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SHOPPING CENTRE
FUTURUM HRADEC KRÁLOVÉ, CZECH REPUBLIC


TK DEVELOPMENT A/S | CVR NO. 24256782
COMPANY ANNOUNCEMENT NO. 24/2014 | 17 DECEMBER 2014

# INTERIM REPORT Q1-Q3 2014/15

(1 February 2014 - 31 October 2014)

TK·development

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# SUMMARY

## RESULTS FOR THE FIRST NINE MONTHS OF 2014/15

- In the first nine months of 2014/15 TK Development recorded results of DKK 8.6 million before tax, excluding discontinuing activities, against DKK -21.6 million in the same period of 2013/14.

- Results after tax for the first nine months of 2014/15 totalled DKK -39.3 million against DKK -39.2 million in the corresponding period the year before.

- The balance sheet total amounted to DKK 3,168.7 million at 31 October 2014 against DKK 3,347.1 million at 31 January 2014. Consolidated equity totalled DKK 1,503.6 million versus DKK 1,553.7 million at 31 January 2014, corresponding to a solvency ratio of 47.5 %.

- Cash flows for the period amounted to DKK 2.4 million against DKK 16.8 million in the same period the year before. Net interest-bearing debt amounted to DKK 1,357.5 million at 31 October 2014 against DKK 1,435.1 million at 31 January 2014.

- With effect from 1 February 2014, the Group has implemented IFRS 11, Joint Arrangements, which has resulted in changes to the Group's accounting policies. The Group's partly owned enterprises that are jointly controlled with other parties, and which have previously been included in the consolidated financial statements by pro-rata consolidation, must be recognized according to the equity method after the implementation of IFRS 11. The amendment affects a great number of items in the income statement, assets, equity and liabilities, and the overall result is a reduction of the Group's balance sheet total. The amendment has no impact on either the results or the equity of the Group.

## PROPERTY DEVELOPMENT

- In the first quarter of 2014/15 TK Development conditionally sold a 6,000 m² office project in Aalborg, Denmark. The project is being developed for the international Alfa Laval Group, which has entered into a long-term lease for the property. The project has been sold to PensionDanmark at a total price of DKK 126.1 million. Construction began in March 2014, and the project will be handed over to the investor in June 2015. Earnings from the sale will be recognized in 2015/16 upon handover of the project to the investor.

**Alfa Laval, office building, Aalborg, Denmark**

- In the second quarter of 2014/15 TK Development sold and handed over building rights for about 7,200 m² at Østre Teglgade in Copenhagen, Denmark, to a private investor. The profit on this sale was recognized in the second quarter of 2014/15.

- In Poland TK Development sold and handed over a share of the Group's plot in Bytom to Decathlon in the second quarter of 2014/15. The plot was sold at a loss, but Decathlon contributes to boosting interest and development potential in the area.

- In the third quarter of 2014/15 TK Development entered into a conditional agreement regarding the sale to private investors of a 1,550 m² retail park at Marsvej in Randers, Denmark, let to jem & fix and Petworld. Construction started in September 2014, with the handover and associated impact on results expected in 2015/16.

- Moreover, a conditional agreement has been concluded in the third quarter of 2014/15 regarding the sale to a private property company of the SuperBest premises forming part of the Group's project at Vasevej in Birkerød, Denmark. The selling price is equal to the carrying amount, and the handover to the investor is expected in spring 2015.

- After the reporting date TK Development has entered into an agreement to sell a building lot of 13,000 m² at Amerika Plads, Copenhagen, Denmark, to A.P. Møller - Mærsk A/S. The selling price amounts to DKK 97.5 million, and TK Development's ownership interest is 50 %. The handover to A.P. Møller - Mærsk A/S is expected to take place in mid-2015, and the profit on the sale will thus impact TK Development's results in 2015/16.

- TK Development is working on the second phase of the Bielany residential project in Warsaw, Poland, which consists of 297 residential units and service facilities. The pre-construction sale started in December 2013, and 41 % of the units have been sold in advance. Construction of the residential units, which are being sold as owner-occupied apartments to private users, started in June 2014, and handover to the buyers is slated for spring 2016.

- In Jelenia Góra in Poland, TK Development is developing a shopping centre of about 24,400 m². The project is being executed as a joint venture with Heitman, in which the Group has an ownership interest of 30 %. Lease agreements for about 52 % of the premises have been signed. Construction started in May 2014, and the opening is scheduled for autumn 2015. TK Development receives fee income from the jointly owned company for developing, letting and managing the construction of the project.

- In Esbjerg, Denmark, TK Development owns a plot earmarked for the construction of a new shopping centre, BROEN, of about 29,800 m². A building permit has been granted for the project. Before construction can start, the project must undergo a validation and approval procedure to ensure safe railway operations, etc. The validation process is under way and was expected to be completed in autumn 2014 and to be followed by construction startup immediately afterwards. The validation has been delayed and is now expected to be completed in early 2015. Due to the postponement of the project, it has been necessary to renegotiate a number of lease agreements. The Group has received good support from the future tenants and has now concluded lease agreements for more than 60 % of the premises. This occupancy rate is considered satisfactory in relation to starting up construction once the validation process has been completed. Discussions are still being held with PFA regarding the sale of a share of the project at its current stage. Thus, if a final agreement is reached, PFA will participate in completing the project. This falls in line with the Group's business model, whose aims include entering into partnerships regarding major development projects.

- The Group's project portfolio in the property development segment comprised 389,000 m² at 31 October 2014 (31 January 2014: 405,000 m²).

## ASSET MANAGEMENT

- The total portfolio of properties that are under asset management and thus generate cash flow comprised 112,050 m² and amounted to DKK 1,526.5 million at 31 October 2014, including joint venture projects, compared to DKK 1,934.2 million at 31 January 2014.

- The annual net rent from the current leases corresponds to a return on the carrying amount of 5.5 %, which reflects a large spread in the returns on individual centres. Based on full occupancy, the return on the carrying amount is expected to reach 7.2 %. The current letting situation is affected by vacancies and short-term rent discount agreements with tenants, as local tenants in particular are generally experiencing difficulties.

- In the first quarter of 2014/15 TK Development completed the sale of its 75 % stake in the Fashion Arena Outlet Center in Prague, the Czech Republic. The outlet centre has been sold to Meyer Bergman, and the selling price for the whole centre amounts to EUR 71.5 million. This sale has generated a profit compared to the carrying amount, reduced the balance sheet total and made a substantial contribution to the Group's free cash resources.

- A share of the Group's completed retail property in Brønderslev, Denmark, was sold to a private investor in the second quarter of 2014/15 and handed over to the buyer in the third quarter of 2014/15. In this connection Management has revalued the total property, and a writedown of the property value was recognized in the second quarter of 2014/15.

- After the reporting date TK Development has sold its 20 % stake in the Futurum Hradec Králové shopping centre in the Czech Republic to Meyer Bergman. The selling price for the entire centre, including the hypermarket section, which TK Development has acquired together with the other owners, GE Capital and Heitman, for about EUR 12 million as part of the deal, amounts to EUR 87.6 million, which is on a par with the carrying amount. This sale is a step towards realizing Management's objective to sell one or more major completed projects, and has made a significant contribution to the Group's free cash resources.

## DISCONTINUING ACTIVITIES

- For the first nine months of 2014/15 results before tax of the discontinuing activities amounted to DKK -47.7 million against DKK -13.5 million in the same period the year before. Of the results, DKK -15.6 million derives from current operations, DKK -13.8 million from losses recognized on completed sales, including sales after the reporting date, and DKK -18.3 million from impairment losses on the remaining assets.

- Management accords strict priority to phasing out those of the Group's activities that are categorized as discontinuing activities, and has chosen to implement sales at a price below the carrying amount. In order to speed up the phase-out, particularly of the Finnish activities, Management has moreover chosen to write down the remaining assets by an amount of DKK 18.3 million.

