# Interim Report Q1-Q2 2012/13

Company announcement no. 15/2012, 25 September 2012, TK Development A/S, CVR no. 24256782


*Shopping centre, Jelenia Góra, Poland*

TK•development

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# SUMMARY

- TK Development recorded results of DKK -40.0 million before tax in the first six months of 2012/13, compared to DKK 8.1 million in the first six months of 2011/12.
- In April 2012, a Bill proposing changes to the rules for tax loss carryforwards was introduced. This Bill was enacted in June 2012. For TK Development, this has considerably lengthened the time horizon for utilizing tax losses, and thus significantly increased the uncertainty relating to utilization of the tax asset. TK Development has calculated that the changed rules entail a need to impair the Group's tax asset by DKK 150.0 million. This amount has been recognized in the Interim Report for the first six months of 2012/13.
- The results after tax amounted to DKK -186.6 million, against DKK 16.9 million in the first six months of 2011/12.
- Consolidated equity totalled DKK 1,697.7 million at 31 July 2012, corresponding to a solvency ratio of 37.4 %.
- In July 2012, TK development entered into a conditional agreement with Heitman regarding the sale of two Polish projects amounting to a total project value of EUR 95 million. The sale comprises a 70 % stake in the Group's Galeria Tarnovia shopping centre in Tarnów and a new development project in Jelenia Góra. TK Development will realize a minor profit on the completion of this sale as well as free up cash resources. Future profits will also be generated in the form of fee income from the jointly owned company established for developing, letting and managing the construction of the development project. The sale is expected to be completed in October 2012.
- Following its completion, the extension to the Group's Czech investment property, the Futurum Hradec Králové shopping centre, opened as scheduled on 10 May 2012. The current occupancy rate for the whole shopping centre is 99 %.

  Futurum Hradec Králové, the Czech Republic, is owned in a joint venture with GE Capital and Heitman. The joint venture has decided to attempt selling the property and has initiated the sales process. Based on the ongoing sales process, Management has changed the valuation of the property, thus recognizing a negative value adjustment of DKK 24.3 million for the first six months of 2012/13.
- Construction of the first phase of the Group's project in Bielany, Poland, is progressing as planned. The total project area comprises about 56,200 m², primarily housing, consisting of 900-1,000 units, with 136 being built in the first phase. Sales agreements have been concluded for about 43 % of these units.
- The Group's total project portfolio amounted to DKK 3,615 million at 31 July 2012, of which DKK 2,030 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 136 million, equal to a return on cost of 6.7 %. Based on full occupancy, the return on cost is expected to reach 7.7 %. 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 2,454 million. The Group's net interest-bearing debt amounts to DKK 2,328 million.
- At 31 July 2012, the Group's project portfolio comprised 767,000 m² (31 January 2012: 776,000 m²).
- Uncertainty on the international financial markets continues to affect the property sector negatively, leading to consistently long decision-making processes among financing sources, tenants and investors alike.
- The Group will make the startup of major new projects contingent on obtaining either full or partial financing for them and on freeing up cash resources from the sale of one or more major completed projects.
- Management considers it of great importance for the Group to sell additional, completed major 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 additional projects in the near future and to generate positive pre-tax results for the 2012/13 financial year. Thus, Management maintains its profit expectations for 2012/13.
- Today, Ernst Michaelsen has chosen to retire from the Supervisory Board. At the Company's Annual General Meeting in May 2012, Ernst Michaelsen was elected as a new Supervisory Board member at the request of a few major shareholders. His decision to retire from the Supervisory Board is based on subsequent changes to the group of shareholders, which mean that Carl Ejler Rasmussen Holding Sweden AB no longer holds shares in TK Development A/S.

*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" in the Group's 2011/12 Annual Report.*

# CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

| DKKm | **Q1-Q2 2012/13** | Q1-Q2 2011/12 | Full year 2011/12 |
|---|---|---|---|
| **Financial highlights** | | | |
| Net revenue | **129.3** | 172.0 | 359.8 |
| Value adjustment, investment properties, net | **-24.3** | 16.8 | 36.7 |
| Gross profit/loss | **49.4** | 85.0 | 195.8 |
| Operating profit/loss (EBIT) | **-3.6** | 20.6 | 65.5 |
| Financing, etc. | **-37.5** | -44.4 | -83.6 |
| Profit/loss before tax | **-40.0** | 8.1 | 14.3 |
| Profit/loss for the period | **-186.6** | 16.9 | 27.0 |
| **Shareholders' share of profit/loss for the period** | **-186.6** | 16.9 | 27.0 |
| | | | |
| Balance sheet total | **4,538.8** | 4,521.6 | 4,639.5 |
| Property, plant and equipment | **427.2** | 416.6 | 445.2 |
| of which investment properties/investment properties under construction | **423.6** | 410.8 | 440.5 |
| Total project portfolio | **3,615.2** | 3,407.2 | 3,498.1 |
| of which projects in progress or completed | **3,615.2** | 3,415.0 | 3,498.1 |
| of which prepayments received from customers | **0.0** | -7.8 | 0.0 |
| Contract work in progress | **0.0** | 0.6 | 18.2 |
| **Equity** | **1,697.7** | 1,881.9 | 1,876.4 |
| | | | |
| Cash flow from operating activities | **-75.0** | -6.6 | -78.8 |
| Net interest-bearing debt, end of period | **2,327.6** | 2,186.3 | 2,244.9 |
| | | | |
| **Key ratios** | | | |
| Return on equity (ROE) *) | **-20.9 %** | 1.8 % | 1.4 % |
| EBIT margin | **-2.8 %** | 12.0 % | 18.2 % |
| Solvency ratio (based on equity) | **37.4 %** | 41.6 % | 40.4 % |
| Equity value in DKK per share | **40.4** | 44.7 | 44.6 |
| Price/Book Value (P/BV) | **0.4** | 0.5 | 0.3 |
| Number of shares, end of period | **42,065,715** | 42,065,715 | 42,065,715 |
| Earnings per share (EPS) in DKK | **-4.4** | 0.4 | 0.6 |
| Dividend in DKK per share | **0** | 0 | 0 |
| Listed price in DKK per share | **15** | 22 | 14 |
| | | | |
| **Key ratios adjusted for warrants** | | | |
| Return on equity (ROE) *) | **-20.9 %** | 1.8 % | 1.4 % |
| Solvency ratio (based on equity) | **37.4 %** | 41.6 % | 40.4 % |
| Equity value in DKK per share | **40.4** | 44.7 | 44.6 |
| Diluted earnings per share (EPS-D) in DKK | **-4.4** | 0.4 | 0.6 |

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

*) Annualized.

# TK DEVELOPMENT IN OUTLINE

## Financial review

TK Development recorded results of DKK -40.0 million before tax in the first six months (H1) of 2012/13, compared to DKK 8.1 million in H1 2011/12. The results after tax amounted to DKK -186.6 million, against DKK 16.9 million in H1 2011/12.

Consolidated equity totalled DKK 1,697.7 million at 31 July 2012, corresponding to a solvency ratio of 37.4 %.

## Accounting policies

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

The Interim Report has been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2012.

The implementation of amended financial reporting standards and interpretations has not impacted recognition and measurement in the consolidated financial statements and thus has no effect on the earnings per share and the diluted earnings per share.

