douglas, Rossmann, Stradivarius, Takko Fashion and Euro RTV AGD.

The first phase of Fashion Arena Outlet Center, Prague, the Czech Republic, opened in 2007, with the second and last phase opening in October 2010. Since the opening of the second phase, the outlet centre has recorded a highly positive development in footfall and revenue. The number of visitors exceeded 1.9 million in 2011, and the current occupancy rate is 90 % for the overall project. At present, negotiations for the remaining vacant premises are ongoing with several local and international tenants. Major tenants include Nike, Adidas, Tommy Hilfiger, Benetton, Tom Tailor, Gant, Lacoste, Levi Strauss & Co. and Esprit.

The table below illustrates the development in revenue and footfall for the individual shopping centres.



*) Index figures for the period from May to December 2011 compared to the same period of 2010 (2010 = index 100).

Projects in progress/projects not initiated

TK Development has concluded a conditional agreement for a plot earmarked for a new shopping centre project, BROEN, of about 29,800 m², to be built on railway land at the station in Esbjerg, Denmark. The centre is expected to comprise about 70 retail stores, and lease agreements have recently been concluded with such tenants as Bahne, Panduro Hobby and Kong Kaffe. In addition, premises have been let to H&M, Kvickly, Imerco, Skoringen, Sport-Master and Gina Tricot, and the current occupancy rate is 67 %. The fitness facilities have been let to Fitness World. Due to the continued unrest on international financial markets, Management wishes to achieve an even higher occupancy rate before initiating construction. Therefore, in autumn 2011 it was decided to postpone construction startup, now expected in mid-2012. The opening is scheduled for spring 2014.

TK Development is working on a project opportunity in Køge, Denmark. In February 2012, Køge Kyst and TK Development entered into a conditional agreement under which TK Development is to buy land for constructing retail, residential and office premises of about 36,000 m² immediately next to Køge Station and the town centre shopping area. One of the conditions stipulated in the agreement is the final adoption of the local plan for the area, expected to take place at the end of 2012.

In Farum, Denmark, TK Development has made a winning bid for an extension of Farum Bytorv by about 20-30 stores, a total of about 8,000 m². Farum Municipality and TK Development have entered into a conditional purchase agreement about this extension. One of the conditions stipulated in the agreement is that a new local plan is to be prepared and adopted for the area.

In the Swedish town of Gävle, TK Development has bought a plot of land for developing a retail park of about 8,200 m². The project can be accommodated within the existing local plan. The current occupancy rate is 94 %, and lease agreements have been concluded with such tenants as Rusta, Jysk, Stadium Outlet and Ö&B. Construction started in December 2011, and the opening is scheduled for autumn 2012. Moreover, TK Development has an option to buy a plot of land for developing additional retail park premises of about 15,800 m².

A building permit has been obtained for the first phase of the Group's project in Bielany, Poland. The total project area comprises about 56,200 m², primarily housing, consisting of 900-1,000 units. The first phase consists of 136 units on which construction started in mid-2011, with completion scheduled for end-2012. The pre-completion sale of the units has started, and so far about 30 % of the units in this phase have been sold. The residential units are expected to be sold as owner-occupied apartments to private users.

In Jelenia Gora in Poland, TK Development has an option to buy a plot of land to develop a shopping centre of about 24,000 m². The project comprises a supermarket of about 3,500 m² and retail, restaurant and service premises totalling about 20,500 m². The local plan for the area is in place, and the letting of premises has started. Construction is expected to commence in 2013, and the shopping centre is scheduled to open in 2015.

In the Czech town of Frýdek Místek, the Group has an option to buy a plot of land for building a 14,800 m² shopping centre, consisting of about 60 stores. Construction is expected to start in autumn 2012, with the opening scheduled for autumn 2013. Letting is ongoing, and tenants such as Intersport, H&M and Euronics have entered into binding lease agreements for more than half the floor space.

In Moravia in the eastern part of the Czech Republic, TK Development has an option to buy a plot of land for the purpose of building a Designer Outlet Village (factory outlet centre) of about 21,500 m². The project will be executed in phases, with the first to comprise about 11,700 m². The project is being discussed with potential tenants. The first lease agreements have been concluded, but letting is taking longer than expected. Therefore, construction of the first phase has been postponed and is now expected to start in spring 2013 as opposed to autumn 2012. Thus, the opening is now scheduled for spring 2014.

The Group's retail projects on which construction is already ongoing or about to start are still attracting a good amount of interest from tenants. During the period under review, the Group also concluded lease agreements for several of these projects.

The continued uncertainty on the international financial markets has led to consistently long decision-making processes among financing sources, tenants and investors alike; see under "Market conditions". During the year, the Group therefore postponed the expected construction start dates for several projects, as well as the startup of a few projects relative to the start dates most recently announced in the Interim Report for Q1-Q3 2011/12.

Incentive schemes

At the Annual General Meeting on 24 May 2011, the Supervisory Board of TK Development was authorized to issue warrants for a total of up to nominally DKK 7,500,000 (500,000 shares of DKK 15 each) to the Executive Board and other executive staff members. On the same day, the Supervisory Board decided to exercise this authorization, and therefore 125,000 warrants have been granted to the Executive Board and 375,000 warrants to 27 other executive staff members, a total of 500,000 warrants. 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.

Post-balance sheet events

In February 2012, a draft Bill proposing changes to the rules for tax loss carryforwards was introduced, which means that only 60 % of losses from previous income tax years in excess of DKK 1 million will be deductible from the year's taxable income. The new rules are expected to take effect as from the 2013 income tax year.

For TK Development, an adoption of the draft Bill will lengthen the time horizon for utilizing tax losses considerably, and thus substantially increase the uncertainty attaching to utilization of the tax asset. An adoption of the draft Bill and the associated uncertainty relating to utilization of the tax asset will necessitate a significant impairment of the Group's tax asset in 2012/13. This impairment is assessed to be in the DKK 110-150 million range.
Apart from this, no major events affecting the Company other than those mentioned in the Management Commentary have occurred after the reporting date.

Outlook

Management considers it of great importance for the Group to sell a number of major completed projects in the 2012/13 financial year. The sale of major completed projects will generate the cash resources required to underpin future operations and project flow, and thus long-term earnings. In light of the volatility of financial markets, the volume, timing and proceeds of major project sales are subject to uncertainty. Despite this uncertainty, Management expects to sell a number of projects in the near future and to generate positive pre-tax results for the 2012/13 financial year.

Considering the material uncertainty relating to the Group's tax asset and the negative consequences that will follow from an adoption of the draft Bill on changed rules for utilizing tax losses (see the comments on page 8), Management has chosen to change its forecast for 2012/13 from expected positive results to expected positive pre-tax results for 2012/13.

The expectations mentioned in this announcement, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Expectations may be affected by various factors, as mentioned in the section "Risk issues", which applies in particular to the valuation of the Group's deferred tax asset.

Markets and business units

Market conditions

The Group has operated under difficult market conditions in recent years. Particularly the Danish market has been subject to uncertainty for a prolonged period, partly because of a weakened financial sector.

The market conditions in TK Development's markets and the impact of the financial crisis on land prices, construction costs, rental levels, prices for completed properties and access to financing, have not changed significantly during the past months. The above-mentioned variables have stabilized at a new price level, and new projects are expected to yield profits at the level realized before the crisis, thus generating a gross margin of 15-20 % measured on the basis of project cost. However, a low profit is expected to be realized on projects already completed.

Management does not anticipate any short-term improvements in market conditions.

In the first half of 2011, the Group experienced increased investor interest, particularly from property companies and institutional investors. However, renewed unrest on the international financial markets throughout the summer of 2011 rekindled uncertainty on the property market, negatively impacting TK Development. At the end of 2011 and early 2012, the Group recorded a slight increase in interest in real property from investors for whom quality and location are key factors. However, the decision-making processes continue to be slow, in part because of the investors' requirement for lower project risk. For TK Development, the combination of these factors has lowered project turnover and resulted in longer negotiations than expected for the sale of the Group's major completed projects.

The volatility on the international financial markets and the weakened financial sector still make credit institutions reluctant to provide loans to finance real property, with a resulting negative effect for TK Development. TK Development is dependent on its ability to continue obtaining either full or partial project financing, either from credit institutions or from investors in the form of forward funding, or on freeing up substantial cash resources from the sale of one or more major completed projects.

In the letting market for retail property, tenants continue to focus on location. TK Development is experiencing a good amount of interest in prime-location projects, and several strong national and international retail chains are expanding, although decision-making processes are protracted in light of the current unrest on international financial markets.

The rental level is expected to remain fairly stable in the period ahead. However, the rental level for secondary locations is expected to be under pressure.

At the same time, the market conditions have opened up new, exciting project opportunities. As far as possible, TK Development enters into option agreements or the like for any such project opportunities as 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 and new project opportunities.