- At 31 October 2014 the balance sheet total for the discontinuing activities amounted to DKK 274.7 million against DKK 367.7 million at 31 January 2014, a decline of about 25 %. The reduction relates mainly to the handover of the first phase of the DomusPro Retail Park project, which has been sold in advance to the investor.

- An agreement regarding the sale of another of the Group's German investment properties, a residential rental property on the outskirts of Berlin, was concluded in the third quarter of 2014/15. The property has been sold to a private investor at a price equal to the carrying amount.

- TK Development's DomusPro Retail Park project in Vilnius, Lithuania, has been conditionally sold to BPT Baltic Opportunity Fund, which is managed by BPT Asset Management. The selling price is based on a return requirement of 8.5 %. The retail park will be built in two phases. The first phase of about 7,500 m² was completed in March 2014 and handed over to the investor in the first quarter of 2014/15. The second phase of the project of about 3,800 m² has been fully let, and construction is expected to start in spring 2015.

- The timing and phase-out of the discontinuing activities are subject to major uncertainty. The phase-out is progressing, and the risk exists that these activities may be phased out at a value lower than their carrying amount.

## MARKET CONDITIONS

- Management's general assessment of the market conditions for the Group remains unchanged compared to its assessment in the Group's Annual Report, published in early April 2014. However, in Management's opinion, there is an increased risk of faltering economic growth, for one thing due to the geopolitical uncertainty in Ukraine, which may result in more difficult market conditions in Finland and Poland in particular.

- The Group's markets are characterized by expectations for subdued financial growth and rising consumer confidence, although varying in strength from country to country. An increase in private consumption is still anticipated.

- Management has recorded diminishing uncertainty in the property markets, but the decision-making process of tenants, investors and financing sources remains lengthy and carefully considered. However, Management has observed that the historically low interest level has contributed to increasing interest in real property as an asset class, particularly among institutional investors.

- The Group is experiencing an easing in finance restraints. The options for procuring financing vary from project to project, depending on the type, location and status of the properties concerned, including letting and sales. Generally, lenders continue to require relatively high equity financing for new projects, but there also appears to be some relaxation of these requirements.

## FINANCIAL ISSUES

- In the first quarter of 2014/15 TK Development completed the sale of its 75 % stake in the Fashion Arena Outlet Center in Prague, the Czech Republic. After the reporting date TK Development has sold its 20 % stake in the Futurum Hradec Králové shopping centre in the Czech Republic to Meyer Bergman. These sales have substantially strengthened the Group's financial platform.

- At 31 January 2014 project credit facilities of DKK 0.1 billion were due to expire prior to the end of January 2015. The credits have all been repaid in connection with the sale of projects, or refinanced.

- TK Development has a general agreement with the Group's main banker about operating and project credits. When last reviewed, the agreement was extended until mid-2015.

## OUTLOOK FOR 2014/15

- Management maintains the previously announced profit estimate for 2014/15. Thus, Management anticipates positive results of about DKK 40 million before tax, excluding discontinuing activities, for the 2014/15 financial year.

- The timing and phase-out of the discontinuing activities are subject to major uncertainty. The activities are in the process of being discontinued, and the Group risks incurring further losses before the phase-out is complete. Therefore, the results before tax of the discontinuing activities have not been included in the outlook for 2014/15.

**The expectations mentioned in this Interim Report, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Various factors may impact on expectations, as outlined in the section "Risk issues" in the Group's 2013/14 Annual Report, particularly the valuation of the Group's project portfolio, as described under "Business risks" and "Risks related to the presentation of financial statements".**

# CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

| DKKm | **Q1-Q3 2014/15** | Q1-Q3 2013/14 | Full year 2013/14 |
|---|---|---|---|
| **FINANCIAL HIGHLIGHTS** | | | |
| Net revenue | **238.3** | 229.3 | 330.7 |
| Value adjustment, investment properties, net | **-0.4** | -1.0 | -9.5 |
| Gross profit/loss | **35.0** | 58.8 | 102.5 |
| Operating profit/loss (EBIT) | **-23.4** | -11.7 | 10.7 |
| Income from investments in joint ventures | **28.6** | 34.2 | 37.5 |
| Financing, etc. | **-44.6** | -65.7 | -86.9 |
| Profit/loss before tax and writedowns, etc. | **-9.7** | -35.8 | -36.6 |
| Profit/loss before tax | **-44.0** | -42.1 | -42.8 |
| **Profit/loss for the period** | **-39.3** | -39.2 | -49.0 |
| **Profit/loss before tax for the period, forward-looking strategy** | **8.6** | -21.6 | 3.9 |
| Comprehensive income for the period | **-50.2** | -42.6 | -55.5 |
| | | | |
| Balance sheet total | **3,168.7** | 3,426.4 | 3,347.1 |
| Property, plant and equipment | **0.9** | 1.5 | 1.3 |
| Investment properties | **81.0** | 111.7 | 103.2 |
| Project portfolio | **2,229.9** | 2,372.9 | 2,334.6 |
| **Equity** | **1,503.6** | 1,566.2 | 1,553.7 |
| | | | |
| Cash flows for the period | **2.4** | 16.8 | 0.4 |
| Net interest-bearing debt, end of period | **1,357.5** | 1,461.6 | 1,435.1 |
| **KEY RATIOS** | | | |
| Return on equity (ROE) *) | **-3.4%** | -3.6% | -3.4% |
| Solvency ratio (based on equity) | **47.5%** | 45.7% | 46.4% |
| Equity value in DKK per share | **15.3** | 16.0 | 15.8 |
| Price/book value (P/BV) | **0.6** | 0.4 | 0.4 |
| Number of shares, end of period | **98,153,335** | 98,153,335 | 98,153,335 |
| Average number of shares, adjusted | **98,153,335** | 64,813,375 | 74,870,019 |
| Earnings in DKK per share (EPS) | **-0.4** | -0.6 | -0.7 |
| Dividend in DKK per share | **0** | 0 | 0 |
| Listed price in DKK per share | **9** | 7 | 7 |
| **KEY RATIOS ADJUSTED FOR WARRANTS** | | | |
| Return on equity (ROE) *) | **-3.4%** | -3.6% | -3.4% |
| Solvency ratio (based on equity) | **47.5%** | 45.7% | 46.4% |
| Equity value in DKK per share | **15.3** | 16.0 | 15.8 |
| Diluted earnings in DKK per share (EPS-D) | **-0.4** | -0.6 | -0.7 |

*) Annualized.

The calculation of key ratios is based on the 2010 guidelines issued by the Danish Society of Financial Analysts.

The comparative figures have been corrected to show the effect of the implementation of IFRS 11, Joint Arrangements.

In the first nine months of 2014/15 TK Development recorded results of DKK 8.6 million before tax, excluding discontinuing activities, against DKK -21.6 million in the same period of 2013/14.

The calculation of results before tax, excluding discontinuing activities, includes an adjustment for the tax withheld from "Income from investments in joint ventures", as this income was calculated after tax. The tax amounts to DKK 4.9 million.

The results after tax amounted to DKK -39.3 million against DKK -39.2 million in the first nine months of 2013/14.

The balance sheet total amounted to DKK 3,168.7 million at 31 October 2014 against DKK 3,347.1 million at 31 January 2014.

Consolidated equity totalled DKK 1,503.6 million versus DKK 1,553.7 million at 31 January 2014, corresponding to a solvency ratio of 47.5 % (31 January 2014: 46.4 %).

The results for the first nine months of 2014/15 and the balance sheet at 31 October 2014, broken down by business segment, appear from the tables below.

The activities within each individual business segment are described in more detail on pages 17-28.

- The property development segment is described on pages 17-21. The description includes information about the development potential of TK Development's project portfolio, including an outline of the individual development projects.