The accounting policies have been applied consistently with those presented in the Annual Report for 2011/12. Reference is made to the Annual Report for a complete description of the Group's accounting policies.

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

## Accounting estimates and judgments

The significant accounting estimates and judgments made by Management in applying the Group's accounting policies, and the most significant uncertainties associated with such estimates, are the same as those made in the preparation of the Annual Report for 2011/12. For a more detailed description, reference is therefore made to the Annual Report.

## Income statement

### Revenue

The revenue for the period under review totalled DKK 129.3 million against DKK 172.0 million in H1 2011/12.

The revenue stems mainly from the sale of projects, rental and fee income, etc.

### Gross margin

The gross margin amounted to DKK 49.4 million against DKK 85.0 million in H1 2011/12. The gross margin derives mainly from the operation of completed projects, the operation and value adjustment of the Group's investment properties and profits on handed-over projects.

The value adjustment of the Group's investment properties amounts to DKK -24.3 million against DKK 16.8 million in H1 2011/12. The value adjustment for H1 2012/13 relates to the Czech investment property, Futurum Hradec Králové, including the extension of the same property completed in May 2012. Futurum Hradec Králové is owned in a joint venture with GE Capital and Heitman. The joint venture has decided to attempt selling the property and has initiated the sales process. Based on the ongoing sales process, Management has changed the valuation of the property, thus recognizing a negative value adjustment of DKK 24.3 million for H1 2012/13.

In addition, the gross margin includes a DKK 12.7 million impairment of the project portfolio against DKK 4.6 million in H1 2011/12.

### Staff costs and other external expenses

Staff costs and other external expenses amounted to DKK 51.8 million for the period under review against DKK 62.9 million in H1 2011/12, a reduction of close to 18 %.

Staff costs amounted to DKK 36.2 million against DKK 45.2 million in H1 2011/12, a decline of about 20 %. The number of employees totalled 116 at 31 July 2012, including employees working at operational shopping centres. All the employees dismissed as part of the cost-trimming programme implemented in January 2012 have now left the Group.

Other external expenses amounted to DKK 15.6 million, a reduction of almost 12 % compared to H1 2011/12.

The full impact of the cost cuts made in January 2012 was achieved in August 2012. The fully implemented cost cuts have reduced annual costs by about 20 %.

### Financing

TK Development realized net financing expenses of DKK 37.5 million against DKK 44.4 million in H1 2011/12. This reduction is partly attributable to lower negative market-value adjustments.

### Tax on the results for the period

The tax on the results for the period amounts to an expense of DKK 146.6 million, of which DKK 150.0 million constitutes impairment of the Group's tax asset due to changed tax rules; for more details, see ”Deferred tax assets” below.

## Balance sheet

The Group's balance sheet total amounts to DKK 4,538.8 million, a decline of DKK 100.7 million relative to 31 January 2012.

**Goodwill**

Goodwill is unchanged compared to 31 January 2012, amounting to DKK 33.3 million at 31 July 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 generally 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 of the Group's German investment properties at 31 July 2012 is based on an unchanged return requirement of 6.5 % relative to 31 January 2012.

The valuation of the Czech investment property, including the completed extension, was based on the ongoing sales process; see under “Gross margin” above.

The total value of the Group's investment properties amounted to DKK 423.6 million against DKK 366.9 million at 31 January 2012. Of the value at 31 July 2012, DKK 197.7 million relates to the Group's German investment properties and DKK 225.9 million relates to the Group's Czech investment property.

An extension of the Futurum Hradec Králové shopping centre, comprising about 9,950 m², has been built. Construction progressed according to plan, and the extension opened as scheduled on 10 May 2012. The extension was previously classified under “Investment properties under construction”, but was transferred to “Investment properties” in Q2 2012/13 following the completion of construction and the opening of the extension. Thus, the extension is included in the above-mentioned carrying amount.

**Deferred tax assets**

Deferred tax assets were recorded at DKK 152.3 million in the balance sheet against DKK 291.7 million at 31 January 2012. The decline is mainly attributable to a further write-down of the Group's Danish tax asset; see below.

In April 2012, the Danish Government introduced a Bill proposing changes to the rules for tax loss carryforwards. The Bill was enacted in June 2012 and entails that only 60 % of losses from previous income tax years in excess of DKK 7.5 million will be deductible from the year's taxable income. For TK Development, this has considerably lengthened the time horizon for utilizing tax losses and significantly increased the uncertainty relating to utilization of the tax asset. TK Development has calculated that the changed rules entail a need to impair the Group's tax asset by DKK 150.0 million. This amount has been recognized in the Interim Report for H1 2012/13.

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 July 2012, which could have an adverse effect on the Group's results of operations and financial position.

**Project portfolio**

The total project portfolio came to DKK 3,615.2 million against DKK 3,498.1 million at 31 January 2012. The increase of DKK 117.1 million derives mainly from the Group's construction projects in progress.

Total prepayments based on forward-funding agreements amounted to DKK 335.1 million against DKK 293.3 million at 31 January 2012. The increase in forward funding results mainly from an accumulation of forward funding and prepayments relating to projects in progress. At 31 July 2012, forward funding represented 92.3 % of the gross carrying amount of sold projects.

**Receivables**

Total receivables amounted to DKK 216.7 million, a decline of DKK 45.6 million from 31 January 2012 that relates mainly to other receivables.

**Cash and cash equivalents**

Cash and cash equivalents amounted to DKK 33.4 million against DKK 55.1 million at 31 January 2012. The Group's total cash resources, see note 5, came to DKK 97.9 million against DKK 134.8 million at 31 January 2012.

**Equity**

The Group's equity came to DKK 1,697.7 million against DKK 1,876.4 million at 31 January 2012.

Since 31 January 2012, equity has partly been affected by the results for the period and positive market-value adjustments after tax of DKK 7.3 million related to foreign subsidiaries.

The solvency ratio amounts to 37.4 %.

**Non-current liabilities**

The Group's non-current liabilities represented DKK 85.8 million, a decline of DKK 109.9 million compared to 31 January 2012. The main reason for this decline is the transfer of a major portion of long-term debt to credit institutions to short-term debt.

**Current liabilities**

The Group's current liabilities represented DKK 2,755.3 million against DKK 2,567.4 million at 31 January 2012.

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 were 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 these project credits.

## Cash flow statement

The Group's cash flows from operating activities were negative in the amount of DKK 75.0 million (Q1-Q2 2011/12: DKK -6.6 million), due in part to the net investment in projects, taxes paid and other operating items.

The cash flows from investing activities for the period were negative in the amount of DKK 7.4 million (Q1-Q2 2011/12: DKK 21.4 million), due mainly to further investment in the extension of the Group's Czech investment property, which was completed in May 2012.

The cash flows from financing activities for the period were positive in the amount of DKK 58.8 million (Q1-Q2 2011/12: DKK -64.3 million). This is primarily a combined result of positive cash flows from the financing of project investments and negative cash flows resulting from debt repayments to credit institutions.

## Handed-over projects

In the first quarter of 2012/13, the Group handed over a minor project in Aarhus, Denmark, which included a supermarket unit for Rema1000.

In the second quarter of 2012/13, the Group handed over the final and second phase of a retail park in Kristianstad, Sweden. In addition to an existing building of about 4,500 m², which was handed over to the investor in April 2011, the total project comprises an extension of about 1,700 m², sold to the same investor. The fully-let extension was completed and handed over to the investor in May 2012.