TK Development has business activities 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	•			
Mixed	•	•		•
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, and the Group is currently working on various potential projects within this segment.

Denmark – startup in 1989	2010	2011	2012e	2013e
GDP (% yr./yr.)	1.3	1.1	1.2	1.7
Private consumption (% yr./yr.)	1.9	-0.2	1.2	1.7
Unemployment (%)	6.2	6.1	6.1	5.9

(Source: Nordea, March 2012)

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 and retail park projects is a specific focus area.

Sweden – startup in 1997	2010	2011	2012e	2013e
GDP (% yr./yr.)	6.1	3.9	-0.3	1.8
Private consumption (% yr./yr.)	3.7	2.1	0.5	1.8
Unemployment (%)	8.4	7.5	7.9	8.1

(Source: Nordea, March 2012)

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	2010	2011	2012e	2013e
GDP (% yr./yr.)	3.7	2.9	0.5	2.0
Private consumption (% yr./yr.)	3.0	3.3	1.4	1.9
Unemployment (%)	8.4	7.8	8.0	8.0

(Source: Nordea, March 2012)

Baltic States

The market situation in the Baltic States remains difficult. For several years, economic developments led to declining rental rates and increasing return requirements. However, like last year, the market is moving forward in a positive direction. 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.

Baltic States – startup in 2001	2010	2011	2012e	2013e
Latvia:				
GDP (% yr./yr.)	-0.3	5.5	2.0	5.0
Private consumption (% yr./yr.)	0.4	4.4	2.5	5.0
Unemployment (%)	18.7	15.5	14.5	12.8
Lithuania:				
GDP (% yr./yr.)	1.4	5.9	2.7	4.0
Private consumption (% yr./yr.)	-4.9	6.1	2.5	4.3
Unemployment (%)	17.8	16.0	14.0	12.5

(Source: Nordea, March 2012)

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	•		
Mixed	•	•	
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 their primary focus on major towns and cities. Thus, the sustained 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. In addition, work will continue on project opportunities in small and medium-sized towns, typically 10-15,000 m² 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	2010	2011	2012e	2013e
GDP (% yr./yr.)	3.9	4.3	3.1	3.2
Private consumption (% yr./yr.)	3.2	3.1	2.3	2.5
Unemployment (%)	9.6	9.9	10.2	9.8

(Source: Nordea, March 2012)

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 are still being constructed in Poland, including in Warsaw, and the supply of housing for sale, whether already constructed or under construction, is high. At the same time, it has become more difficult for individual buyers to obtain satisfactory home purchase loans because the banks require higher borrower equity and interest expenses have increased. Therefore, demand is focused mainly on small residential units. The price level reflects these conditions and has declined slightly. However, the price level for small residential units in Warsaw in the period ahead is expected to remain fairly stable.

Czech Republic

The Czech market continues to experience good demand for tenancies in attractive retail projects. The focus is on 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 establishing retail projects in town centres or extending existing shopping centres.

Czech Rep. – startup in 1997	2010	2011	2012e	2013e
GDP (% yr./yr.)	2.7	1.8	0.7	1.7
Private consumption (% yr./yr.)	0.6	-0.3	0.3	1.5
Unemployment (%)	7.3	6.8	7.0	6.7

(Source: The European Commission, forecast, autumn 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 a few project opportunities.

Slovakia – startup in 1999	2010	2011	2012e	2013e
GDP (% yr./yr.)	4.2	2.9	1.1	2.9
Private consumption (% yr./yr.)	-0.7	0.2	0.4	1.3
Unemployment (%)	14.4	13.2	13.2	12.3

(Source: The European Commission, forecast, autumn 2011)

THE GROUP'S PROJECT PORTFOLIO

Project portfolio status

The Group's project portfolio comprised 776,000 m² at 31 January 2012. The project portfolio consists of sold projects of 36,000 m² and of remaining projects of 740,000 m². At 31 January 2011, the Group's project portfolio comprised 798,000 m².

The method used previously to calculate the size of the Group's project portfolio in square metres has been changed. The project portfolio is now calculated in proportion to the Group's ownership share of the individual projects, whereas previously it was calculated without taking the Group's ownership share into account. The comparative figures have been restated accordingly.

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

DKKm	31.01.10	31.01.11	31.01.12
Sold			
Completed	0	0	0
In progress	2	12	17
Not initiated	12	14	10
Total	**14**	**26**	**27**
Remaining			
Completed	1,352	2,107	2,027
In progress	720	149	286
Not initiated	1,164	1,143	1,158
Total	**3,236**	**3,399**	**3,471**
Net project portfolio	**3,250**	**3,425**	**3,498**
Forward funding	351	284	293
Gross project portfolio	3,601	3,709	3,797
Forward funding in % of gross carrying amount of sold projects	96.2 %	91.6 %	91.6 %

Table 1

The Group uses forward funding to reduce the funds tied up in the portfolio of sold projects. The rise in forward funding since 31 January 2011 results mainly from an accumulation of forward funding and prepayments relating to projects in progress.

As appears from the table above, the carrying amount of projects in progress increased substantially during the period under review. This increase is partly attributable to the ongoing construction of the first phase of the Group's retail park project in Gävle, Sweden, and the first phase of the housing project in Bielany, Warsaw, Poland. In addition, the increase includes the reclassification of a Danish project from "completed" to "in progress" due to changes to the planned project.

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

('000) m²	31.01.10	31.01.11	31.01.12
Sold			
Completed	0	0	0
In progress	25	4	7
Not initiated	87	79	29
Total	**112**	**83**	**36**
Remaining			
Completed	76	102	95
In progress	44	22	39
Not initiated	590	591	606
Total	**710**	**715**	**740**
Total project portfolio	**822**	**798**	**776**
Number of projects	**66**	**67**	**62**

Table 2

The table below shows the distribution of the carrying amounts of projects in the portfolio at 31 January 2012 for the two business units.

Projects at 31 January 2012 DKKm	TKD Nord-europa	Euro Mall Holding	Group total*)	Per cent of total
Sold				
Completed	0	0	0	0.0 %
In progress	7	10	17	0.5 %
Not initiated	4	6	10	0.3 %
Total	**11**	**16**	**27**	**0.8 %**
Remaining				
Completed	907	1,085	1,992	58.0 %
In progress	243	43	286	8.3 %
Not initiated	492	637	1,129	32.9 %
Total	**1,642**	**1,765**	**3,407**	**99.2 %**
Project portfolio	**1,653**	**1,781**	**3,434**	**100.0 %**

*) excl. TK Development, remaining group activities, a total of DKK 64 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 2012 ('000) m^2	TKD Nord-europa	Euro Mall Holding	Group total *)	Per cent of total
Sold				
Completed	0	0	0	0.0 %
In progress	5	2	7	0.9 %
Not initiated	2	27	29	3.7 %
Total	**7**	**29**	**36**	**4.6 %**
Remaining				
Completed	36	59	95	12.3 %
In progress	32	7	39	5.0 %
Not initiated	375	231	606	78.1 %
Total	**443**	**297**	**740**	**95.4 %**
Project portfolio	**450**	**326**	**776**	**100.0 %**

*) 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

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 450,000 m² at 31 January 2012, of which sold projects accounted for 7,000 m² and remaining projects for 443,000 m². The project portfolio had a total development potential of 392,000 m² at 31 January 2011.

Completed projects

Sillebroen, shopping centre, Frederikssund, Denmark

In Frederikssund, TKD Nordeuropa has constructed a shopping centre with a total floor space of about 25,000 m². The shopping centre comprises supermarket units of about 5,000 m² and speciality stores and restaurants of about 20,000 m². The departure of tenants has caused the occupancy rate to drop from the figure most recently published to a current rate of 89 %. The Group has launched initiatives to achieve a higher occupancy rate and is negotiating with tenants for the remaining premises. Major tenants include Kvickly, Fakta, H&M, 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. Reference is made to page 12 for a further description of the project.

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 m² and about 1,000 parking spaces. The centre opened in March 2008. Several tenants have been replaced, and the latest newcomers to Premier Outlets Center are Holly's, Redgreen, Ticket to Heaven and McDonald's. The current occupancy rate is 59 %. Negotiations with several potential Danish and international tenants are ongoing.

Retail park, Aabenraa, Denmark

TKD Nordeuropa has built a retail park of approx. 4,200 m² in Aabenraa, Denmark. The retail park is fully let, and the tenants include jem & fix, Biva, T. Hansen and Sport24.

Projects in progress

Amerika Plads, underground car park, 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. 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.

Shopping-street property, 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 m² 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 m² are ongoing.

Vasevej, Birkerød, Denmark

TKD Nordeuropa owns a property of about 3,000 m² at Vasevej in Birkerød, rented by SuperBest. The project has been changed and, unlike before, is now classified as "in progress". The project consists of a refurbishment of the existing property and an extension comprising additional stores and a few dwellings. The combined project is expected to comprise about 4,400 m².