## RESULTS Q1-Q3 2014/15 (DKKM)

| Profit/loss | Q1-Q3 2014/15 | Property development | Asset management | Discontinuing | Unallocated |
|---|---|---|---|---|---|
| Revenue | 238.3 | 100.7 | 52.0 | 85.6 | - |
| Gross profit/loss | 35.0 | 34.2 | 39.6 | -38.8 | - |
| Costs, excl. depreciation and amortization | 57.9 | - | - | 1.9 | 56.0 |
| Operating profit/loss | -23.4 | 34.2 | 39.6 | -40.7 | -56.5 |
| Income from investments in joint ventures *) | 28.6 | 1.5 | 32.0 | - | -4.9 |
| Financing, net | -44.6 | -3.8 | -31.2 | -2.0 | -7.6 |
| Profit/loss before tax **) | -44.0 | 32.2 | 40.5 | -47.7 | -69.0 |
| Tax on the profit/loss for the period | -4.7 | | | | |
| **Profit/loss for the period** | **-39.3** | | | | |

*) Income from investments in joint ventures has been calculated after tax in accordance with IFRS. To ensure a correct breakdown by segment and meaningful results before tax relative to the Group's profit estimate for 2014/15, which has been calculated before tax and before results of discontinuing activities, the tax on results of joint ventures has been included in the column "Unallocated".

**) The results of DKK 8.6 million before tax, excluding discontinuing activities, have been calculated as pre-tax results of DKK -44.0 million adjusted for losses on discontinuing activities of DKK 47.7 million and tax on the results of joint ventures of DKK 4.9 million.

## BALANCE SHEET STRUCTURE AT 31 OCT 2014 (DKKM)

| Balance sheet | 31 Oct 2014 | Property development | Asset management | Discontinuing | Unallocated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment properties | 81.0 | - | - | 81.0 | - |
| Investments in joint ventures | 403.3 | 94.9 | 308.4 | - | - |
| Non-current receivables | 126.7 | 59.2 | 67.5 | - | - |
| Other non-current assets | 173.5 | 1.7 | 1.4 | 14.1 | 156.3 |
| Projects in progress or completed | 2,229.9 | 951.7 | 1,126.1 | 152.1 | - |
| Current receivables | 90.9 | 44.3 | 18.0 | 27.5 | 1.1 |
| Cash, cash equivalents, escrow accounts, etc. | 63.4 | 39.9 | 14.7 | - | 8.8 |
| **Assets** | 3,168.7 | 1,191.7 | 1,536.1 | 274.7 | 166.2 |
| | | | | | |
| **Equity and liabilities** | | | | | |
| **Equity** | 1,503.6 | 817.9 | 594.8 | 191.5 | -100.6 |
| Credit institutions | 1,471.7 | 307.5 | 850.4 | 68.9 | 244.9 |
| Other liabilities | 193.4 | 66.3 | 90.9 | 14.3 | 21.9 |
| **Equity and liabilities** | 3,168.7 | 1,191.7 | 1,536.1 | 274.7 | 166.2 |
| | | | | | |
| **Solvency ratio** | 47.5 % | 68.6 % | 38.7 % | 69.7 % | -60.5 % |

- The asset management segment is described on pages 22-26. The description contains information about TK Development's own properties under asset management, including an outline of the operation and customer influx for the individual projects.

- The discontinuing activities are described on pages 27-28, which provides more details about TK Development's properties and projects in the countries where Management has decided to phase out activities.

Therefore, the financial review below contains a description of the results and balance sheet total at group level only.

## ACCOUNTING POLICIES

The Interim Report for the first nine months of 2014/15 is presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and Danish disclosure requirements for 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 2014.

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

With effect from 1 February 2014, the Group implemented a number of new and amended financial reporting standards and IFRIC interpretations. The implementation of these standards and interpretations has impacted neither earnings per share nor diluted earnings per share. The implementation of IFRS 11, Joint Arrangements, has resulted in changes to the Group's accounting policies. The effects of implementing IFRS 11 are outlined below.

In accordance with the provisions regarding the applicability of IFRS 11, the effect on the comparative figures for 2013/14 is shown. The effect on the 2014/15 figures is not shown. The implementation of other new and amended financial reporting standards has not resulted in any changes to the accounting policies. Reference is made to the Group's 2013/14 Annual Report for a more detailed description of the Group's accounting policies.

### Effect of implementing IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures. IFRS 11 classifies joint arrangements as either joint operations or joint ventures. A joint venture is defined as a joint arrangement whereby joint controlling parties ("joint venturers") have rights to the net assets of the arrangement.

The Management of TK Development has reassessed the classification of the Group's investments in joint arrangements in accordance with IFRS 11. In this connection Management has concluded that all the partly owned enterprises that are jointly controlled with other parties, and which have previously been included in the consolidated financial statements by pro-rata consolidation, are to be classified as joint ventures.

The equity method is to be used for recognizing investments in joint ventures, as the option for pro-rata consolidation of such investments was eliminated in connection with the withdrawal of IAS 31. In addition, Management has subjected the investments to an impairment test and has identified no indications of impairment.

The amendment affects a great number of items in the income statement, assets, equity and liabilities, and the overall result is a reduction of the Group's balance sheet total. The amendment has no impact on either the results or the equity of the Group.

In accordance with the provisions regarding the applicability of IFRS 11, the change from pro-rata consolidation to the equity method in the accounting policies has been implemented with retroactive effect. The carrying amount of the investment at 1 February 2013 has been determined at the sum total of the carrying amounts of the assets and liabilities that the Group previously recognized by means of pro-rata consolidation.

The effects on the results for the first nine months of 2013/14 and on the balance sheet at 31 January 2014 appear from note 1.

## ACCOUNTING ESTIMATES AND JUDGMENTS

The most significant accounting estimates and judgments made by Management in applying the Group's accounting policies, and the associated, estimated material uncertainty, are the same as those made in the preparation of the Annual Report for 2013/14. For a more detailed description, reference is therefore made to the Annual Report.

In connection with the implementation of IFRS 11, Joint Arrangements, Management has made a number of accounting estimates and judgments, particularly as concerns the accounting treatment of these investments. A distinction is made between joint operations and joint ventures. For the purpose of determining whether it is a question of a joint operation or a joint venture, Management makes a specific assessment of each individual arrangement, including whether the cooperation has been established in corporate form and whether TK Development is only entitled to a share of the net results recorded by the individual entity.

## INCOME STATEMENT

### Revenue

The revenue for the period under review totalled DKK 238.3 million against DKK 229.3 million in the first nine months of 2013/14.

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

### Gross profit/loss

The gross margin amounted to DKK 35.0 million against DKK 58.8 million in the first nine months of 2013/14. The gross margin derives from the operation of the Group's wholly owned completed projects, the operation of the Group's German investment properties, profits on handed-over projects and fee income as well as impairment losses, etc., primarily related to the Group's discontinuing activities.

### Handed-over projects

**Q1**

The gross margin includes profits on the sale and handover of a few superstores in Denmark to private investors. Moreover, the first phase of the Group's retail park project, DomusPro in Vilnius, was handed over to the investor; see the description under "Discontinuing activities".

**Q2**

The gross margin includes the profit on TK Development's sale of building rights for about 7,200 m² at Østre Teglgade in Copenhagen to a private investor, in addition to fee income generated in connection with the startup of the Group's shopping centre project in Jelenia Góra in Poland. Moreover, the gross margin includes a loss on the sale of a share of the Group's plot in Bytom, Poland, to Decathlon as well as a writedown of the Group's completed property in Brønderslev following Management's revaluation of the total property in connection with selling a share of the property and letting the last vacant unit.

**Q3**

In Q3 2014/15 the Group handed over part of its completed property in Brønderslev, the fitness facilities, to the investor and also received fee income from several projects.

### Staff costs and other external expenses

Staff costs and other external expenses amounted to DKK 57.9 million against DKK 69.3 million for the first nine months of 2013/14, a reduction of about 16.5 %.

Staff costs amounted to DKK 40.7 million against DKK 49.1 million in the same period the year before, a decline of about 17.1 %. The number of employees totalled 85 at 31 October 2014 (31 January 2014: 90), including employees working at operational centres.

Other external expenses amounted to DKK 17.2 million, a reduction of about 14.9 % compared to the first nine months of 2013/14.