Following completion of a 9,950 m² extension to the Futurum Hradec Králové shopping centre in the Czech Republic, owned by a joint venture between GE Capital, Heitman and TK Development in which TK Development has a 20 % ownership interest, the newly built premises opened as scheduled on 10 May 2012. Euro Mall Holding has received fees from the jointly owned company for letting and construction management.

## Conditional agreement with Heitman regarding the sale of two Polish projects

In July 2012, TK Development entered into a conditional agreement with Heitman regarding the sale of two Polish projects amounting to a total project value of EUR 95 million. The sale comprises the Group's Galeria Tarnovia shopping centre in Tarnów and a new development project in Jelenia Góra.

The agreement means that Heitman will acquire a 70 % shareholding in the two Polish projects. TK Development will realize a minor profit on the completion of this sale as well as free up cash resources. Future profits will also be generated in the form of fee income from the jointly owned company established for developing, letting and managing the construction of the development project.

*Galeria Tarnovia, shopping centre, Tarnów, Poland*

The selling price for the Galeria Tarnovia shopping centre is in the EUR 40 million range. The current debt financing of the project will be maintained, and Heitman will make equity financing available to the company in proportion to its ownership interest. As a result of the sale, TK Development will generate a minor profit on the project and free up cash resources.

*Shopping centre, Jelenia Góra, Poland*
TK Development has bought a plot of land in Jelenia Góra and has an option on additional land for the development of a shopping centre of about 24,000 m². The project will comprise 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.

Heitman will take over a 70% stake in the project at its current stage of development, and in future the project, including construction, will be developed in cooperation with Heitman. The total project value is expected to be in the EUR 55 million range. The partnership will allow more efficient use of the Group's resources and improve its equity allocation, in that Heitman will make equity financing available in proportion to its ownership interest.

The agreement involves further maturing Galeria Tarnovia as well as running in and maturing the shopping centre in Jelenia Góra following its opening, scheduled for 2015. The intention is to subsequently resell the projects. According to the parties' agreement, a resale may take place after a three-year period following conclusion of the agreement.

The agreement will give Heitman a preferential return, while TK Development will be entitled to a performance-based share of any additional proceeds on the resale of the projects. In addition, TK Development will generate fee income from the jointly owned company established for developing, letting and managing the construction of the development project.

The overall agreement with Heitman falls in line with the Group's adapted business model, according to which TK Development wishes to enter into partnerships regarding completed properties and new development projects, and thus to improve the allocation of the Company's equity, diversify risks and better utilize the Group's development competencies.

TK Development's share of the projects will be classified as investment properties.

The sale is expected to be completed in October 2012.

## 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. In addition, the Group is continuing its work on new project opportunities. This has ensured sustained good project progress and further optimization of the individual projects.

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

The Group's total project portfolio amounted to DKK 3,615 million at 31 July 2012 (30 April 2012: DKK 3,547 million), of which DKK 2,030 million (30 April 2012: DKK 2,024 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 136 million (30 April 2012: DKK 137 million), equal to a return on cost of 6.7 %. Based on full occupancy, the return on cost is expected to reach 7.7 %.

In total, the Group's completed, cash-flow-generating projects and its investment properties amount to DKK 2,454 million (30 April 2012: DKK 2,392 million). The Group's net interest-bearing debt amounts to DKK 2,328 million (30 April 2012: DKK 2,278 million).

The process of selling the Group's major completed projects continues. Negotiations for the sale of several of these projects are ongoing, and Management anticipates being able to conclude final sales agreements in the near future.

**Completed projects**

The Group's Sillebroen shopping centre in Frederikssund, Denmark, which opened in March 2010, has a current occupancy rate of 88 % (Q1 2012/13: 87 %). The Group is currently implementing initiatives to achieve a higher occupancy rate and is negotiating with tenants for the remaining premises. The centre continues to have a satisfactory influx of customers and to perform well, with more than 3 million customers visiting the shopping centre in 2011. The shopping centre's footfall and revenue in the first half of 2012 were on a par with the first half of 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, continues to have a satisfactory influx of customers and to perform well. The shopping centre had an annual footfall exceeding 2.4 million in 2011. The shopping centre's footfall and revenue developed positively in the first half of 2012 compared to the first half of 2011. The current occupancy rate is 96 % (Q1 2012/13: 96 %). 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, has a current occupancy rate of 96 % (Q1 2012/13: 97 %). The shopping centre continues to have a satisfactory influx of customers and to perform well. In December 2011, Simply Market replaced the previous supermarket operator. This replacement has contributed to the progress recorded by the shopping centre in the first half of 2012. The number of visitors slightly exceeded 1.7 million in 2011. The shopping centre's footfall and revenue showed an increasing trend in the first half of 2012 compared to the first half of 2011. Apart from Simply Market, major tenants in the centre include H&M, New Yorker, Reserved, Douglas, Rossman, 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 slightly exceeded 1.9 million in 2011. The shopping centre's footfall and revenue showed an increasing trend in the first half of 2012 compared to the first half of 2011. The current occupancy rate is 93 % (Q1 2012/13: 91 %) 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.

**Projects in progress/projects not initiated**

TK Development has concluded an agreement to buy 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 shopping centre is expected to comprise about 70 stores. The current occupancy rate is 69 % (Q1 2012/13: 70 %), with tenants including H&M, Kvickly, Imerco, Skoringen, Sport-Master, Bahne, Panduro Hobby, Kong Kaffe and Gina Tricot. The fitness facilities have been let to Fitness World. Construction is expected to start in autumn 2012, with the opening scheduled for autumn 2014.

In the Swedish town of Gävle, TK Development is developing a retail park of about 8,200 m². Construction started in December 2011 and is progressing as planned. The opening is scheduled for autumn 2012. The current occupancy rate is 94 % (Q1 2012/13: 94 %), and lease agreements have been concluded with such tenants as Rusta, Jysk, Stadium Outlet and Ö&B. Moreover, TK Development has an option to buy a plot of land for developing additional retail park premises of about 15,800 m².

Construction of the first phase of the Group's project in Bielany, Poland, is progressing as planned. The total project area comprises about 56,200 m², primarily housing, consisting of 900-1,000 units, with 136 being built in the first phase. Construction of the first phase started in mid-2011 and is scheduled for completion at end-2012. The pre-completion sale of the units, which are being sold as owner-occupied apartments to private users, has started, and so far about 43 % (Q1 2012/13: 39 %) of the first-phase units have been sold.

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. The current occupancy rate is 66 % (Q1 2012/13: 57 %). Lease agreements have been concluded with such tenants as Intersport, H&M and Euronics. Construction is expected to start in spring 2013, with the opening 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.

Uncertainty on the international financial markets continues to affect the property sector negatively, leading to consistently long decision-making processes among financing sources, tenants and investors alike; see under "Market conditions". Against this background, the Group has postponed the expected construction start dates for a few projects relative to the most recent estimates in the Interim Report for Q1 2012/13.

## Subsequent events

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 additional, completed major 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 additional projects in the near future and to generate positive pre-tax results for the 2012/13 financial year. Thus, Management maintains its profit expectations 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" in the Group's 2011/12 Annual Report.*

## Market conditions

The Group has operated under difficult market conditions in recent years, resulting in protracted decision-making processes among financing sources, tenants and investors alike. The Danish market in particular has been affected by prolonged uncertainty, and continues to be so, 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 be sold at the profits 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 project financing continues to be difficult. The volatility of 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 the property sector, and thus TK Development as well. 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, and on freeing up substantial cash resources from the sale of one or more major completed projects.