Kofoten, Kristianstad, Sweden

In addition to an existing building of about 4,500 m², which was handed over to the investor in April 2011, the project comprises an extension of about 1,700 m², sold to the same investor. The extension has been fully let and construction started in autumn 2011, with the opening and handover scheduled for spring 2012.

Retail park, phase I, Gävle, Sweden

In the Swedish town of Gävle, TKD Nordeuropa has bought a plot of land for developing a retail park of about 8,200 m². The current occupancy rate is 94 %, and lease agreements have been concluded with such tenants as Rusta, Jysk, Stadium Outlet and Ö&B. Construction has started, and the retail park is expected to open in autumn 2012. Moreover, TK Development has an option to buy a plot of land for developing additional retail park premises of about 15,800 m².

Projects not initiated

Østre Teglgade, Copenhagen, Denmark

TKD Nordeuropa owns an attractively located project area at Teglholmen. Following the adoption of a new local plan, the project area covers about 32,700 m². 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

Project outline

The outline below lists the key projects of TK D 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 2012.

Project name	City/town	Country	Segment	TKD's share of area (m²)	TKD's ownership interest	Construction start/ expected construction start	Opening/ expected opening
Completed							
Sillebroen, shopping centre	Frederikssund	DK	Retail/ residential	25,000	100 %	Mid-2008	March 2010
Premier Outlets Center	Ringsted	DK	Retail	6,600	50 %	Autumn 2006	March 2008
Retail park, Aabenraa	Aabenraa	DK	Retail	4,200	100 %	Autumn 2008	Mid-2009/ early 2010
In progress							
Amerika Plads, underground car park	Copenhagen	DK	Underground car park	16,000	50 %	2004	Continuously
Shopping-street property, Mejlstedgade	Brønderslev	DK	Retail	2,400	100 %	-	-
Vasevej	Birkerød	DK	Mixed	4,400	100 %	-	-
Retail park, Kofoten	Kristianstad	SE	Retail	1,700	100 %	Autumn 2011	Spring 2012
Retail park, Gävle, phase I	Gävle	SE	Retail	8,200	100 %	End-2011	Autumn 2012
Not initiated							
Østre Teglgade	Copenhagen	DK	Office/ residential	32,700	[1] 100 %	Continuously	Continuously
Amerika Plads, lot C	Copenhagen	DK	Mixed	6,500	50 %	2013	2014
Amerika Plads, lot A	Copenhagen	DK	Office	5,900	50 %	2012	2014
BROEN, shopping centre	Esbjerg	DK	Retail	29,800	100 %	Mid-2012	Spring 2014
Aarhus South, phase II	Aarhus	DK	Retail	2,800	100 %	2013	2013
Ejby Industrivej	Copenhagen	DK	Office	12,900	100 %	2012	2012
Østre Havn/Stuhrs Brygge	Aalborg	DK	Mixed	36,000	[1] 50 %	Continuously	Continuously
Retail park, Marsvej	Randers	DK	Retail	10,500	100 %	2012	2013
Development of town centre	Køge	DK	Mixed	36,000	100 %	2013	Continuously
Farum Bytorv, extension	Farum	DK	Retail	8,000	100 %	2013	2014
Retail park, Enebyängen, phase II	Danderyd	SE	Retail	1,800	100 %	Mid-2012	Spring 2013
The Kulan commercial district	Gothenburg	SE	Mixed	45,000	100 %	2013	2015
Retail park, Söderhamn	Söderhamn	SE	Retail	10,000	100 %	Spring 2013	End-2013
Retail park, Gävle, phase II	Gävle	SE	Retail	15,800	100 %	Continuously	Continuously
Pirkkala Retail Park, phase II	Tammerfors	FI	Retail	5,400	100 %	2012	2013
Kaarina Retail Park	Turku	FI	Retail	6,600	100 %	2012	2013
DomusPro Retail Park	Vilnius	LT	Retail	11,300	100 %	2012	2013
Milgravja Street	Riga	LV	Residential	10,400	100 %	-	-
Ulmana Retail Park	Riga	LV	Retail	12,500	100 %	-	-
TKD Nordeuropa, total floor space				**approx. 368,000**			

[1] TKD Nordeuropa's share of profit on development amounts to 70 %.

Retail park in Gävle to open in October 2012

In the Swedish town of Gävle, we are well under way with the construction of an 8,200 m^2 retail park, of which 94 % has been let to Jysk, Stadium, Rusta and Ö&B. The retail park is located in the southern part of Gävle near the E4 motorway connecting Gävle with Stockholm. Established in 1446, Gävle is one of Sweden's oldest market towns and lies about 150 kilometres north of Stockholm.

Prominent location with strong neighbours

The retail park will be prominently located next to the E4 exit, which already serves as the main entry point to a premier shopping destination. Thus, our retail park is located next to well-visited stores such as Biltema, Jula, Systembolaget, City Gross and ICA Maxi – brands that guarantee a solid customer flow. The retail park will open in October this year.

A, lot C and an underground car park. A building complex with about 11,800 m² of office space is to be built on lot A, and a building complex with about 13,000 m² of commercial and residential space on lot C. Construction will take place as the space is let.

BROEN, shopping centre, Esbjerg, Denmark
TK Development has concluded a conditional agreement for a plot earmarked for a new shopping centre project, BROEN, of about 29,800 m², to be built on railway land at the station in Esbjerg, Denmark. The centre is expected to comprise about 70 retail stores, and lease agreements have recently been concluded with such tenants as Bahne, Panduro Hobby and Kong Kaffe. In addition, premises have been let to H&M, Kvickly, Imerco, Skoringen, Sport-Master and Gina Tricot, and the current occupancy rate is 67 %. The fitness facilities have been let to Fitness World. Due to the continued unrest on international financial markets, Management wishes to achieve an even higher occupancy rate before initiating construction. Therefore, in autumn 2011 it was decided to postpone construction startup, now expected in mid-2012. The opening is scheduled for spring 2014.

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 72,000 m² 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 preparations for a new local plan comprising 31,000 m² of housing, offices and parking facilities have started.

Retail park, Marsvej, Randers, Denmark
In October 2010, the Group took over a plot of land on Marsvej in Randers, Denmark, intended for a retail development project of 10,500 m². Letting has been initiated, and there is a satisfactory level of interest among potential tenants. At the same time, a possible extension of the project is on the drawing board.

Development of town centre, Køge, Denmark
TK Development is working on a project opportunity in Køge. In February 2012, Køge Kyst and TK Development entered into a conditional agreement under which TK Development is to buy land for constructing retail, residential and office premises of about 36,000 m² immediately next to Køge Station and the town centre shopping area. One of the conditions stipulated in the agreement is the final adoption of the local plan for the area, expected to take place at the end of 2012.

Farum Bytorv, extension, Farum, Denmark
In Farum, TK Development has made a winning bid for an extension of Farum Bytorv by about 20-30 stores, a total of about 8,000 m². Farum Municipality and TK Development have entered into a conditional purchase agreement about this extension. One of the conditions stipulated in the agreement is that a new local plan is to be prepared and adopted for the area.

Retail park, Enebyängen, Danderyd, Sweden
In the municipality of Danderyd near Stockholm, TKD Nordeuropa handed over the first 13,000 m² phase of the retail park to an investor in 2010/11. Construction of the second phase of about 1,800 m², 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 m²: 30,000 m² for a shopping centre, 15,000 m² for services/commercial use and 30,000 m² for housing. TKD Nordeuropa will be in charge of developing the 45,000 m² for a shopping centre, services and commercial facilities, while JM AB will have responsibility for the 30,000 m² of housing. The acquisition of land for the project will be completed following the adoption of a local plan, expected in 2013.

Retail park, phase II, Gävle, Sweden
Reference is made to "Projects in progress" above.

Kaarina Retail Park, Turku, Finland
In the Finnish town of Turku, TKD Nordeuropa owns a plot of land allowing for the construction of a 6,600 m² 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 an 11,300 m² retail park. Constructive dialogue has been established with potential tenants, and binding lease agreements have been signed for almost half the premises. Construction is expected to start in 2012.

EURO MALL HOLDING

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 326,000 m² at 31 January 2012, of which sold projects accounted for 29,000 m² and remaining projects for 297,000 m². The project portfolio had a total development potential of 406,000 m² at 31 January 2011.

Completed projects

Galeria Tarnovia, shopping centre, Tarnów, Poland
In the Polish town of Tarnów, Euro Mall Holding has constructed a 16,500 m² shopping centre, comprising a supermarket of about 2,000 m² and specialty stores of about 14,500 m². The centre has a current occupancy rate of 96 %. Reference is made to page 13 for a further description of the project.