### Results of joint ventures

The results of joint ventures amounted to DKK 28.6 million against DKK 34.2 million in the same period the year before.

These results include the operation of the Group's partly owned completed projects, the operation and value adjustments of the Group's interests in projects classified as investment properties and profits, etc. on the sale of partly owned projects. Thus, the results include the profit on the sale of the Fashion Arena Outlet Center, Prague, the Czech Republic, completed in Q1 2014/15, as well as positive market-value adjustments transferred from other comprehensive income to results in connection with this sale because it was completed as a sale of shares.

### Financing

TK Development realized net financing expenses of DKK 44.6 million against DKK 65.7 million in the same period of 2013/14. The decline is largely attributable to the interest effect of the capital increase implemented in September 2013, the effect of interest margin reductions obtained on several major credits, and the effect of the sale of the Fashion Arena Outlet Center, the Czech Republic.

### Corporate income tax

Tax on the results for the period amounts to DKK -4.7 million, and tax withheld from the results of joint ventures amounts to DKK 4.9 million. Accordingly, total tax for the first nine months of 2014/15 amounts to DKK 0.2 million. The effective tax rate should be viewed in light of the DKK 0 valuation of the tax asset for the period relating to discontinuing activities and the realization of a minor share of the earnings in the foreign part of the Group as tax-free capital gains on shares.

## BALANCE SHEET

The Group's balance sheet total amounted to DKK 3,168.7 million, which is a decline of DKK 178.4 million compared to 31 January 2014.

### Goodwill

Goodwill amounted to DKK 33.3 million and is unchanged compared to 31 January 2014. Goodwill relates to the Group's property development and asset management activities in Poland and the Czech Republic. There are no indications of any need to impair the value of goodwill.

### Investment properties

Following an additional sale in Q3 2014/15, TK Development's investment properties consist of a single German investment property, as the change to the accounting policies, see above, means the Group's interests in Futurum Hradec Králové, the Czech Republic (20 % ownership interest), and Galeria Tarnovia, Tarnów, Poland (30 % ownership interest), are no longer included under "Investment properties" in the balance sheet.

The total value of the Group's German investment properties amounted to DKK 81.0 million against DKK 103.2 million at 31 January 2014. The Group's German investment properties are described in more detail in the section "Discontinuing activities" below.

### Investments in joint ventures

The net investment in joint ventures amounted to DKK 403.3 million at 31 October 2014 against DKK 470.5 million at 31 January 2014. The decline is essentially attributable to the sale of the Fashion Arena Outlet Center, Prague, the Czech Republic; see above.

Following the change to the accounting policies, see above, the projects owned in joint ventures and previously recognized in the consolidated balance sheet by pro-rata consolidation are no longer included in the balance sheet under investment properties, investment properties under construction or projects in progress or completed, but are now presented on a net basis under investments in joint ventures. These projects consist mainly of the following:

**Development projects:**

- Jelenia Góra (previously recognized as an investment property under construction).
- Amerika Plads, underground car park and lots A and C (previously recognized under projects in progress or completed).
- Østre Havn, including Alfa Laval (previously recognized under projects in progress or completed).
- Ahlgade, Holbæk (previously recognized under projects in progress or completed).

**Asset management projects:**

- Fashion Arena Outlet Center (previously recognized under projects in progress or completed).
- Futurum Hradec Králové (previously recognized as an investment property).
- Galeria Tarnovia, Tarnów (previously recognized as an investment property).
- Ringsted Outlet (previously recognized under projects in progress or completed).

The individual projects owned in joint ventures are described in the project outline in the two sections "Property development" and "Asset management".

### Deferred tax assets

Deferred tax assets were recorded at DKK 121.9 million in the balance sheet against DKK 121.6 million at 31 January 2014.

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 substantially lower than that computed at 31 October 2014, 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 2,229.9 million against DKK 2,334.6 million at 31 January 2014. The decline is mainly a combined result of an increase in the Group's portfolio of ongoing projects and a decrease due to the sale of projects.

Total prepayments based on forward-funding agreements amounted to DKK 225.1 million against DKK 59.1 million at 31 January 2014. The increase is attributable to accumulated forward funding on new projects.

The Group's total portfolio of completed projects and investment properties, excluding projects and investment properties in joint ventures, amounted to DKK 1,233 million at 31 October 2014 (31 January 2014: DKK 1,272 million), and the Group's net interest-bearing debt amounted to DKK 1,358 million (31 January 2014: DKK 1,435 million).

### Cash and cash equivalents

Cash and cash equivalents amounted to DKK 8.6 million against DKK 6.1 million at 31 January 2014. TK Development's total cash resources, see note 5, came to DKK 85.0 million against DKK 56.8 million at 31 January 2014.

### Equity

The Group's equity came to DKK 1,503.6 million against DKK 1,553.7 million at 31 January 2014.

Since 31 January 2014 equity has partly been affected by the results for the period and negative market-value adjustments after tax of DKK 10.9 million related to foreign subsidiaries and hedging instruments.

The solvency ratio amounts to 47.5 %.

### Non-current liabilities

The Group's non-current liabilities represented DKK 78.7 million against DKK 94.6 million at 31 January 2014.

### Current liabilities

The Group's current liabilities represented DKK 1,586.4 million against DKK 1,698.8 million at 31 January 2014. The decline is essentially due to the reduction of debt to credit institutions in connection with project sales.

## CASH FLOW STATEMENT

The Group's cash flows from operating activities were negative in the amount of DKK 33.6 million (Q1-Q3 2013/14: negative in the amount of DKK 49.1 million). This amount includes a reduction in funds tied up in projects following project sales/accumulation of forward funding, an increase in funds tied up in receivables and deposits in custody and escrow accounts, interest and tax paid, as well as other operating items.

The Group's cash flows from investing activities were positive in the amount of DKK 180.8 million (Q1-Q3 2013/14: positive in the amount of DKK 70.5 million), due mainly to the realized sale of the Group's 75 % stake in the Fashion Arena Outlet Center, Prague, the Czech Republic, and a German investment property.

Cash flows from financing activities were negative in the amount of DKK 144.8 million (Q1-Q3 2013/14: negative in the amount of DKK 4.6 million). The negative cash flows result from a reduction in payables to credit institutions.

Overall, cash flows for the period are positive in the amount of DKK 2.4 million against DKK 16.8 million in the same period the year before.

## SIGNIFICANT PROJECT SALES AFTER THE REPORTING DATE

### Futurum Hradec Králové, shopping centre, Czech Republic

Together with GE Capital and Heitman, TK Development has sold Futurum Hradec Králové in the Czech Republic to Meyer Bergman. TK Development, GE Capital and Heitman developed and operated Futurum Hradec Králové as a joint venture for a number of years. TK Development has a 20 % ownership interest in the centre, but receives a performance-driven share of the property value.

Futurum Hradec Králové has been developed in two phases, with the first phase of 18,300 m² opening in November 2000 and an extension of 9,950 m² opening in May 2012. These two phases exclude a 14,400 m² hypermarket, owned by an investment company and let to Tesco. Together with GE Capital and Heitman, TK Development has bought the hypermarket at a price of about EUR 12 million.

The selling price for the total centre, including the hypermarket section, amounts to EUR 87.6 million, which is on a par with the carrying amount. This sale is a step towards realizing Management's objective to sell one or more major completed projects, and has made a significant contribution to the Group's free cash resources.

Meyer Bergman is a privately held real estate investment management firm headquartered in London, which specializes in retail real estate.

**Amerika Plads, lot A, Copenhagen, Denmark**

After the reporting date TK Development has entered into an agreement to sell a building lot of 13,000 m² at Amerika Plads, Copenhagen, to A.P. Møller - Mærsk A/S. The selling price amounts to DKK 97.5 million, and TK Development's ownership interest is 50 %. The handover to A.P. Møller - Mærsk A/S is expected to take place in mid-2015, and the profit on the sale will thus impact TK Development's results in 2015/16.