Investors are showing cautious optimism and reasonable interest in investing in retail projects, with quality and location being decisive parameters. The investors' focus on low project risk is among the reasons that decision-making processes continue to be slow.

Institutional investors need options for placing their funds, and this paves the way for setting up partnerships with such investors for the purpose of cooperating on project implementation. These opportunities fall in line with the Group's adapted business model, according to which TK Development wishes to enter into partnerships regarding completed properties and new development projects, and thus to improve the allocation of the Company's equity, diversify risks and better utilize the Group's development competencies.

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 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.

Macroeconomic indicators in the form of GDP, private consumption and unemployment in the Group's markets appear from the figure below. The indicators give reason to expect moderate growth in all the Group's markets.

| | 2011 | 2012e | 2013e | 2014e |
|---|---|---|---|---|
| **GDP (% yr./yr.)** | | | | |
| Denmark | 0.8 | 0.7 | 1.9 | 2.1 |
| Sweden | 3.9 | 1.2 | 1.8 | 2.3 |
| Finland | 2.7 | 0.8 | 1.2 | 2.8 |
| Latvia | 5.5 | 4.2 | 2.5 | 3.9 |
| Lithuania | 5.9 | 2.7 | 3.3 | 3.5 |
| Poland | 4.3 | 2.8 | 2.3 | 3.1 |
| Czech Republic *) | 1.7 | 0.0 | 1.5 | N/A |
| Slovakia *) | 3.3 | 1.8 | 2.9 | N/A |
| **Private consumption (% yr./yr.)** | | | | |
| Denmark | -0.8 | 0.6 | 1.8 | 1.9 |
| Sweden | 2.0 | 1.7 | 2.0 | 2.1 |
| Finland | 2.5 | 2.2 | 1.3 | 2.0 |
| Latvia | 4.4 | 3.5 | 2.6 | 3.8 |
| Lithuania | 6.1 | 3.5 | 3.2 | 3.3 |
| Poland | 3.1 | 1.9 | 1.9 | 3.3 |
| Czech Republic *) | -0.5 | -0.4 | 0.5 | N/A |
| Slovakia *) | -0.4 | 0.2 | 1.6 | N/A |
| **Unemployment (%)** | | | | |
| Denmark | 6.2 | 6.3 | 6.4 | 6.2 |
| Sweden | 7.5 | 7.7 | 8.0 | 7.7 |
| Finland | 7.8 | 7.7 | 8.0 | 7.9 |
| Latvia | 16.2 | 15.7 | 14.5 | 12.8 |
| Lithuania | 15.4 | 14.0 | 12.8 | 11.5 |
| Poland | 12.5 | 13.1 | 13.2 | 12.5 |
| Czech Republic *) | 6.7 | 7.2 | 7.2 | N/A |
| Slovakia *) | 13.5 | 13.2 | 12.7 | N/A |

*Source: Nordea, September 2012*

**) Source: The European Commission, May 2012*

# THE GROUP'S PROJECT PORTFOLIO

## Project portfolio status

The Group's project portfolio comprised 767,000 m² at 31 July 2012. The project portfolio consists of sold projects of 34,000 m² and of remaining projects of 733,000 m². At 31 January 2012, the Group's project portfolio comprised 776,000 m².

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

| DKKm | 31.1.11 | 31.1.12 | 31.7.12 |
|---|---|---|---|
| **Sold** | | | |
| Completed | 0 | 0 | 0 |
| In progress | 12 | 17 | 18 |
| Not initiated | 14 | 10 | 10 |
| **Total** | **26** | **27** | **28** |
| **Remaining** | | | |
| Completed | 2,107 | 2,027 | 2,030 |
| In progress | 149 | 286 | 333 |
| Not initiated | 1,143 | 1,158 | 1,224 |
| **Total** | **3,399** | **3,471** | **3,587** |
| **Net project portfolio** | **3,425** | **3,498** | **3,615** |
| Forward funding | 284 | 293 | 335 |
| Gross project portfolio | 3,709 | 3,791 | 3,950 |
| Forward funding in % of gross carrying amount of sold projects | 91.6 % | 91.6 % | 92.3 % |

*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 2012 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 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.

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

| ('000) m² | 31.1.11 | 31.1.12 | 31.7.12 |
|---|---|---|---|
| **Sold** | | | |
| Completed | 0 | 0 | 0 |
| In progress | 4 | 7 | 5 |
| Not initiated | 79 | 29 | 29 |
| **Total** | **83** | **36** | **34** |
| **Remaining** | | | |
| Completed | 102 | 95 | 95 |
| In progress | 22 | 39 | 35 |
| Not initiated | 591 | 606 | 603 |
| **Total** | **715** | **740** | **733** |
| **Total project portfolio** | **798** | **776** | **767** |
| **Number of projects** | **67** | **62** | **56** |

*Table 2*

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

| Projects at 31 July 2012 DKKm | TKD Nord-europa | Euro Mall Holding | Group total *) | Per cent of total |
|---|---|---|---|---|
| **Sold** | | | | |
| Completed | 0 | 0 | 0 | 0.0 % |
| In progress | 6 | 12 | 18 | 0.6 % |
| Not initiated | 4 | 6 | 10 | 0.2 % |
| **Total** | **10** | **18** | **28** | **0.8 %** |
| **Remaining** | | | | |
| Completed | 908 | 1,087 | 1,995 | 56.2 % |
| In progress | 286 | 47 | 333 | 9.4 % |
| Not initiated | 511 | 684 | 1,195 | 33.6 % |
| **Total** | **1,705** | **1,818** | **3,523** | **99.2 %** |
| **Project portfolio** | **1,715** | **1,836** | **3,551** | **100.0 %** |

*) excl. TK Development, remaining group activities, a total of DKK 64m.

*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 July 2012 ('000) m² | TKD Nord-europa | Euro Mall Holding | Group total *) | Per cent of total |
|---|---|---|---|---|
| **Sold** | | | | |
| Completed | 0 | 0 | 0 | 0.0 % |
| In progress | 2 | 3 | 5 | 0.6 % |
| Not initiated | 2 | 27 | 29 | 3.8 % |
| **Total** | **4** | **30** | **34** | **4.4 %** |
| **Remaining** | | | | |
| Completed | 36 | 59 | 95 | 12.4 % |
| In progress | 31 | 4 | 35 | 4.6 % |
| Not initiated | 372 | 231 | 603 | 78.6 % |
| **Total** | **439** | **294** | **733** | **95.6 %** |
| **Project portfolio** | **443** | **324** | **767** | **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 443,000 m² at 31 July 2012, of which sold projects accounted for 4,000 m² and remaining projects for 439,000 m². The project portfolio had a total development potential of 450,000 m² at 31 January 2012.

**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 current occupancy rate is 88 % (Q1 2012/13: 87 %). 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. A multi-storey car park with about 800 parking spaces has been established at the centre.