Galeria Sandecja, shopping centre, Nowy Sącz, Poland
In the Polish town of Nowy Sącz, Euro Mall Holding has constructed a 17,300 m² shopping centre, consisting of a 5,000 m² hypermarket and specialty stores of about 12,300 m². The centre has a current occupancy rate of 95 %. Reference is made to page 13 for a further description of the project.

Fashion Arena Outlet Center, Prague, Czech Republic
In Prague, the Group has developed a 25,000 m² factory outlet centre in a joint venture with an international collaboration partner. The second phase of about 7,000 m² opened in October 2010. The current occupancy rate is 90 % for the combined project. At present, negotiations with several potential Czech and international tenants for the remaining premises are ongoing. Reference is made to page 12 for a further description of the project.

Most Retail Park, Czech Republic
Euro Mall Holding is developing an 8,400 m² retail park in the Czech town of Most, to be built in phases. The first phase of 6,400 m² opened in April 2009, and the current occupancy rate for this phase is 84 %.

Projects in progress

Futurum Hradec Králové, extension, the Czech Republic
Construction has started on a 9,950 m² 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. Construction is progressing as planned, and the current occupancy rate is 97 %. The opening has been scheduled for 10 May 2012. Euro Mall Holding receives fees from the jointly owned company for letting and construction management services.

Residential park, Bielany, Warsaw, Poland
Euro Mall Holding owns a tract of land in Warsaw allowing for the construction of about 56,200 m², distributed on 900-1,000 residential units. The plan is to build the project in four phases. The first phase consists of 136 units. Construction, which started in mid-2011, is progressing as planned, and the opening is scheduled for the end of 2012. The pre-completion sale of the units started in spring 2011, and sales agreements for about 30 % of the first-phase units have been concluded. Following completion of the first phase, the remaining phases are expected to be completed successively. The residential units are expected to be sold as owner-occupied apartments to private users.

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 m², 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.

Residential park, Bielany, Warsaw, Poland
Reference is made to “Projects in progress” above.

Shopping centre, Jelenia Góra, Poland
In Jelenia Gora in Poland, TK Development has an option to buy a plot of land to develop a shopping centre of about 24,000 m². The project comprises a supermarket of about 3,500 m² and retail, restaurant and service premises totalling about 20,500 m². The local plan for the area is in place, and the letting of premises has started. Construction is expected to commence in 2013, and the shopping centre is scheduled to open in 2015.

Bytom Retail Park, Bytom, Poland
Euro Mall Holding intends to develop a retail park with total leasable space of about 25,800 m² 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.

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 2012.

Project name	City/town	Country	Segment	TKD's share of are (m²)	TKD's owner-ship interest	Construction start/ expected construction start	Opening/ expected opening
Completed							
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	18,750	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
In progress							
Futurum Hradec Králové, extension	Hradec Králové	CZ	Retail	1,990	[1] 20 %	Early 2011	May 2012
Residential Park, Bielany, phase I	Warsaw	PL	Residential/ services	7,850	100 %	Mid-2011	End-2012
Not initiated							
Stocznia, multifunctional centre, Young City	Gdansk	PL	Mixed	27,450	[1] 45 %	2013	2016
Residential park, Bielany, remaining phases	Warsaw	PL	Residential/ services	48,350	100 %	Continuously	Continuously
Poznan Warta	Poznan	PL	Residential	50,000	100 %	-	-
Shopping centre, Jelenia Gora	Jelenia Gora	PL	Retail	24,000	100 %	2013	2015
Bytom Retail Park	Bytom	PL	Retail	25,800	100 %	Continuously	Continuously
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 2013	Autumn 2013
Designer Outlet Village Moravia	Moravia	CZ	Retail	21,500	100 %	Phase I: Spring 2013	Phase I: Spring 2014
Euro Mall Holding, total floor space				**approx. 283,000**			

[1] Based on fee income.

Shopping centre, Frýdek Místek, the Czech Republic
In the Czech town of Frýdek Místek, Euro Mall Holding has an option to buy a plot of land for the purpose of building a 14,800 m² shopping centre, consisting of about 60 stores. Construction is expected to start in autumn 2012, with the opening scheduled for autumn 2013. Letting is ongoing, and tenants such as Intersport, H&M and Euronics have entered into binding lease agreements for more than half the floor space.

Designer Outlet Village Moravia, the Czech Republic
In Moravia in the eastern part of the Czech Republic, TK Development has an option to buy a plot of land for the purpose of building a Designer Outlet Village (factory outlet centre) of about 21,500 m². The project will be executed in phases, with the first to comprise about 11,700 m². The project is being discussed with potential tenants. The first lease agreements have been concluded, but letting is taking longer than expected. Therefore, construction of the first phase has been postponed, now expected to start in spring 2013 as opposed to autumn 2012. Thus, the opening is now scheduled for spring 2014.

Futurum Hradec Králové ready to open

The extension of the Group's shopping centre in the Czech town of Hradec Králové is to open on 10 May 2012. This will add another 42 stores totalling 10,000 m^2 to the 65 existing stores in Futurum Hradec Králové. 96 % of the new premises have been let in advance to strong chains such as H&M, KappAhl, Adidas and Gant, to name just a few.

The town's leading shopping destination

Hradec Králové is situated 100 kilometres east of Prague and, by virtue of its 100,000 inhabitants with an income level significantly higher than the Czech average, the town boasts a very attractive customer base. The location of Futurum on the ring road only five minutes' drive from the town centre makes it the area's prime shopping destination, a status reinforced by the 10,000 m^2 extension. Following the extension, the shopping centre will occupy total premises of 28,250 m^2.

TK DEVELOPMENT, REMAINING GROUP ACTIVITIES / PARENT COMPANY

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, a minor project in Russia and a few other activities.

Parent Company

In 2011/12, TK Development A/S, the Parent Company, realized a profit of DKK 105.4 million against DKK 92.7 million in 2011/12. The profit includes income from investments in group enterprises in the amount of DKK 73.9 million against DKK 69.1 million the year before. In addition, earnings consist mainly of net financing income from loans to subsidiaries. In 2011/12, 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 2012.

At 31 January 2012, the balance sheet total amounted to DKK 2,391.2 million, an increase of DKK 115.3 million over the year before. Equity totalled DKK 2,201.5 million at 31 January 2012, an increase of DKK 109.1 million relative to 31 January 2011. This increase is mainly attributable to the profit recorded for the year.

Reference is also made to the Management Commentary for the whole Group.

INVESTMENT PROPERTIES

The Group's investment properties

Project name	City/town	Segment	Floor space[*)] (m²)	Ownership interest	Opening
Futurum Hradec Králové, Czech Republic	Hradec Králové	Retail	18,300	20 %	November 2000
Futurum Hradec Králové, Czech Republic extension	Hradec Králové	Retail	9,950	20 %	May 2012
Germany	Lüdenscheid / Berlin	Residential/mixed	26,000	100 %	1994-1998
Total investment properties, including extension in progress			**54,250**		

[*)] incl. common areas

The Group's investment properties are recognized in the balance sheet under property, plant and equipment. The value of these properties is measured at fair value and amounted to DKK 366.9 million at 31 January 2012 against DKK 358.6 million at 31 January 2011.

Central Europe

Euro Mall Holding's investment property, the Futurum Hradec Králové shopping centre, had a carrying amount of DKK 169.3 million at 31 January 2012, 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, with the terminal value being recognized in year five. The assessed return requirement is unchanged compared to 31 January 2011.

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 recorded a satisfactory occupancy rate, operating profit and customer influx throughout the year.

An extension of the Futurum Hradec Králové shopping centre, comprising about 9,950 m², is being built. Construction is progressing according to plan, and the extension is scheduled to open on 10 May 2012. The extension has been classified under "Investment properties under construction". The current occupancy rate is 97 %. The valuation is made on the basis of a discounted cash-flow model over a five-year period, where expected future cash flows are discounted to net present value on the basis of a given return requirement. The valuation at 31 January 2012 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 the extension amounted to DKK 73.6 million at 31 January 2012 against 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 2012, 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, with the terminal value being recognized in year ten. The assessed return requirement is unchanged compared to 31 January 2011.

OTHER MATTERS

Transactions with related parties

No major or unusual transactions were made with related parties in the 2011/12 financial year.

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 47.

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 2011/12 financial year.