## EXECUTION OF ANNOUNCED STRATEGY

As described in company announcement no. 6/2013 and the Annual Report for 2012/13, in March 2013 Management resolved to revise the Group's strategy and business model and to adjust its market focus.

As announced previously, the goal is to execute these adjustments within a period of two years from the time of making the resolution.

In Management's opinion, the strategy execution is generally progressing satisfactorily and as planned.

The initiatives adopted and their current status are outlined below:

- The activities will be limited to Denmark, Sweden, Poland and the Czech Republic.
  - TK Development's activities in Germany, Finland and the Baltic States are being discontinued, and the phase-out is progressing satisfactorily.
    - The German activities have continuously been reduced by selling investment properties, most recently in August 2014. In addition, the Group has sold its share of a minor shopping centre after the reporting date. Following these sales, the Group has one remaining investment property and two minor plots of land. The branch office in Berlin has been closed down, and the employees have left their positions.
    - In Lithuania the Group has completed and handed over the first phase of its DomusPro Retail Park project in Vilnius to the buyer. In addition, the Group owns two plots of land in Latvia. No decision has yet been made regarding when to close down the branch office in Vilnius, because the Group is awaiting the completion of the second phase of DomusPro Retail Park and clarification of the next steps in respect of the two remaining plots of land.
    - The branch office in Helsinki, Finland, has been closed down, and the employees have left their positions. After the resale of one plot of land to the municipality in December 2014, the Group now owns only one minor plot of land in Finland. The Group is developing a retail park project on this plot, and is also attempting to sell the project at its current stage.

- The portfolio of projects not initiated (plots of land) is to be reduced from about DKK 1.1 billion to about DKK 500 million.
  - The portfolio of projects not initiated is to be reduced through the sale of land and the initiation of projects. This process is progressing satisfactorily and according to plan for many of the projects. For a few, however, the process is taking longer than initially expected. One such project is the BROEN shopping centre in Esbjerg, Denmark, as described under the heading "Property development". Based on the plans drawn up for each individual project, Management believes that it will still be possible to implement the adjustment within the planned two-year period.

- The balance sheet is to be adjusted, with a solvency ratio of about 40 %.
  - This target has been met, as the solvency ratio amounted to 47.5 % at 31 October 2014.

- Overheads are to be reduced by around 20 % relative to 2012/13, with half of the reduction deriving from the discontinuation of activities in Germany, Finland and the Baltic States.
  - Cost-reducing measures have been implemented, and the full impact has already been achieved in the 2014/15 financial year.

- Financing costs are to be normalized as a result of the initiatives implemented.
  - The interest payable on several major credits has been reduced.

## FINANCIAL ISSUES

In Q1 2014/15 TK Development completed the sale of its 75 % stake in the Fashion Arena Outlet Center in Prague, the Czech Republic. Meyer Bergman is the buyer, and the selling price for the whole centre amounts to EUR 71.5 million.

After the reporting date TK Development has sold its 20 % stake in the Futurum Hradec Králové shopping centre in the Czech Republic to Meyer Bergman. The selling price for the total centre, including the hypermarket section, amounts to EUR 87.6 million. These sales have substantially strengthened the

Group's financial platform.

Planned projects are initiated once the commercial conditions for starting construction have been met and partial or full financing of the project has been procured, either from credit institutions or from investors in the form of forward funding. Project startup is also contingent on the provision of any equity financing by means of TK Development's own financial resources.

At 31 January 2014 project credit facilities of DKK 0.1 billion were due to expire prior to the end of January 2015. The credits have all been repaid in connection with the sale of projects, or refinanced.

TK Development has a general agreement with the Group's main banker about operating and project credits. When last reviewed, the agreement was extended until mid-2015.

## OUTLOOK FOR 2014/15

Management maintains the previously announced profit estimate for 2014/15. Thus, Management anticipates positive results of about DKK 40 million before tax, excluding discontinuing activities, for the 2014/15 financial year.

The timing and phase-out of the discontinuing activities are subject to major uncertainty. The activities are in the process of being discontinued, and the Group risks incurring further losses before the phase-out is complete. Therefore, the results before tax of the discontinuing activities have not been included in the outlook for 2014/15.

**The expectations mentioned in this Interim Report, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Various factors may impact on expectations, as outlined in the section "Risk issues" in the Group's 2013/14 Annual Report, particularly the valuation of the Group's project portfolio, as described under "Business risks" and "Risks related to the presentation of financial statements".**

## SUBSEQUENT EVENTS

Significant project sales have been effected after the reporting date; see the description above. As mentioned above, in December 2014 TK Development sold its 20 % stake in the Futurum Hradec Králové shopping centre in the Czech Republic to Meyer Bergman and a building lot of 13,000 m² at Amerika Plads in Copenhagen, Denmark, to A.P. Møller - Mærsk A/S. The handover of the building lot, and thus the associated impact on results, is expected in mid-2015.

Other than those mentioned in the Management Commentary, no significant events of relevance to the Company have occurred after the reporting date.

Management's general assessment of the market conditions for the Group remains unchanged compared to its assessment in the Group's Annual Report, published in early April 2014. However, in Management's opinion, there is an increased risk of faltering economic growth, for one thing due to the geopolitical uncertainty in Ukraine, which may result in more difficult market conditions in Finland and Poland in particular.

The Group's markets are characterized by expectations for subdued financial growth and rising consumer confidence, although varying in strength from country to country. The effect is not yet reflected in private consumption, but growth is also anticipated in private consumption in the years to come.

Management has recorded diminishing uncertainty in the property markets, but the decision-making process of tenants, investors and financing sources remains lengthy and carefully considered. However, Management has observed that the historically low interest level has contributed to increasing interest in real property as an asset class, particularly among institutional investors.

## TENANTS

In the retail property market, tenants continue to focus on location, and the rental level for prime-location projects is expected to remain fairly stable in the period ahead. Vacancy rates for retail premises vary considerably, ranging from very low rates for primary locations to relatively high rates for secondary locations. Thus, the retail sector is showing a good amount of interest in well-situated projects, which are particularly attractive to robust national and international branded retailers wishing to expand. However, the interest shown by tenants in secondary locations is slack, and the rental level for such locations is also expected to remain under pressure in the period to come. As concerns shopping centres, the overall picture remains unchanged, viz. that chain stores are managing satisfactorily and that local tenants are generally recording difficulties. Rising consumer confidence in the Group's markets contributes to expectations for growth in private consumption over the next few years, which will benefit the retail trade sector. However, increasing Internet sales are considered to contribute to fiercer competition in the retail trade sector.

Despite a marginal drop in recent months, vacancy rates in the office property market generally remain relatively high, but with great variations between properties in primary and secondary locations. In the years to come the vacancy rate is expected to remain at a relatively high level, but with reasonable demand for fairly new premises with a practical layout. The rental level for primary locations is expected to remain relatively stable, while the level for secondary locations will most likely continue to be under pressure.

In the residential property sector there is a clear trend on all markets: a vast number of people are moving to major towns and cities, thus pushing up demand for new dwellings. Depending on local tradition in the individual market, this trend manifests itself as demand for either new owner-occupied dwellings or new rental dwellings or both. As far as rental housing is concerned, this has led to higher rental levels over a period of time, levels that are expected to be maintained in the period ahead.

## INVESTORS

TK Development has observed growing investor optimism and a good amount of interest in investing in real property, and the historically low interest level has contributed to increasing interest in real property as an asset class, particularly among institutional investors. Many institutional investors wish to increase the share of property investments in their portfolios, being confident that real property will deliver good and competitive returns going forward. Management has observed that investors are also showing interest in projects outside capital cities, and they are increasingly seeking to play an active role in project development, thus assuming a higher risk against an anticipated higher return. These opportunities fall in line with the Group's business model, according to which TK Development is interested in entering into partnerships regarding development projects and completed properties in order to improve the allocation of the Company's equity, diversify risks and better utilize the Group's development competencies.