*Ringsted Outlet, Ringsted, Denmark*
Ringsted Outlet has been developed in a 50/50 joint venture with Miller Developments, a Scottish factory outlet developer, and 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 outlet centre opened in March 2008, and the current occupancy rate is 59 % (Q1 2012/13: 59 %). The most recent newcomers to Ringsted Outlet are Holly's, Redgreen, Ticket to Heaven and McDonald's. 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. The retail park is fully let (Q1 2012/13: 100 %), 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 previous 2,400 m² Føtex property. Following the conclusion of lease agreements with Deichmann and Intersport, these retailers opened for business at the beginning of 2011. In addition, a lease agreement for about 1,200 m² has been signed with Fitness World, expected to open in November 2012.

*Vasevej, Birkerød, Denmark*
TKD Nordeuropa owns a property of about 3,000 m² at Vasevej in Birkerød, rented by SuperBest. 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.

*Retail park, phase I, Gävle, Sweden*
In the Swedish town of Gävle, TKD Nordeuropa has bought plot of land for developing a retail park of about 8,200 m². The current occupancy rate is 94 % (Q1 2012/13: 94 %), and lease agreements have been concluded with such tenants as Rusta, Jysk, Stadium Outlet and Ö&B. Negotiations with tenants for the remaining premises of about 500 m² are ongoing. 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 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 an agreement to buy a plot earmarked for a new shopping centre project, BROEN, of

## Project outline

The outline below lists the key projects of TKD Nordeuropa's project portfolio. The carrying amounts of the projects listed below accounted for more than 95 % of the total carrying amount of the project portfolio at 31 July 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 |
| Ringsted Outlet | 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, 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 | 2015 |
| Amerika Plads, lot A | Copenhagen | DK | Office | 5,900 | 50 % | 2013 | 2014 |
| BROEN, shopping centre | Esbjerg | DK | Retail | 29,800 | 100 % | Autumn 2012 | Autumn 2014 |
| Aarhus South, phase II | Aarhus | DK | Retail | 2,800 | 100 % | 2013 | 2013 |
| Ejby Industrivej | Copenhagen | DK | Office | 12,900 | 100 % | - | - |
| Østre Havn/Stuhrs Brygge | Aalborg | DK | Mixed | 36,000 | [1] 50 % | Continuously | Continuously |
| Retail park, Marsvej | Randers | DK | Retail | 10,500 | 100 % | 2013 | 2014 |
| 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 % | Autumn 2012 | Spring 2013 |
| The Kulan commercial district | Gothenburg | SE | Mixed | 45,000 | 100 % | 2013 | 2015 |
| Retail park, Söderhamn | Söderhamn | SE | Retail | 10,000 | 100 % | 2013 | 2014 |
| 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 % | 2013 | 2014 |
| 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. 367,000** | | | |

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

about 29,800 m², to be built on railway land at the station in Esbjerg. The shopping centre is expected to comprise about 70 stores. The current occupancy rate is 69 % (Q1 2012/13: 70 %), with tenants including H&M, Kvickly, Imerco, Skoringen, Sport-Master, Bahne, Panduro Hobby, Kong Kaffe and Gina Tricot. The fitness facilities have been let to Fitness World. Construction is expected to start in autumn 2012, with the opening scheduled for autumn 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. A new local plan comprising 31,000 m² of housing, offices and parking facilities has been launched.

*Retail park, Marsvej, Randers, Denmark*
In October 2010, the Group took over a plot of land on Marsvej in Randers, 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, and the relevant local planning work has started.

*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. The local plan for the area is to be changed, and a new local plan is expected to be finally adopted in early 2013. Potential tenants are showing keen interest in the project.

*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. Furesø Municipality and TK Development have entered into a conditional purchase agreement about this extension. A new local plan for the area is to be drawn up. This process is under way, and the local plan is expected to be adopted in early 2013. Potential tenants are showing keen interest in the project.

*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, began after the reporting date and is scheduled for completion 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 local plan is being drawn up and is expected to be approved in 2013. The project is being discussed with potential tenants, and several lease agreements have been concluded.

*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 about 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 324,000 m² at 31 July 2012, of which sold projects accounted for 30,000 m² and remaining projects for 294,000 m². The project portfolio had a total development potential of 326,000 m² at 31 January 2012.

**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 % (Q1 2012/13: 97 %). As mentioned above, a conditional agreement for the sale of 70 % of the centre has been made with Heitman. The sale is expected to be completed in October 2012.

*Galeria Sandecja, shopping centre, Nowy Sącz, Poland*
In the Polish town of Nowy Sącz, Euro Mall Holding has built 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 96 % (Q1 2012/13: 96 %).

*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 93 % (Q1 2012/13: 91 %) for the combined project. At present, negotiations with several potential Czech and international tenants for the remaining premises are ongoing.

*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 % (Q1 2012/13: 84 %).

**Projects in progress**

*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 43 % (Q1 2012/13: 39 %) 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 being 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*
TK Development has bought a plot of land in Jelenia Góra and has an option on additional land for the development of 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. As mentioned above, a conditional agreement for the sale of 70 % of the project has been made with Heitman. The sale is expected to be completed in October 2012.

*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.

*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. The current occupancy rate is 66 % (Q1 2012/13: 57 %). Lease agreements have been concluded with such tenants

## 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 July 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** | | | | | | | |
| 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<br>Phase II: October 2010 |
| Most Retail Park, phase I | Most | CZ | Retail | 6,400 | 100 % | Autumn 2008 | April 2009 |
| **In progress** | | | | | | | |
| 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 Góra | Jelenia Góra | 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 % | Spring 2013 | Spring 2014 |
| 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: Autumn 2013 | Phase I: Autumn 2014 |
| Euro Mall Holding, total floor space | | | | **approx. 281,000** | | | |

1) Based on fee income.

as Intersport, H&M and Euronics. Construction is expected to start in spring 2013, with the opening scheduled for spring 2014.

*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, and the first lease agreements have been concluded. Construction of the first phase is expected to start in autumn 2013, and the opening is scheduled for autumn 2014.

# TK DEVELOPMENT, REMAINING GROUP ACTIVITIES

## 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.

# 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 | 28,250 | 20 % | Nov. 2000/May 2012 |
| Germany | Lüdenscheid/Berlin | Residential/mixed | 26,000 | 100 % | 1994-1998 |
| **Total investment properties** | | | **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 423.6 million at 31 July 2012 against DKK 366.9 million at 31 January 2012.

**Central Europe**

Euro Mall Holding's Czech investment property, Futurum Hradec Králové, is owned in 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 joint venture has decided to attempt selling the property and has initiated the sales process. The valuation as at 31 July 2012 was made on the basis of the ongoing sales process, and the carrying amount of the property was DKK 225.9 million at 31 July 2012. The valuation made at 31 July 2012 results in a negative value adjustment of DKK 24.3 million for the first six months of 2012/13.

An extension of the Futurum Hradec Králové shopping centre, comprising about 9,950 m², has been built. Construction progressed according to plan, and the extension opened as scheduled on 10 May 2012. The extension was previously classified under "Investment properties under construction", but was transferred to "Investment properties" in Q2 2012/13 following the completion of construction and the opening of the extension. Thus, the extension is included in the above-mentioned carrying amount.

The shopping centre has a current occupancy rate of 99 % and is expected to achieve full occupancy shortly. During the period under review, the centre recorded a satisfactory occupancy rate, operating profit and customer influx.

**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 July 2012, the value of these properties was DKK 197.7 million based on a required rate of return of 6.5 % p.a. calculated on the basis of a discounted cash-flow model over a ten-year period. The assessed return requirement is unchanged compared to 31 January 2012.