The Supervisory Board

Kurt Daell was not prepared to stand for re-election at the Company's Annual General Meeting on 24 May 2011. The remaining Supervisory Board members were re-elected, and the Supervisory Board is currently composed of five members. After the Annual General Meeting, a meeting was held for the purpose of electing officers, with Niels Roth being elected as the Chairman, and Torsten Erik Rasmussen being elected as the Deputy Chairman of the Supervisory Board. All 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 3 p.m. on 24 May 2012 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 2011/12 financial year;
2. in the period from 24 May to 30 June 2012, 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 10,500,000 (700,000 shares of DKK 15) to the Executive Board and other executive staff members in the Group; and that at the same time, the Supervisory Board be authorized to increase the Company's share capital by one or more issues during the period ending on 30 June 2016 by up to nominally DKK 10,500,000 for the purpose of implementing the capital increase resulting from the exercise of warrants under the incentive scheme to be launched in 2012. The planned incentive scheme is described in more detail in the section "Shareholders";
3. the special reserve of DKK 140.2 million arising in connection with the capital reduction implemented in August 2010, when the denomination of the Group's shares was changed from DKK 20 to DKK 15, be transferred to the Company's distributable reserves.

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

The full Annual Report is downloadable from TK Development's website, www.tk-development.dk, as from 2 May 2012.

BUSINESS CONCEPT

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.

The Group can develop projects for its own account, with or without advance project sales, and can either finance the projects on its own books or procure staged financing from the buyer in step with project completion (forward funding); see below.

In terms of segments, the Group focuses on the development 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.

Following the business model adaptation announced in January 2012, the Group can also choose to initiate projects with a view to construction and subsequent startup and maturing over a short span of years, with such projects typically being classified as investment properties.

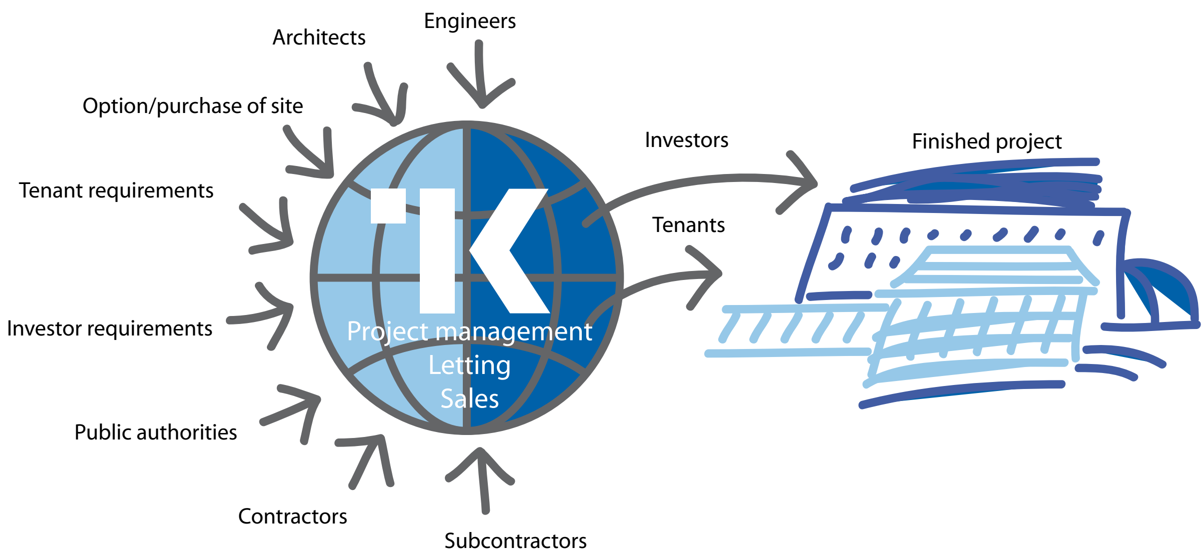
In future, the Group will thus utilize its know-how to encompass both property development and asset management. Development competencies continue to be fully in place in the Group's four main markets, Denmark, Sweden, Poland, and the Czech Republic. The Group has mainly outsourced the property management of completed properties, but handles asset management internally.

Project development

The Group has strong networks forged on the basis of longstanding, 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, or, alternatively, agreements on project startup are made with one or more co-investors who wish to participate in both the construction and the maturing phase.

- 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

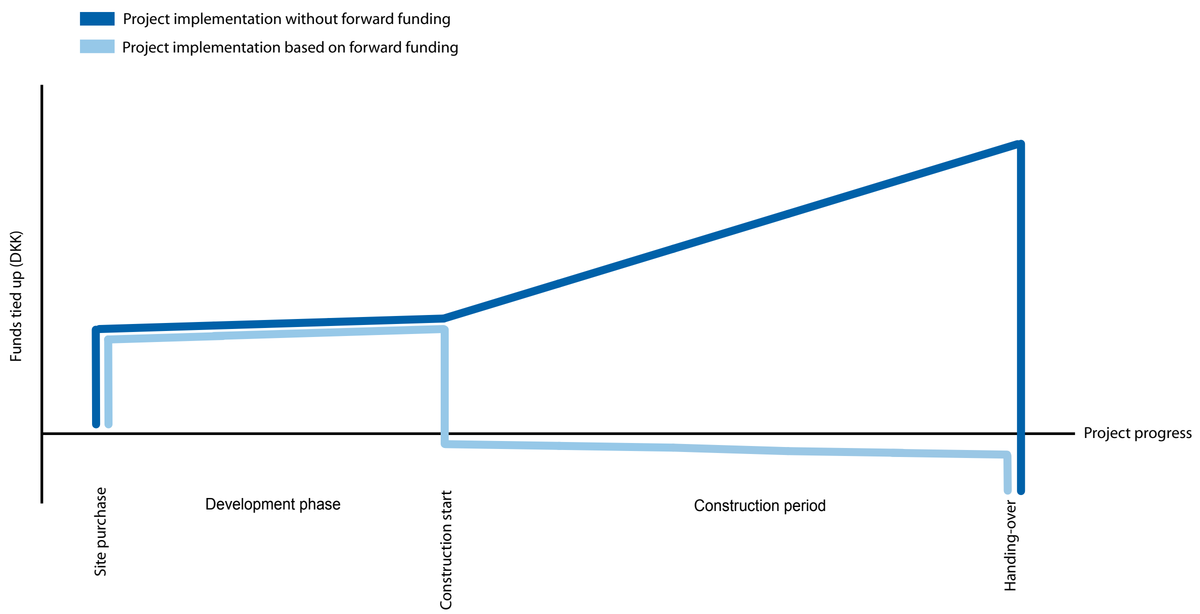
New projects are initiated on the basis of an overall assessment of their earnings potential, balance sheet impact and impact on cash resources relative to the specific risks attaching to the individual project.

Limiting risks
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.

Forward funding
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.



Startup and maturing
As stated above, following the business model adaptation announced in January 2012, the Group can also choose to initiate projects with a view to construction and subsequent startup and maturing over a short span of years, with such projects typically being classified as investment properties.

This is a natural consequence of the changed risk picture, including in particular the change in investor behaviour, which means that the development process for some projects is not optimally finalized until they have been matured and run in. The portfolio of investment properties generated by this new element will ensure both a positive operating margin and a positive cash flow, viewed in isolation. After the maturing process, the project returns can be even better documented and higher prices obtained.

Investment properties can be developed either for the Group's own account or in project development joint ventures with co-investors that wish to participate in both the construction and maturing phases. By entering into joint ventures, the Group will achieve more effective placement of its equity financing of projects under development, better risk spread, and more efficient use of the Group's staff resources and competencies.

Other elements of TK Development's business concept

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 knowhow 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/cooperation 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 applicable 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 rating "Good" or "Very Good".

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_2 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 cooperates 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.

Moreover, when designing large and small shopping centres, TK Development attaches weight to ensuring the availability of convenient public transport options for customers.

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.

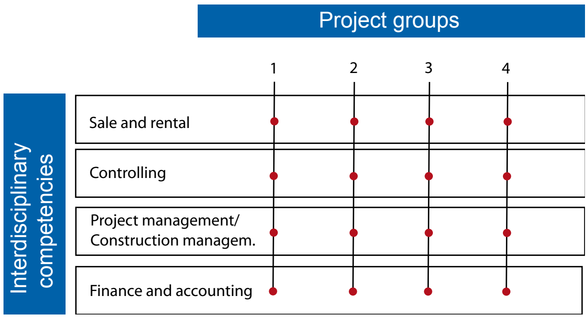
Incentive schemes

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

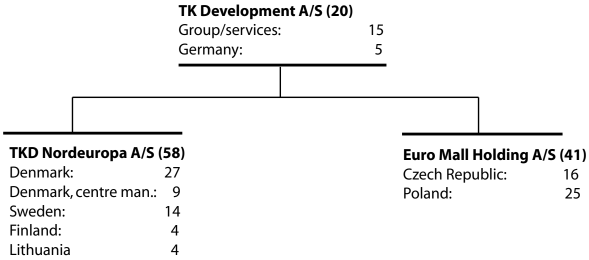
Like the group structure, TK Development's organization and management structure is divided into Northern Europe and Central Europe.

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.