Location is the paramount consideration for retail property investors, and in the case of shopping centres, a record of good performance, customer influx and revenue will also be key to the investor's comfort with the investment risk. The required rates of return for prime locations are relatively low compared to the period before the onset of the economic and financial crisis. The return requirement is somewhat higher for properties in secondary locations. However, investors tend to be increasingly willing to make investments with a different and slightly higher risk profile than in recent years.

Prime-location office properties with stable tenants are attracting great investor interest, and here the return requirement is at the same level as before the onset of the economic and financial crisis. Return requirements are a great deal higher for properties in more secondary locations, although investors are also currently assessed to be willing to assume a slightly higher risk than in the most recent period.

Residential properties are likewise attracting great investor interest. This interest is focused on locations in capitals, major towns and cities, where substantial population growth is presently being recorded. The migration towards major towns and cities is expected to continue in future years as well. Coupled with lower return requirements for prime locations than before the economic and financial crisis, the higher rental level has rekindled the interest in developing residential projects. Potential investors include high-net-worth individuals, local or major property companies, institutional investors and foreign investors.

Population growth in major towns and cities combined with confidence in the future development of the economy also decisively impacts families' interest in buying owner-occupied dwellings, and the price level of such properties has shown a respectable upward trend in the past year. Thus, the market for developing housing for sale to private owner-occupants has once again become interesting.

### FINANCING

The Group is experiencing an easing in finance restraints. The options for procuring financing vary from project to project, depending on the type, location and status of the properties concerned, including letting and sales. Generally, lenders continue to require relatively high equity financing for new projects, but there also appears to be some relaxation of these requirements.

The Group's primary business area is the development of real property, termed property development. The Group's primary segments are the retail, office and residential segments, with variations from country to country. The Group develops the projects on its own books and with business partners in joint ventures.

| Strategy for business area – Property development |
|---|
| Developing projects from the conceptual phase through to project completion, based on one of several models:<br>• Sold projects (forward funding/forward purchase).<br>• Projects with partners.<br>• On TK Development's own books based on a high degree of confidence in the letting and sales potential.<br>• Services for third parties. |

| Property development | |
|---|---|
| Countries: | Denmark, Sweden, Poland and the Czech Republic |
| Revenue: | Q1-Q3 2014/15: DKK 100.7 million (Q1-Q3 2013/14: DKK 169.5 million) |
| Gross profit/loss: | Q1-Q3 2014/15: DKK 34.2 million (Q1-Q3 2013/14: DKK 18.4 million) |
| Results of joint ventures: | Q1-Q3 2014/15: DKK 1.5 million (Q1-Q3 2013/14: DKK 5.4 million) |
| Balance sheet total: | 31 Oct 2014: DKK 1,191.7 million (31 Jan 2014: DKK 1,120.9 million) |

In its property development segment, TK Development focuses on executing existing projects in the portfolio, as well as on securing robust pre-construction letting or sales. In addition, the Group continuously works on new project opportunities.

Planned projects are initiated once the commercial conditions for starting construction have been met and partial or full financing of the project has been procured, either from credit institutions or from investors in the form of forward funding. Project startup is also contingent on the provision of any equity financing by means of TK Development's own financial resources.

The gross margin for development activities amounted to DKK 34.2 million for the first nine months of 2014/15 against DKK 18.4 million in the same period of 2013/14. The results of joint ventures amounted to DKK 1.5 million against DKK 5.4 million in the first nine months of 2013/14.

The development potential of the project portfolio represented 389,000 m² at 31 October 2014, of which sold projects accounted for 31,000 m² and remaining projects for 358,000 m². The project portfolio had a total development potential of 405,000 m² at 31 January 2014.

**The development of the Group's project portfolio, including joint venture projects, is outlined below:**

| DKKm | 31 Jan 2013 | 31 Jan 2014 | 31 Oct 2014 |
|---|---|---|---|
| **Sold** | | | |
| Completed | 15 | 2 | 0 |
| In progress | 17 | 10 | 82 |
| Not initiated | 6 | 0 | 0 |
| **Total** | **38** | **12** | **82** |
| **Remaining** | | | |
| Completed | 38 | 6 | 16 |
| In progress | 198 | 206 | 263 |
| Not initiated | 901 | 887 | 827 |
| **Total** | **1,137** | **1,099** | **1,106** |
| **Net project portfolio** | **1,175** | **1,111** | **1,188** |
| Forward funding | 370 | 59 | 225 |
| Gross project portfolio | 1,545 | 1,170 | 1,413 |
| Forward funding in % of gross carrying amount of sold projects | 90.7 % | 83.1 % | 73.3 % |

Table 1

By means of forward funding, the Group reduces the funds tied up in the portfolio of sold projects. The increase in forward funding since 31 January 2014 results from an accumulation of forward funding relating to new projects.

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

| m² ('000) | 31 Jan 2013 | 31 Jan 2014 | 31 Oct 2014 |
|---|---|---|---|
| **Sold** | | | |
| Completed | 4 | 0 | 0 |
| In progress | 3 | 21 | 31 |
| Not initiated | 0 | 0 | 0 |
| **Total** | **7** | **21** | **31** |
| **Remaining** | | | |
| Completed | 3 | 0 | 1 |
| In progress | 20 | 21 | 39 |
| Not initiated | 422 | 363 | 318 |
| **Total** | **445** | **384** | **358** |
| **Total project portfolio** | **452** | **405** | **389** |
| **Number of projects** | **37** | **36** | **38** |

Table 2

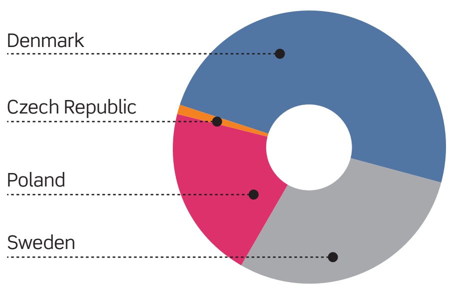
## PROJECT OUTLINE

The outline below lists the key projects in the portfolio in the property development segment. The outline includes projects both in wholly owned companies and in joint ventures.

| Project | City/town | Country | Segment | TKD's ownership share of area (m²) | TKD's ownership interest | Construction start/ expected construction start | Opening/ expected opening |
|---|---|---|---|---|---|---|---|
| **Completed** | | | | | | | |
| Ahlgade | Holbæk | DK | Mixed | 600 | 50 % | October 2013 | October 2014 |
| **In progress** | | | | | | | |
| Amerika Plads, underground car park | Copenhagen | DK | Car park | 16,000 | 50 % | 2004 | Continuously |
| Vasevej | Birkerød | DK | Mixed | 3,400 | 100 % | - | - |
| Retail park, Marsvej, phase 1 | Randers | DK | Retail | 1,550 | 100 % | September 2014 | 2015 |
| Alfa Laval, Østre Havn | Aalborg | DK | Office | 3,000 | [1] 50 % | March 2014 | Mid-2015 |
| Barkarby Gate, retail park | Stockholm | SE | Retail | 20,000 | 100 % | August 2013 | November 2014/ January 2015 |
| Residential park, Bielany, phase 2 | Warsaw | PL | Residential/ services | 14,800 | 100 % | June 2014 | Spring 2016 |
| Shopping centre, Jelenia Góra | Jelenia Góra | PL | Retail | 7,320 | 30 % | May 2014 | Autumn 2015 |
| Shopping centre, Frýdek Místek | Frýdek Místek | CZ | Retail | 1,480 | 10 % | Autumn 2013 | November 2014 |
| **Not initiated** | | | | | | | |
| BROEN, shopping centre | Esbjerg | DK | Retail | 29,800 | 100 % | Early 2015 | Autumn 2016 |
| Østre Teglgade | Copenhagen | DK | Office/ residential | 30,000 | 100 % | - | - |
| Amerika Plads, lot C | Copenhagen | DK | Mixed | 6,250 | 50 % | 2015 | 2017 |
| Amerika Plads, lot A | Copenhagen | DK | Office | 6,500 | 50 % | - | - |
| Aarhus South, phase 2 | Aarhus | DK | Retail | 2,800 | 100 % | 2015 | 2016 |
| Ejby Industrivej | Copenhagen | DK | Office | 12,900 | 100 % | - | - |
| Østre Havn/Stuhrs Brygge | Aalborg | DK | Mixed | 33,000 | [1] 50 % | Continuously | Continuously |
| Retail park, Marsvej, phase 2 | Randers | DK | Retail | 2,150 | 100 % | 2015 | 2016 |
| Development of town centre | Køge | DK | Mixed | 33,200 | 100 % | 2015 | Continuously |
| The Kulan commercial district | Gothenburg | SE | Mixed | 45,000 | 100 % | 2015 | 2017 |
| Retail park, Söderhamn | Söderhamn | SE | Retail | 10,000 | 100 % | 2016 | 2017 |
| Residential park, Bielany, phases 3-4 | Warsaw | PL | Residential/ services | 31,000 | 100 % | Continuously | Continuously |
| Bytom Retail Park | Bytom | PL | Retail | 21,400 | 100 % | Continuously | Continuously |
| Most Retail Park, phase 2 | Most | CZ | Retail | 2,000 | 100 % | - | - |
| **Property development, total floor space** | | | | **approx. 334,000** | | | |

[1] Share of profit on development amounts to 70 %.