# OTHER MATTERS

## The Supervisory Board

Today, Ernst Michaelsen has chosen to retire from the Supervisory Board. At the Company's Annual General Meeting in May 2012, Ernst Michaelsen was elected as a new Supervisory Board member at the request of a few major shareholders.

His decision to retire from the Supervisory Board is based on subsequent changes to the group of shareholders, which mean that Carl Ejler Rasmussen Holding Sweden AB no longer holds shares in TK Development A/S.

## Transactions with related parties

No major or unusual transactions were made with related parties in the first six months of the 2012/13 financial year. As regards transactions with related parties, reference is made to note 8 in the Interim Report.

## 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.

## Other matters

For a more detailed review of other matters relating to the Group, including risk issues, reference is made to the Group's Annual Report for 2011/12, which is available at the Group's website www.tk-development.com

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

The Supervisory and Executive Boards have today considered and adopted the Interim Report of TK Development A/S for the period from 1 February to 31 July 2012.

The Interim Report, which has not been audited or reviewed by the Company's auditors, is presented in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU, and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the Interim Report gives a true and fair view of the Group's financial position at 31 July 2012 and of the results of the Group's operations and cash flows for the period from 1 February 2012 to 31 July 2012.

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

Aalborg, 25 September 2012

EXECUTIVE BOARD

Frede Clausen
President and CEO

Robert Andersen
Executive Vice President

SUPERVISORY BOARD

Niels Roth
Chairman

Torsten Erik Rasmussen
Deputy Chairman

Jesper Jarlbæk

Per Søndergaard Pedersen

Jens Erik Christensen

Peter Thorsen

# CONSOLIDATED FINANCIAL STATEMENTS

## Income statement

| DKKm | Note | **Q1-Q2 2012/13** | Q1-Q2 2011/12 | **Q2 2012/13** | Q2 2011/12 | Full year 2011/12 |
|---|---|---|---|---|---|---|
| Net revenue | | **129.3** | 172.0 | **74.6** | 55.1 | 359.8 |
| External direct project costs | 2 | **-55.6** | -103.8 | **-40.6** | -27.7 | -200.7 |
| Value adjustment of investment properties, net | | **-24.3** | 16.8 | **-24.0** | 9.0 | 36.7 |
| **Gross profit/loss** | | **49.4** | 85.0 | **10.0** | 36.4 | 195.8 |
| | | | | | | |
| Other external expenses | | **15.6** | 17.7 | **7.6** | 8.9 | 34.6 |
| Staff costs | | **36.2** | 45.2 | **17.5** | 22.7 | 92.9 |
| **Total** | | **51.8** | 62.9 | **25.1** | 31.6 | 127.5 |
| | | | | | | |
| **Profit/loss before financing and depreciation** | | **-2.4** | 22.1 | **-15.1** | 4.8 | 68.3 |
| Depreciation and impairment of non-current assets | | **1.2** | 1.5 | **0.6** | 0.7 | 2.8 |
| **Operating profit/loss** | | **-3.6** | 20.6 | **-15.7** | 4.1 | 65.5 |
| | | | | | | |
| Income from investments in associates | 4 | **1.1** | 31.9 | **1.0** | 31.4 | 32.4 |
| Financial income | | **2.7** | 3.2 | **1.3** | 1.6 | 9.2 |
| Financial expenses | | **-40.2** | -47.6 | **-19.7** | -21.5 | -92.8 |
| **Total** | | **-36.4** | -12.5 | **-17.4** | 11.5 | -51.2 |
| | | | | | | |
| **Profit/loss before tax** | | **-40.0** | 8.1 | **-33.1** | 15.6 | 14.3 |
| Tax on profit/loss for the period | | **146.6** | -8.8 | **-1.4** | -6.4 | -12.7 |
| **Profit/loss for the period** | | **-186.6** | 16.9 | **-31.7** | 22.0 | 27.0 |

### Earnings per share in DKK

| | | | | | | |
|---|---|---|---|---|---|---|
| Earnings per share (EPS) of nom. DKK 15 | | **-4.4** | 0.4 | **-0.7** | 0.5 | 0.6 |
| Diluted earnings per share (EPS-D) of nom. DKK 15 | | **-4.4** | 0.4 | **-0.7** | 0.5 | 0.6 |

### Comprehensive income statement

| | | | | | | |
|---|---|---|---|---|---|---|
| Profit/loss for the period | | **-186.6** | 16.9 | **-31.7** | 22.0 | 27.0 |
| | | | | | | |
| Foreign-exchange adjustment, foreign operations | | **10.8** | -3.3 | **3.7** | -6.6 | -30.0 |
| Tax on foreign-exchange adjustment, foreign operations | | **-4.7** | -0.1 | **-0.6** | 0.0 | 11.0 |
| Value adjustment of hedging instruments | | **1.4** | 0.1 | **0.5** | -1.3 | -1.6 |
| Tax on value adjustment of hedging instruments | | **-0.2** | 0.0 | **0.0** | 0.2 | 0.3 |
| **Other comprehensive income for the period** | | **7.3** | -3.3 | **3.6** | -7.7 | -20.3 |
| | | | | | | |
| **Comprehensive income statement for the period** | | **-179.3** | 13.6 | **-28.1** | 14.3 | 6.7 |

## Balance sheet

| DKKm | Note | **31.7.2012** | 31.1.2012 | 31.7.2011 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **33.3** | 33.3 | 33.3 |
| **Intangible assets** | | **33.3** | 33.3 | 33.3 |
| Investment properties | | **423.6** | 366.9 | 362.3 |
| Investment properties under construction | | **0.0** | 73.6 | 48.5 |
| Other fixtures and fittings, tools and equipment | | **3.6** | 4.7 | 5.8 |
| **Property, plant and equipment** | | **427.2** | 445.2 | 416.6 |
| Investments in associates | | **1.0** | 0.2 | 0.3 |
| Receivables from associates | | **2.5** | 2.5 | 2.5 |
| Other securities and investments | | **1.6** | 1.9 | 1.9 |
| Deferred tax assets | | **152.3** | 291.7 | 293.3 |
| **Other non-current assets** | | **157.4** | 296.3 | 298.0 |
| **Total non-current assets** | | **617.9** | 774.8 | 747.9 |
| **Current assets** | | | | |
| **Projects in progress or completed** | | **3,615.2** | 3,498.1 | 3,415.0 |
| Trade receivables | | **70.1** | 68.4 | 117.6 |
| Receivables from associates | | **18.1** | 17.9 | 16.7 |
| Contract work in progress | | **0.0** | 18.2 | 0.6 |
| Corporate income tax receivable | | **4.3** | 3.1 | 4.1 |
| Other receivables | | **100.4** | 131.4 | 119.8 |
| Prepayments | | **23.8** | 23.3 | 21.7 |
| **Total receivables** | | **216.7** | 262.3 | 280.5 |
| Securities | | **4.0** | 4.0 | 4.0 |
| Deposits in blocked and escrow accounts | 5 | **51.6** | 45.2 | 29.4 |
| Cash and cash equivalents | 5 | **33.4** | 55.1 | 44.8 |
| **Total current assets** | | **3,920.9** | 3,864.7 | 3,773.7 |
| **ASSETS** | | **4,538.8** | 4,639.5 | 4,521.6 |