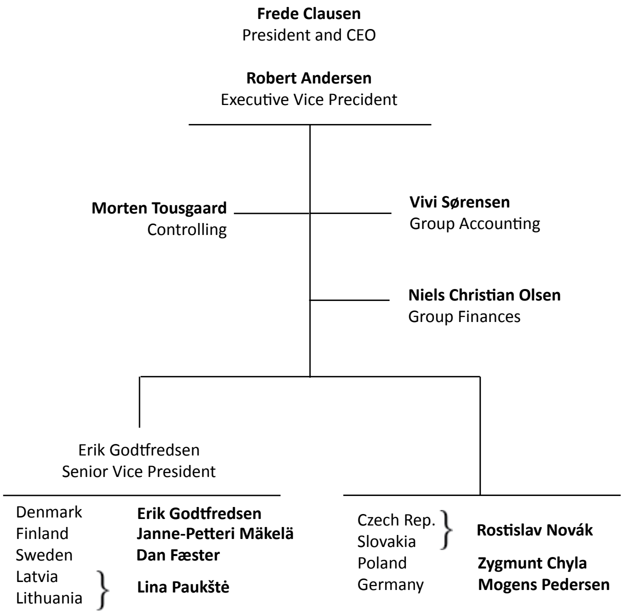
Breakdown of the Group's employees

At 31 January 2012, the Group employed a total of 119 persons, broken down as follows:



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

After the organizational change implemented in January 2012, the Group's management structure is as follows:



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 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.

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

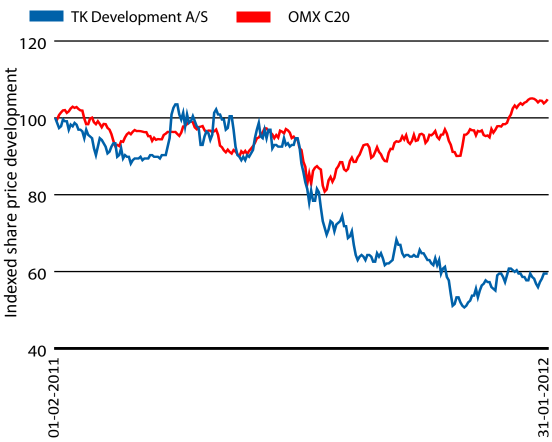
SHAREHOLDERS

Stock exchange	NASDAQ OMX Copenhagen
Index	SmallCap
Share capital	DKK 630,985,725
Share denomination	DKK 15
Number of shares	42,065,715
Share classes	One
Number of vores per share	One
Bearer security	Yes
Voting right restriction	No
Share transfer restrictions	No
ISIN code	DK0010258995

Share price development

On 31 January 2012, TK Development A/S' shares were listed at a price of DKK 13.5 per share with a nominal value of DKK 15, equal to a market value of DKK 568 million.

The price of TK Development A/S shares developed as follows during the year under review:

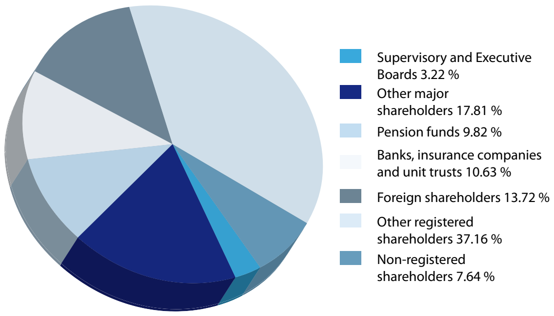


Volume of trading

During the year under review, the share was traded on 257 days, with a total trading volume of DKK 181 million against DKK 279 million the year before. 7,660 trades were completed (2010/11: 12,655 trades), covering a total of 10,343,972 shares (2010/11: 11,830,145 shares).

Shareholders and their holdings

The number of registered shareholders decreased from 8,524 at the beginning of the year to 7,928 at the end of the year. The registered shareholders represented 92.36 % of the share capital at 31 January 2012. 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 %
Kurt Daell Lysagervej 25 2920 Charlottenlund Denmark	10.01
Carl Ejler Rasmussen, c/o Carl Ejler Rasmussen & Co A/S Amaliegade 13 A 1256 Copenhagen K Denmark	7.80

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
Supervisory Board:			
Niels Roth, Chairman	703,626	1.67	438,626
Torsten Erik Rasmussen, Deputy Chairman	89,140	0.21	40,000
Per Søndergaard Pedersen	279,508	0.66	25,000
Jesper Jarlbæk	56,900	0.14	20,000
Jens Erik Christensen	37,448	0.09	27,448
Executive Board:			
Frede Clausen	243,439	0.58	25,000
Robert Andersen	115,000	0.27	27,500
Total	**1,525,061**	****)3.63**	**603,574**

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

**) Increased from 3.22 % to 3.63 % since 31 January 2012.

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 Annual 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

2008 scheme

In 2008, the Supervisory Board issued warrants to the Executive Board and 30 other 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. There were a total of 761,497 active warrants at the reporting date.

Warrants comprised by the incentive scheme may be exercised within three six-week windows, of which only one window remains, viz. the six weeks following publication of the preliminary announcement of financial statements for the 2011/12 financial year.

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, expensed over the period from June 2008 to October 2011.

2010 scheme

In June 2010, the Supervisory Board granted 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. There were a total of 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. 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-month period 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 amount to DKK 1.9 million, to be charged to the income statement over a period of 22 months.

2011 scheme

In June 2011, the Supervisory Board granted 125,000 warrants to the Executive Board and 375,000 warrants to other executive staff members, a total of 500,000 warrants. There was a total of 500,000 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 two years. 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 2013/14 financial year (from around 30 April 2014);

- following publication of the interim report for the six-month period ending 31 July 2014 (from around 30 September 2014); and
- following publication of the preliminary announcement of financial statements for the 2014/15 financial year (from around 30 April 2015).

The subscription price per share of nominally DKK 15, before any deduction for dividends, has been fixed at DKK 28.0 in the first exercise window, DKK 28.9 in the second window and DKK 30.2 in the third window.

The Group's total expenses for the incentive scheme total DKK 2.1 million, to be charged to the income statement over a period of 35 months.

	Number of warrants 2008 scheme	Number of warrants 2010 scheme	Number of warrants 2011 scheme
Supervisory Board	0	0	0
Executive Board:			
Frede Clausen	97,775	57,515	62,500
Robert Andersen	97,775	57,515	62,500
Other executive staff	565,947	331,285	375,000
Total	**761,497**	**446,315**	**500,000**

2012 scheme

The Supervisory Board recommends that the Annual General Meeting authorize the Supervisory Board to issue warrants during the period 24 May 2012 to 30 June 2012 to the Executive Board and other executive staff for the subscription of up to 700,000 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 1.9 million, to be charged to the income statement over a period of 35 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.

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

Company Announcements

No.	Date	
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
3	28 Apr 11	Preliminary announcement of financial statements 2010/11
4	29 Apr 11	Notice convening the Annual General Meeting of TK Development A/S
5	02 May 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
6	24 May 11	Annual General Meeting of TK Development A/S on 24 May 2011
7	24 May 11	Supervisory Board exercises authorization to launch warrants scheme
8	30 May 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
9	31 May 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
10	31 May 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
11	10 Jun 11	TK Development implements planned incentive scheme
12	28 Jun 11	Interim Report Q1 2011/12
13	13 Jul 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
14	14 Jul 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
15	10 Aug 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
16	29 Sep 11	Interim Report Q1-Q2 2011/12
17	03 Oct 11	Information about the executive staff's and their related parties' transactions in TK Development A/S shares and related securities
18	16 Dec 11	Notification of majority shareholding
19	22 Dec 11	Interim Report Q1-Q3 2011/12
1	24 Jan 12	Profit estimate for the 2011/12 financial year adjusted downwards to about DKK 25 million after tax. The Group will adapt its business model to market conditions and reduce its cost level by about 20 %. Positive results after tax are expected for 2012/13.
2	26 Jan 12	Financial calendar

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

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 3 p.m. on 24 May 2012 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.

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. Moreover, 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. This authorization is 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 increase implemented in August 2010 amount to nominally DKK 11,422,455 and nominally DKK 6,694,725 for the 2012 and 2014 authorization, respectively.

Moreover, the Supervisory Board is 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, without any pre-emptive rights for the Company's existing shareholders. This authorization for an increase corresponds to 1.2 % of the Company's share capital.

Accordingly, the overall authorization for the Supervisory Board to subscribe for capital will amount to 4.7 % 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.

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. If Management or employees are in possession of inside information that may influence the pricing of TK's shares, they may not trade in the shares even during the six-week period. 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, 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), 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.

Financial calendar

Annual Report 2011/12	2 May 2012
Annual General Meeting	24 May 2012
Interim Report Q1 2012/13	25 June 2012
Interim Report Q1-Q2 2012/13	25 September 2012
Interim Report Q1-Q3 2012/13	19 December 2012
Preliminary announcement of financial statements 2012/13	25 April 2013
Annual Report	30 April 2013
Annual General Meeting	22 May 2013

STATUTORY ANNUAL CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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 not introduced any policies that integrate corporate social responsibility into its strategy and activities.