### Geographical segmentation of the development potential in square metres:



## COMPLETED PROJECTS

### Ahlgade, Holbæk, Denmark

TK Development owns 50 % of the shares in a company that is developing an approx. 3,100 m² residential and retail project in Holbæk. The residential section has a floor space of about 1,900 m² and has been sold and handed over to a housing association. The commercial section has premises of about 1,200 m², which have been fully let to the two Bestseller concepts Jack & Jones and Vila, as well as Imerco (Q2 2014/15: 100 %). Construction began in October 2013 and was completed in October 2014. In November 2014 TK Development bought the retail section from the jointly owned company for the purpose of reselling it to an investor.

## PROJECTS IN PROGRESS

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

Kommanditaktieselskabet Danlink Udvikling (DLU), which is owned 50/50 by Udviklingsselskabet By & Havn I/S and TK Development, 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. Car park occupancy and operations will be optimized by developing projects in the remaining lots A and C. The total parking facility is expected to be sold upon completion. For a description of Amerika Plads, lots A and C, please see the section "Projects not initiated" below.

### Vasevej, Birkerød, Denmark

TK Development owns a property of almost 3,000 m² at Vasevej in Birkerød, rented by SuperBest. A new long-term lease has been concluded with SuperBest, subject to the condition that the existing property is refurbished. This refurbishment commenced in autumn 2014. In Q3 2014/15 a conditional agreement was concluded regarding the sale of the SuperBest premises to a private property company. The selling price is equal to the carrying amount, and the handover to the investor is expected in spring 2015. In addition, an extension comprising a few stores and residential units is in the pipeline.

### 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 about 3,700 m². Letting has been initiated, and there is a satisfactory level of interest among potential tenants. The first phase comprises about 1,550 m² and has been let to jem & fix and Petworld. Both retail units have been conditionally sold to private investors. Construction work started in September 2014, with the handover and associated impact on results expected in 2015/16. Construction of the second phase will start once a satisfactory occupancy level has been reached.

### Alfa Laval, Østre Havn/Stuhrs Brygge, Aalborg, Denmark

In Q1 2014/15 TK Development conditionally sold a 6,000 m² office project in Aalborg. The project is being developed for the international Alfa Laval Group, which has entered into a long-term lease for the property. The project has been sold to PensionDanmark for a total price of DKK 126.1 million. Construction began in March 2014, and following completion the project will be handed over to the investor in June 2015. Earnings from the sale will be recognized in 2015/16 upon handover of the project to the investor.

### Barkarby Gate, retail park, Stockholm, Sweden

In Barkarby in the northwestern part of Stockholm, TK Development is developing a 20,000 m² retail park expected to consist of 12 to 14 units. The current occupancy rate is 94 % (Q2 2014/15: 94 %), and lease agreements have been concluded with various major tenants, including XXL (sports store), Clas Ohlson, Intersport, Toys"R"Us, Lager 157, Grizzly, Kjell & Co., Burger King, Pizza Hut and the fitness chain Nordic Wellness. In Q2 2013/14 the project was sold to a fund managed by Cordea Savills. The sale is based on forward funding. Construction started in August 2013, and all the retail stores opened in November 2014, with the exception of Toys"R"Us, which is scheduled to open in January 2015. Earnings from the sale will be recognized when the project is handed over to the investor.

### Residential park, Bielany, Warsaw, Poland

TK Development owns a tract of land in Warsaw on which a residential project of about 53,700 m² is being developed. The first phase of 7,850 m² has been completed and sold to private users. The plan is to initiate construction of the remaining approx. 45,850 m² in three successive phases once pre-construction sales have reached a satisfactory level. The second project phase consists of 297 residential units and service facilities. The pre-construction sale started in December 2013, and 41 % of the units have been sold in advance (Q2 2014/15: 34 %). Construction of the residential units, which are being sold as owner-occupied apartments to private users, started in June 2014, and handover to the buyers is slated for spring 2016.

### Shopping centre, Jelenia Góra, Poland

In Jelenia Góra TK Development is developing a shopping centre of about 24,400 m². The project will be executed as a joint venture with Heitman, in which the Group has an ownership interest of 30 %. The project will comprise a supermarket of about

2,200 m² and retail, restaurant and service premises totalling about 22,200 m². Letting is ongoing, and lease agreements for about 52 % of the floor space have been signed (Q2 2014/15: about 50 %). The tenants include Intermarché, H&M, Stradivarius, Reserved, Carry, CCC and Bershka. Construction started in May 2014, and the opening is scheduled for autumn 2015. TK Development receives fee income from the jointly owned company for developing, letting and managing the construction of the project.

### Shopping centre, Frýdek Místek, Czech Republic

In the autumn of 2013 TK Development sold an 80 % stake in a planned shopping centre project in the Czech town of Frýdek Místek to a business partner. Following the sale, TK Development currently holds an ownership interest in the project of 10 %. The shopping centre consists of about 60 retail stores. TK Development receives fee income for letting and managing the construction of the project and related services. The current occupancy rate is 96 % (Q2 2014/15: 87 %), and lease agreements have been concluded with such tenants as Billa, Intersport, H&M, NewYorker and Euronics. Construction started in autumn 2013, and the shopping centre opened in November 2014.

## PROJECTS NOT INITIATED

### BROEN, shopping centre, Esbjerg, Denmark

In Esbjerg TK Development owns a plot earmarked for a shopping centre project, BROEN, of about 29,800 m², to be built at Esbjerg Station. The shopping centre is expected to comprise about 70 stores. A building permit has been granted for the project. Before construction can start, the project must undergo a validation and approval procedure to ensure safe railway operations, etc. The validation process is under way and was expected to be completed in autumn 2014 and to be followed by construction startup immediately afterwards. The validation has been delayed and is now expected to be completed in early 2015. Due to the postponement of the project, it has been necessary to renegotiate a number of lease agreements. The Group has received good support from the future tenants and has now concluded lease agreements for more than 60 % of the premises. This occupancy rate is considered satisfactory in relation to starting up construction once the validation process has been completed. Discussions are still being held with PFA regarding the sale of a share of the project at its current stage. Thus, if a final agreement is reached, PFA will participate in completing the project. This falls in line with the Group's business model, whose aims include entering into partnerships regarding major development projects.

### Østre Teglgade, Copenhagen, Denmark

TK Development owns an attractively located project area at Teglholmen. Building rights for about 7,200 m² were sold to a private investor in Q2 2014/15. Subsequently, a road area has been acquired, bringing up the project area to about 30,000 m². Efforts are being made to sell this area to a group of investors.

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

Kommanditaktieselskabet Danlink Udvikling (DLU), which is owned 50/50 by Udviklingsselskabet By & Havn I/S and TK Development, owns three projects at Amerika Plads: lot A, lot C and an underground car park. After the reporting date an agreement has been concluded regarding the sale of lot A of 13,000 m² to A.P. Møller - Mærsk A/S. The selling price amounts to DKK 97.5 million. The handover to A.P. Møller - Mærsk A/S is expected to take place in mid-2015, and the profit on the sale will thus impact TK Development's results in 2015/16.