## Balance sheet

| DKKm | Note | **31.7.2012** | 31.1.2012 | 31.7.2011 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | | **631.0** | 631.0 | 631.0 |
| Other reserves | 6 | **6.9** | 139.8 | 156.8 |
| Retained earnings | | **1,059.8** | 1,105.6 | 1,094.1 |
| **Total equity** | | **1,697.7** | 1,876.4 | 1,881.9 |
| **Liabilities** | | | | |
| Credit institutions | | **40.7** | 156.9 | 149.3 |
| Provisions | | **1.3** | 3.0 | 5.5 |
| Deferred tax liabilities | | **40.0** | 32.0 | 52.9 |
| Other debt | | **3.8** | 3.8 | 3.9 |
| **Total non-current liabilities** | | **85.8** | 195.7 | 211.6 |
| Credit institutions | | **2,387.8** | 2,204.3 | 2,126.0 |
| Trade payables | | **192.2** | 159.8 | 86.3 |
| Prepayments received from customers | | **0.0** | 0.0 | 7.8 |
| Corporate income tax | | **5.8** | 22.4 | 14.3 |
| Provisions | | **11.1** | 11.6 | 10.4 |
| Other debt | | **145.9** | 153.4 | 169.8 |
| Deferred income | | **12.5** | 15.9 | 13.5 |
| **Total current liabilities** | | **2,755.3** | 2,567.4 | 2,428.1 |
| **Total liabilities** | | **2,841.1** | 2,763.1 | 2,639.7 |
| **TOTAL EQUITY AND LIABILITIES** | | **4,538.8** | 4,639.5 | 4,521.6 |

## Statement of changes in equity

The share capital of TK Development A/S is not divided into classes of shares and consists of 42,065,715 shares each with a nom. value of DKK 15 (nom. DKK 630,985,725). The Company still does not hold treasury shares.

| DKKm | Share capital | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| **Equity at 1 February 2011** | 631.0 | 160.1 | 1,074.9 | 1,866.0 |
| Profit/loss for the period | 0.0 | 0.0 | 16.9 | 16.9 |
| Other comprehensive income for the period | 0.0 | -3.3 | 0.0 | -3.3 |
| **Total comprehensive income for the period** | 0.0 | -3.3 | 16.9 | 13.6 |
| Share-based payment | 0.0 | 0.0 | 2.3 | 2.3 |
| **Equity at 31 July 2011** | 631.0 | 156.8 | 1,094.1 | 1,881.9 |
| | | | | |
| **Equity at 1 February 2012** | 631.0 | 139.8 | 1,105.6 | 1,876.4 |
| Profit/loss for the period | **0.0** | **0.0** | **-186.6** | **-186,6** |
| Other comprehensive income for the period | **0.0** | **7.3** | **0.0** | **7.3** |
| **Total comprehensive income for the period** | **0.0** | **7.3** | **-186.6** | **-179.3** |
| Special reserve transferred to distributable reserves | **0.0** | **-140.2** | **140.2** | **0.0** |
| Share-based payment | **0.0** | **0.0** | **0.6** | **0.6** |
| **Equity at 31 July 2012** | **631.0** | **6.9** | **1,059.8** | **1,697.7** |

## Cash flow statement

| DKKm | **Q1-Q2 2012/13** | Q1-Q2 2011/12 | Full year 2011/12 |
|---|---|---|---|
| Operating profit/loss | **-3.6** | 20.6 | 65.5 |
| Adjustments for non-cash items: | | | |
| Value adjustment, investment properties, net | **24.3** | -16.8 | -36.7 |
| Depreciation and impairment | **1.1** | 1.3 | 2.6 |
| Share-based payment | **0.6** | 2.3 | 3.7 |
| Provisions | **-3.1** | -0.9 | -2.5 |
| Foreign-exchange adjustment | **2.2** | -2.1 | 1.9 |
| Increase/decrease in investments in projects, etc. | **-68.2** | 25.0 | -70.9 |
| Increase/decrease in receivables | **48.9** | 41.5 | 57.2 |
| Changes in deposits on blocked and escrow accounts | **-6.4** | 34.3 | 18.5 |
| Increase/decrease in payables and other debt | **19.8** | -35.4 | 21.0 |
| **Cash flows from operating activities before net financials and tax** | **15.6** | 69.8 | 60.3 |
| Interest paid, etc. | **-69.8** | -67.4 | -139.1 |
| Interest received, etc. | **2.4** | 1.1 | 6.4 |
| Corporate income tax paid | **-23.2** | -10.1 | -6.4 |
| **Cash flows from operating activities** | **-75.0** | -6.6 | -78.8 |
| Investments in equipment, fixtures and fittings | **-0.2** | -0.4 | -0.6 |
| Sale of equipment, fixtures and fittings | **0.2** | 0.1 | 0.1 |
| Investments in investment properties | **-7.0** | -6.8 | -17.4 |
| Purchase of securities and investments | **-0.7** | 0.0 | 0.0 |
| Sale of securities and investments | **0.3** | 28.5 | 27.7 |
| **Cash flows from investing activities** | **-7.4** | 21.4 | 9.8 |
| Repayment, long-term financing | **0.0** | -24.8 | -24.8 |
| Raising of long-term financing | **7.1** | 27.7 | 35.7 |
| Raising of project financing | **71.6** | 7.8 | 76.4 |
| Reduction of project financing/repayments, credit institutions | **-19.9** | -75.0 | -55.0 |
| **Cash flows from financing activities** | **58.8** | -64.3 | 32.3 |
| **Cash flows for the period** | **-23.6** | -49.5 | -36.7 |
| Cash and cash equivalents, beginning of period | **55.1** | 96.3 | 96.3 |
| Foreign-exchange adjustment of cash and cash equivalents | **1.9** | -2.0 | -4.5 |
| **Cash and cash equivalents, end of period** | **33.4** | 44.8 | 55.1 |

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

## Notes



### Note 1. Segment information

For the purposes of TK Development's internal reporting, the Group is split into two business units, viz. TKD Nordeuropa and Euro Mall Holding, and the remaining business activities in TK Development, referred to as TKD. The segment information has been stated accordingly.

| DKKm | TKD Nordeuropa | Euro Mall Holding | TKD | Elimination | Total |
|---|---|---|---|---|---|
| **31.7.2012** | | | | | |
| Net revenue, external customers | **60.9** | **61.1** | **7.3** | **0.0** | **129.3** |
| Profit/loss after tax | **-27.4** | **-21.5** | **-137.7** | **0.0** | **-186.6** |
| Segment assets | **1,878.6** | **2,184.6** | **1,903.9** | **-1,428.3** | **4,538.8** |
| Segment liabilities | **1,761.3** | **1,377.1** | **206.2** | **-503.5** | **2,841.1** |

| DKKm | TKD Nordeuropa | Euro Mall Holding | TKD | Elimination | Total |
|---|---|---|---|---|---|
| 31.7.2011 | | | | | |
| Net revenue, external customers | 90.5 | 74.8 | 6.7 | 0.0 | 172.0 |
| Profit/loss after tax | -33.0 | 53.4 | -3.5 | 0.0 | 16.9 |
| Segment assets | 1,714.0 | 2,180.2 | 2,062.2 | -1,434.8 | 4,521.6 |
| Segment liabilities | 1,466.2 | 1,305.8 | 180.2 | -312.5 | 2,639.7 |

### Note 2. External direct project costs

| | **Q1-Q2 2012/13** | Q1-Q2 2011/12 | Full year 2011/12 |
|---|---|---|---|
| Project costs | **42.9** | 99.2 | 179.5 |
| Impairment losses on projects in progress and completed projects | **12.7** | 4.6 | 21.2 |
| **External direct project costs, total** | **55.6** | 103.8 | 200.7 |

## Note 3. Share-based payment

For a more detailed description of the Group's incentive schemes, reference is made to the Group's 2011/12 Annual Report.