Reference is also made to www.tk-development.dk/csr_2011_12

CORPORATE GOVERNANCE

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/cg_2011_12

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.

Diversity
The Supervisory Board acknowledges the importance of the diversity of the Company's Management and staff and continuously assesses the need to issue specific guidelines in this respect. The limited size of the organization and its division into units operating in different countries with relatively few employees in each country mean that the Group is largely compelled to focus on competencies and experience when both recruiting and promoting employees. For the reasons set out above, TK Development has so far chosen not to establish specific guidelines and objectives as regards diversity. Naturally, Management is aware of the importance of providing equal opportunities to the Group's employees, irrespective of gender.

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 and the size of the Supervisory Board, 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 because, given its size, the Supervisory Board finds that these tasks are best handled by the 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
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.

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. In Management's opinion, there is no current need to change the present capital structure.

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 five 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 2011/12 financial year, the Supervisory Board held seven board meetings, including two strategy meetings.

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. The remuneration payable to Supervisory Board members consists of 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 amounted to DKK 250,000 in 2011/12. As part of the cost cuts implemented by the Group in January 2012, the Supervisory Board is prepared to accept a 20 % fee reduction. Therefore, together with its proposal for adoption of the Annual Report for 2011/12, the Supervisory Board will recommend to the Annual General Meeting that the basic fee for 2012/13 shall amount to DKK 200,000. The Supervisory Board intends to make the same recommendation for the 2013/14 financial year.

Remuneration of the Executive Board

Remuneration policy

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 overall pay package and its composition are determined by the results achieved, the Executive Board's competencies and the Supervisory Board's wish to ensure that the Company can continue to attract, retain and motivate qualified executives. In this connection, the Supervisory

Board takes the Company's situation and general development into account. Every year, the Supervisory Board reviews the remuneration payable to the Executive Board by comparing it to that payable to executive boards of other comparable companies with international activities.

The Executive Board's remuneration consists of a fixed and a variable portion. The variable remuneration consists of a short-term and a long-term incentive scheme. The overall pay package consists of a fixed salary, bonus, defined-contribution pension of 2 % of the basic salary and other benefits, including a company-provided car, telephone, IT solution and newspaper, as well as health insurance and warrants.

The remuneration policy appears from the Company's website, www.tk-development.dk.

Fees
The remuneration of the Executive Board in 2011/12 was based on the guidelines adopted at the General Meeting in 2011. The remuneration of each individual member of the Executive Board appears from the Group's Annual Report. The remuneration for 2012/13 will also be based on the guidelines adopted at the General Meeting in 2011, 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 on the part of 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 Commentary.

The Corporate Governance Statement is available at www.tk-development.dk/cgs_2011_12

FINANCIAL TARGETS

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 covenants were both met during the year under review.

RISK ISSUES

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 possibly have 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 recognized 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

Basically, the construction of unsold projects will 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 return 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 nevertheless cannot be completed, 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, it is important that the Group obtains the necessary authority approvals in accordance with its plans and that the Group achieves 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 assets
A deferred tax asset of DKK 291.7 million is recognized in the balance sheet at 31 January 2012. 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 the assumption that each subsidiary is a going concern. A change in the conditions 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 2012.

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 conditions 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 2012, which could have a material adverse effect on the Group's results of operations and financial position.

In February 2012, a draft Bill to amend the Danish Corporation Tax Act and other tax legislation was introduced, proposing changes to the rules for tax loss carryforwards. The draft Bill proposes that only 60 % of losses from previous income tax years in excess of DKK 1 million will be deductible from the year's taxable income, and that the new rules should take effect as from the 2013 income tax year.

For TK Development, an adoption of the draft Bill will lengthen the time horizon for utilizing tax losses considerably, and thus substantially increase the uncertainty attaching to utilization of the tax asset. An adoption of the draft Bill and the associated uncertainty relating to utilization of the tax asset will necessitate a significant impairment of the Group's tax asset in 2012/13. This impairment is assessed to be in the DKK 110-150 million range.

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 389.4 million at 31 January 2012. Full retaxation would trigger a tax charge of DKK 97.4 million at 31 January 2012. 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 return 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.

Regulatory approvals

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: Udviklingsselskabet 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 Luxemburg 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. TK Development 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 will 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 its working capital and risks relating to ongoing projects by applying forward funding from investors, which means that one or more investors 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 do not live up to the terms of the lease agreement in a project sold, the investor who has bought the property may in some cases set up 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 his obligations under a construction contract, or that the guarantees provided under 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, results 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 516 million of the total project financing expires in 2012/13 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 still 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/arbitration case 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, 2009 and again in 2012, changes have been implemented 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, the 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 in future 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 return 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 EUR. The Group's reporting currency is Danish kroner. Accordingly, movements in the exchange rates of local currencies and EUR 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

Niels Roth, Chairman of the Supervisory Board

Born 24 July 1957
Joined the Supervisory Board in 2007
Term of office ends May 2012

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 (Deputy Chairman
Porteføljeselskab A/S (Deputy Chairmain)
Realdania
SmallCap Danmark A/S (Deputy Chairmain)

Board committees and other posts
None

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

Torsten Erik Rasmussen, Deputy Chairman of the Supervisory Board

Born 29 June 1944
Joined the Supervisory Board in 1998
Term of office ends May 2012

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
Procuratio Business Simulations ApS

Supervisory board member
Acadia Pharmaceuticals Inc., USA
Morgan Invest ApS
Schur International Holding A/S
Vola A/S
Vola Ejendomme ApS
Vola Holding A/S

Board committees and other posts
Chairman of the Acadia Pharmaceuticals Inc's Corporate Governance Committee, USA
Member of the Acadia Pharmaceuticals Inc.'s Compensation Committee, USA

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

Per Søndergaard Pedersen

Born 19 March 1954
Joined the Supervisory Board in 2002
Term of office ends May 2012

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
J.A. Plastindustri Holding A/S

Supervisory board chairman
AG I A/S
Athene Group A/S
Business Institute A/S
Conscensia A/S
Conscensia Holding A/S
EIPE Holding A/S
Exportakademiet Holding ApS
GLC Management Invest ApS
Global Car Leasing A/S
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
K/S Asschenfeldt, Dietrich-Bonhoeffer-Strasse, Waren
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
Ejendomsaktieselskabet Maren Poppes Gård
Ejendomsmægleraktieselskabet Thorkild Kristensen
Ejendomsmægleraktieselskabet Thorkild Kristensen Bolig
Ejendomsmægleraktieselskabet Thorkild Kristensen, Blokhus
Ejendomsmægleraktieselskabet Thorkild Kristensen Erhverv
Ejendomsselskabet Hjulmagervej 58 A/S
Emidan A/S
Fan Milk International A/S
Fonden Musikkens Hus i Nordjylland
Investeringsforeningen SmallCap Danmark
J.A. Plastindustri Holding A/S
JMI Investering A/S
JMI Projekt A/S
Malene og Ole Friis Holding A/S
Marius A/S
OKF Holding A/S
PL Holding Aalborg A/S
P L Invest, Aalborg ApS
Porteføljeselskab A/S
Sjællandske Ejendomme A/S
Skandia Kalk International Trading A/S
SmallCap Danmark 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.*)

Jesper Jarlbæk

Born 9 March 1956
Joined the Supervisory Board in 2006
Term of office ends May 2012

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
Groupcare A/S
Groupcare Holding A/S
Jaws A/S
Julie Sandlau China ApS
Spoing A/S
Southern Trident (Pty) Ltd, Port Elizabeth, South Africa
Valuemaker A/S

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

Board committees and other posts
Business Angels, Copenhagen (Chairman)
DVCA, Danish Venture Capital and Private Equity Association (Deputy Chairman)
Sailing Denmark (Member)
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. *)

Jens Erik Christensen

Born 10 February 1950
Joined the Supervisory Board in 2010
Term of office ends May 2012

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
Core Strategy A/S
Dansk Merchant Capital A/S
Doctorservice Holding A/S
TA Management A/S
Ecsact A/S
K/S Habro-Reading, Travelodge
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.

Frede Clausen, President and CEO

Born 30 July 1959
Member of the Executive Board of TK Development since 1992

Executive board member
Frede Clausen Holding ApS

Supervisory board chairman
Ahlgade 34-36 A/S
Ringsted Outlet Center P/S
SPV Ringsted ApS
Udviklingsselskabet Nordkranen A/S

Supervisory board member
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

Robert Andersen, Executive Vice President

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
Ahlgade 34-36 A/S
Komplementarselskabet DLU ApS
Kommanditaktieselskabet Danlink-Udvikling
Kommanditaktieselskabet Østre Havn
Ringsted Outlet Center P/S
SPV Ringsted ApS
Udviklingsselskabet Nordkranen A/S
Østre Havn Aalborg ApS

Board committees and other posts
None

STATEMENT BY THE SUPERVISORY AND EXECUTIVE BOARDS ON THE ANNUAL REPORT

The Supervisory and Executive Boards have today considered and adopted the 2011/12 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 Financial Statements and Parent Financial Statements give a true and fair view of the Group's and Company's financial position at 31 January 2012 and of the results of the Group's and Company's operations and cash flows for the financial year from 1 February 2011 to 31 January 2012.

Moreover, we consider the Management Commentary to give a fair presentation of the development in the Group's and Company's activities and financial affairs, the results for the year and the Group's and Company's 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 Company.

We recommend that the 2011/12 Annual Report be adopted by the Annual General Meeting of shareholders.

Aalborg, 26 April 2012

EXECUTIVE BOARD

Frede Clausen
President and CEO

Robert Andersen
Executive Vice President

SUPERVISORY BOARD

Niels Roth
Chairman

Torsten Erik Rasmussen
Deputy Chairman

Per Søndergaard Pedersen

Jesper Jarlbæk

Jens Erik Christensen

INDEPENDENT AUDITORS' REPORT

The Annual Report has been provided with the following Auditors' Report:

"Independent auditor's 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 2011 - 31 January 2012, 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 as well as for the Parent. The consolidated financial statements and parent financial statements are 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 of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable 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.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 misstatements 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 of consolidated financial statements and parent financial statements that give a true and fair view 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 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 2012, and of the results of their operations and cash flows for the financial year 1 February 2011 - 31 January 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Aalborg, 26 April 2012

NIELSEN & CHRISTENSEN
Statsautoriseret Revisionspartnerselskab

Johny Jensen
state-authorized public accountant

Per Laursen
State-authorized public accountant

Copenhagen, 26 April 2012

DELOITTE
Statsautoriseret Revisionsaktieselskab

Lars Andersen
state-authorized public accountant

Jan Bo Hansen
State-authorized public accountant"

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

DKKm	**2011/12**	2010/11
Net revenue	**359.8**	602.4
External direct project costs	**-200.7**	-376.4
Value adjustment of investment properties, net	**36.7**	30.0
Gross profit/loss	**195.8**	256.0
Other external expenses	**34.6**	36.6
Staff costs	**92.9**	89.2
Total	**127.5**	125.8
Profit/loss before financing and depreciation	**68.3**	130.2
Depreciation and impairment of non-current assets	**2.8**	3.0
Operating profit/loss	**65.5**	127.2
Income from investments in associates	**32.4**	0.2
Financial income	**9.2**	28.2
Financial expenses	**-92.8**	-81.4
Total	**-51.2**	-53.0
Profit/loss before tax	**14.3**	74.2
Tax on profit/loss for the year	**12.7**	0.6
Profit/loss for the year	**27.0**	73.6

Earnings per share in DKK

Earnings per share (EPS) of nom. DKK 15	**0.6**	2.1
Diluted earnings per share (EPS-D) of nom. DKK 15	**0.6**	2.1

Comprehensive income statement

Profit/loss for the year according to income statement	**27.0**	73.6
Foreign-exchange adjustments, foreign operations	**-30.0**	4.2
Tax on foreign-exchange adjustments, foreign operations	**11.0**	-4.2
Value adjustments of hedging instruments	**-1.6**	-2.3
Tax on value adjustments of hedging instruments	**0.3**	0.4
Other comprehensive income for the year	**-20.3**	-1.9
Comprehensive income statement for the year	**6.7**	71.7

Balance sheet

DKKm	**31.1.2012**	31.1.2011
ASSETS		
Non-current assets		
Goodwill	**33.3**	33.3
Intangible assets	**33.3**	33.3
Investment properties	**366.9**	358.6
Investment properties under construction	**73.6**	28.8
Other fixtures and fittings, tools and equipment	**4.7**	6.8
Property, plant and equipment	**445.2**	394.2
Investments in associates	**0.2**	3.6
Receivables from associates	**2.5**	2.5
Other securities and investments	**1.9**	1.9
Deferred tax assets	**291.7**	287.2
Other non-current assets	**296.3**	295.2
Total non-current assets	**774.8**	722.7
Current assets		
Projects in progress or completed	**3,498.1**	3,424.7
Trade receivables	**68.4**	155.0
Receivables from associates	**17.9**	17.8
Contract work in progress	**18.2**	12.2
Corporate income tax receivable	**3.1**	0.0
Other receivables	**131.4**	106.6
Prepayments	**23.3**	19.1
Total receivables	**262.3**	310.7
Securities	**4.0**	4.0
Deposits in blocked and escrow accounts	**45.2**	63.6
Cash and cash equivalents	**55.1**	96.3
Total current assets	**3,864.7**	3,899.3
ASSETS	**4,639.5**	4,622.0

Balance sheet

DKKm	**31.1.2012**	31.1.2011
EQUITY AND LIABILITIES		
Equity		
Share capital	**631.0**	631.0
Other reserves	**139.8**	160.1
Retained earnings	**1,105.6**	1,074.9
Total equity	**1,876.4**	1,866.0
Liabilities		
Credit institutions	**156.9**	146.4
Provisions	**3.0**	7.2
Deferred tax liabilities	**32.0**	55.1
Other debt	**3.8**	3.9
Total non-current liabilities	**195.7**	212.6
Credit institutions	**2,204.3**	2,199.5
Trade payables	**159.8**	104.8
Corporate income tax	**22.4**	21.6
Provisions	**11.6**	10.1
Other debt	**153.4**	188.3
Deferred income	**15.9**	19.1
Total current liabilities	**2,567.4**	2,543.4
Total liabilities	**2,763.1**	2,756.0
TOTAL EQUITY AND LIABILITIES	**4,639.5**	4,622.0

Statement of changes in equity

DKKm	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 February 2010	560.9	21.8	1,010.7	1,593.4
Profit/loss 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
Total comprehensive income for the year	0.0	-1.9	73.6	71.7
Capital decrease	-140.2	140.2	0.0	0.0
Capital increase	210.3	0.0	0.0	210.3
Issue costs	0.0	0.0	-13.3	-13.3
Share-based payment	0.0	0.0	3.9	3.9
Equity at 31 January 2011	631.0	160.1	1.074.9	1,866.0
Profit/loss for the year	**0.0**	**0.0**	**27.0**	**27.0**
Other comprehensive income for the year	**0.0**	**-20.3**	**0.0**	**-20.3**
Total comprehensive income for the year	**0.0**	**-20.3**	**27.0**	**6.7**
Share-based payment	**0.0**	**0.0**	**3.7**	**3.7**
Equity at 31 January 2012	**631.0**	**139.8**	**1,105.6**	**1,876.4**

Cash flow statement

DKKm	**2011/12**	2010/11
Profit/loss before financing	**65.5**	127.2
Adjustments for non-cash items:		
Value adjustment of investment properties, net	**-36.7**	-30.0
Depreciation and impairment	**2.6**	3.1
Share-based payment	**3.7**	3.9
Provisions	**-2.5**	-5.1
Foreign-exchange adjustment	**1.9**	1.1
Increase/decrease in investments in projects, etc.	**-70.9**	-84.5
Increase/decrease in receivables	**57.2**	-22.0
Changes in deposits on blocked and escrow accounts	**18.5**	-0.3
Increase/decrease in payables and other debt	**21.0**	-42.4
Cash flows from operating activities before net financials and tax	**60.3**	-49.0
Interest paid, etc.	**-139.1**	-124.6
Interest received, etc.	**6.4**	6.1
Corporate income tax paid	**-6.4**	-15.2
Cash flows from operating activities	**-78.8**	-182.7
Investments in equipment, fixtures and fittings	**-0.6**	-0.6
Sale of equipment, fixtures and fittings	**0.1**	0.5
Investments in investment properties	**-17.4**	-1.8
Purchase of securities and investments	**0.0**	-2.3
Sale of securities and investments	**27.7**	0,0
Cash flows from investing activities	**9.8**	-4.2
Repayment, long-term financing	**-24.8**	-1.2
Raising of long-term financing	**35.7**	121.6
Raising of project financing	**76.4**	317.4
Reduction of project financing/repayments, credit institutions	**-55.0**	-435.3
Capital increase	**0.0**	210.3
Issue costs	**0.0**	-13.3
Cash flows from financing activities	**32.3**	199.5
Cash flows for the year	**-36.7**	12.6
Cash and cash equivalents, beginning of year	**96.3**	77.5
Foreign-exchange adjustment of cash and cash equivalents	**-4.5**	6.2
Cash and cash equivalents at year-end	**55.1**	96.3

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