**The development in outstanding warrants is shown below:**

| Number of warrants | **31.7.2012** | 31.1.2012 | 31.7.2011 |
|---|---|---|---|
| Outstanding warrants, beginning of the period | **1,707,812** | 1,207,812 | 1,207,812 |
| Allocated during the period | **0** | 500,000 | 500,000 |
| Expired in the period | **-761,497** | 0 | 0 |
| **Outstanding warrants, end of period** | **946,315** | 1,707,812 | 1,707,812 |

| | | | |
|---|---|---|---|
| Number of warrants exercisable at the reporting date | **446.315** | 761,497 | 761,497 |
| Share-based payment recognized in the profit or loss (DKK million) | **0.6** | 3.7 | 2.3 |

## Note 4. Income from investments in associates

| | **Q1-Q2 2012/13** | Q1-Q2 2011/12 | Full year 2011/12 |
|---|---|---|---|
| Profit on sale *) | **0.0** | 31.6 | 30.6 |
| Other income from associates | **1.1** | 0.3 | 1.8 |
| **Total income from investments in associates** | **1.1** | 31.9 | 32.4 |

*) In June 2011, the Group sold its stake in Euro Mall Centre Management to the US Group CB Richard Ellis. The gain on the sale is included in Segment information, see note 1 under Euro Mall Holding.

## Note 5. Liquidity reserves

| | **31.7.2012** | 31.1.2012 | 31.7.2011 |
|---|---|---|---|
| **The liquidity reserves break down as follows:** | | | |
| Cash and cash equivalents | **33.4** | 55.1 | 44.8 |
| Unutilized credit facilities | **12.9** | 34.5 | 112.0 |
| **Total** | **46.3** | 89.6 | 156.8 |
| Deposited funds for later release | **51.6** | 45.2 | 29.4 |
| **Total liquidity reserve** | **97.9** | 134.8 | 186.2 |

## Note 6. Other reserves

| | Special reserve | Reserve for value adjustment of available-for-sale financial assets | Reserve for value adjustment of hedging instruments | Reserve for foreign-exchange adjustments | Total |
|---|---|---|---|---|---|
| Other reserves at 1 February 2011 | 140.2 | -0.1 | -1.9 | 21.9 | 160.1 |
| **Other comprehensive income:** | | | | | |
| Exchange-rate adjustment, foreign operations | 0.0 | 0.0 | 0.0 | -3.3 | -3.3 |
| Value adjustment of hedging instruments | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Deferred tax on other comprehensive income | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 |
| **Other comprehensive income, total** | 0.0 | 0.0 | 0.1 | -3.4 | -3.3 |
| **Other reserves at 31 July 2011** | 140.2 | -0.1 | -1.8 | 18.5 | 156.8 |
| Other reserves at 1 February 2012 | **140.2** | **-0.1** | **-3.2** | **2.9** | **139.8** |
| Special reserve transferred to distributable reserves | **-140.2** | **0.0** | **0.0** | **0.0** | **-140.2** |
| **Other comprehensive income:** | | | | | |
| Exchange-rate adjustment, foreign operations | **0.0** | **0.0** | **0.0** | **10.8** | **10.8** |
| Value adjustment of hedging instruments | **0.0** | **0.0** | **1.4** | **0.0** | **1.4** |
| Deferred tax on other comprehensive income | **0.0** | **0.0** | **-0.2** | **-4.7** | **-4.9** |
| **Other comprehensive income, total** | **0.0** | **0.0** | **1.2** | **6.1** | **7.3** |
| **Other reserves at 31 July 2011** | **0.0** | **-0.1** | **-2.0** | **9.0** | **6.9** |

The special reserve concerns a special fund that arose 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. This reserve can be used only following a resolution passed at the General Meeting. At the Company's Annual General Meeting on 24 May 2012, the proposal to transfer the special reserve of DKK 140.2 million to distributable reserves was adopted. The transfer was made in Q2 2012/13.

The reserve for value adjustment of financial assets available for sale comprises the accumulated net change in the fair value of financial assets classified as available for sale. The reserve is dissolved as the relevant financial assets are sold or expire.

The reserve for value adjustment of hedging instruments comprises unrealized losses on forward-exchange transactions and interest-rate hedging transactions concluded to hedge future transactions.

The reserve for exchange-rate adjustments comprises all exchange-rate adjustments arising on the translation of financial statements for enterprises with a functional currency other than Danish kroner; exchange-rate adjustments relating to assets and liabilities that are part of the Group's net investment in such enterprises; and exchange-rate adjustments relating to any hedging transactions that hedge the Group's net investment in such enterprises. On the sale or winding-up of subsidiaries, the accumulated exchange-rate adjustments recognized in other comprehensive income in respect of the relevant subsidiary are transferred to the profit or loss.

## Note 7. Changes in contingent assets and contingent liabilities

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

## Note 8. Transactions with related parties

The Company has no related parties with a controlling interest.

The Company has the following related parties:
- Supervisory Board and Executive Board (and their related parties)
- Joint ventures and associates.

| | **31.7.2012** | 31.1.2012 | 31.7.2011 |
|---|---|---|---|
| **Supervisory Board and Executive Board (and their related parties)** | | | |
| Holding of shares, in terms of number | **1,771,224** | 1,355,435 | 1,270,185 |
| Obligation towards Executive Board, employee bonds | **1.5** | 1.5 | 1.5 |
| Fees for Supervisory Board | **0.9** | 2.1 | 1.1 |
| Salaries, Executive Board | **3.0** | 7.2 | 3.7 |
| Defined contribution pension plans, Executive Board | **0.1** | 0.2 | 0.1 |
| Share-based payment, Executive Board | **0.2** | 1.0 | 0.6 |
| **Joint ventures** | | | |
| Fee from joint ventures | **1.0** | 1.7 | 1.5 |
| Interest income from joint ventures | **1.2** | 2.7 | 1.3 |
| Interest expenses, joint ventures | **-0.6** | -2.8 | -1.4 |
| Receivables from joint ventures | **71.9** | 74.5 | 71.4 |
| Payables to joint ventures | **89.7** | 88.2 | 94.3 |
| **Associates** | | | |
| Interest income from associates | **0.2** | 0.3 | 0.1 |
| Receivables from associates | **20.6** | 20.4 | 19.2 |

No securities or guarantees had been furnished for balances owing to or by related parties at the reporting date. Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. In Q1-Q2 2012/13 no impairment was made to provide for any probable losses (Q1-Q2 2011/12: DKK 0.0 million).

# COMPANY INFORMATION

**ISIN code:** DK0010258995 (TKDV) • **Municipality of registered office:** Aalborg, Denmark
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**Supervisory Board:** Niels Roth, Torsten Erik Rasmussen, Per Søndergaard Pedersen, Jesper Jarlbæk, Jens Erik Christensen and Peter Thorsen