A project of about 12,500 m² is being planned on lot C, predominantly for the purpose of residential construction. An approval in principle has been granted for the project. An agreement is expected to be concluded with an institutional investor about joint development of this project.

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

In the area previously occupied by Aalborg Shipyard at Stuhrs Brygge, TK Development 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 building rights acquired in step with the development and execution of specific projects. For one thing a project is currently being developed for the international Alfa Laval Group; see above. In addition, work on a new local plan comprising about 31,000 m² of housing, offices and parking facilities has been launched.

### Development of town centre, Køge, Denmark

TK Development is working on a potential project in Køge. An extension of the project has brought it up to about 33,200 m², excluding parking facilities, and the project is expected to be executed in three phases: about 12,500 m² in phase 1, about 17,100 m² in phase 2, and about 3,600 m² in phase 3. Køge Kyst and TK Development entered into a conditional purchase agreement in February 2012, according to which TK Development was to buy an area for executing the first two phases. After the reporting date TK Development has bought the area for the first phase, while also concluding a conditional agreement to buy the area for the third phase.

The project is to be built immediately next to Køge Station and the town centre shopping area. The total three-phase project will comprise retail stores of about 11,700 m²; public service facilities of about 8,700 m², including a town hall and rehabilitation centre; residential premises of about 6,300 m²; office premises/fitness facilities of about 2,900 m²; plus service space/restaurants and a cinema of about 3,600 m². In addition, the project will comprise parking facilities of about 13,000 m². An agreement has been made with Køge Municipality regarding its takeover of both town hall and rehabilitation centre. Letting of the retail premises has started, and potential tenants are showing a good amount of interest in the project.

The first phase will comprise retail premises of about 3,800 m², of which about 2,000 m² has been let to supermarket operators, a rehabilitation centre for the municipality of about 5,400 m², an extension of about 3,300 m² to the existing town hall, and an approx. 4,500 m² underground car park, which has been let to Apcoa Parking. Construction of the first phase is expected to start in early 2015.

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

TK Development has 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 service/commercial space and 30,000 m² for housing. TK Development will be in charge of developing the 45,000 m² for a shopping centre, services and commercial facilities, while a housing developer will have responsibility for the 30,000 m² of housing. The local plan is currently being prepared. The project is being discussed with potential tenants, and a number of lease agreements have been concluded.

### Residential park, Bielany, Warsaw, Poland

Reference is made to the description of the project under the heading "Projects in progress".

### Bytom Retail Park, Bytom, Poland

TK Development sold a share of its plot at the Plejada shopping centre in Bytom, centrally located in the Katowice region, to Decathlon in Q2 2014/15, which helps boost interest and development potential in the area. It is anticipated that a retail park with total leasable space of about 21,400 m² will be built on the remaining part of the site. Construction of the project will be phased in step with letting. Letting efforts are ongoing, and construction will start as space is let.

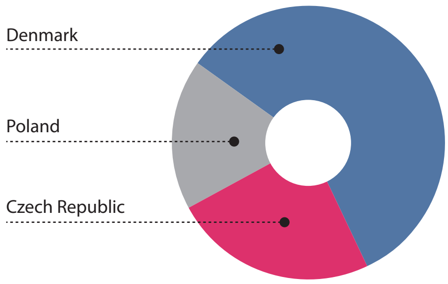
# ASSET MANAGEMENT

The Group's secondary business area is asset management, which consists of owning, operating, running in, maturing and optimizing completed projects for a medium-long operating period whose length matches the potential for adding value. The projects are held by wholly owned companies and by joint ventures.

| Strategy for business area – Asset management |
|---|
| Owning, operating, maturing and optimizing completed projects for a medium-long operating period that matches the potential for adding value. |

| Asset management | |
|---|---|
| Countries: | Denmark, Sweden, Poland and the Czech Republic |
| Revenue: | Q1-Q3 2014/15: DKK 52.0 million (Q1-Q3 2013/14: DKK 50.7 million) |
| Gross profit/loss: | Q1-Q3 2014/15: DKK 39.6 million (Q1-Q3 2013/14: DKK 42.2 million) |
| Results of joint ventures: | Q1-Q3 2014/15: DKK 32.0 million (Q1-Q3 2013/14: DKK 35.8 million) |
| Balance sheet total: | 31 Oct 2014: DKK 1,536.1 million (31 Jan 2014: DKK 1,694.5 million) |
| Number of employees at centres: | 31 Oct 2014: 12 (31 Jan 2014: 14) |

**Breakdown by country of properties in the asset management segment (carrying amount):**




The gross margin for asset management activities amounted to DKK 39.6 million for the first nine months of 2014/15 against DKK 42.2 million in the same period of 2013/14. The results of joint ventures in the asset management segment amounted to DKK 32.0 million against DKK 35.8 million in the same period the year before. The realized results of joint ventures for the first nine months of 2014/15 include the profit on the sale of the Fashion Arena Outlet Center, Prague, the Czech Republic, completed in Q1 2014/15, as well as positive market-value adjustments transferred from other comprehensive income to the results of this sale because it was completed as a sale of shares.

**The Group's properties in the asset management segment comprised the following eight properties at 31 October 2014:**

| | Country | Type | TKD's ownership interest | Project area (m²) | Current occupancy rate |
|---|---|---|---|---|---|
| **Projects in joint ventures** | | | | | |
| **Investment properties** | | | | | |
| Futurum Hradec Králové | Czech Republic | Shopping centre | 20 % | 28,250 | 100 % |
| Galeria Tarnovia, Tarnów | Poland | Shopping centre | 30 % | 16,500 | 87 % |
| **Other completed projects** | | | | | |
| Ringsted Outlet | Denmark | Outlet centre | 50 % | 13,200 | 72 % |
| **Projects in wholly owned companies** | | | | | |
| **Other completed projects** | | | | | |
| Sillebroen, Frederikssund | Denmark | Shopping centre | 100 % | 25,000 | 91 % |
| Galeria Sandecja, Nowy Sącz | Poland | Shopping centre | 100 % | 17,300 | 94 % |
| Most Retail Park | Czech Republic | Retail park | 100 % | 6,400 | 69 % |
| Aabenraa | Denmark | Retail park | 100 % | 4,200 | 71 % |
| Brønderslev | Denmark | Retail property | 100 % | 1,200 | 100 % |
| **Total** | | | | **112,050** | |

## ASSET MANAGEMENT

TK Development is still working towards selling the properties in the asset management segment in whole or in part. The current focus is on maturing the individual properties to the extent possible and selling them once the best balance between selling price and expected future use of resources has been achieved for the Group.

As mentioned above under "Significant project sales after the reporting date", TK Development – together with GE Capital and Heitman – has sold the Futurum Hradec Králové shopping centre in the Czech Republic to Meyer Bergman after the reporting date. TK Development has a 20 % ownership interest in the centre, but receives a performance-driven share of the property value. The selling price for the total centre, including the hypermarket section, amounts to EUR 87.6 million, which is on a par with the carrying amount. This sale is a step towards realizing Management's objective to sell one or more major completed projects, and has made a significant contribution to the Group's free cash resources.

The total portfolio of properties in the asset management segment, including joint venture properties, amounted to DKK 1,526.5 million at 31 October 2014 against DKK 1,934.2 million at 31 January 2014. The decline is essentially due to the sale of the Fashion Arena Outlet Center completed in Q1 2014/15.

The annual net rent from the current leases corresponds to a return on the carrying amount of 5.5 % (2013/14: 6.7 %), which reflects a large spread in the returns on individual centres. Based on full occupancy, the return on the carrying amount is expected to be 7.2 % (2013/14: 7.9 %). The falling rate of return is primarily attributable to the sale of the Fashion Arena Outlet Center. The current letting situation is affected by vacancies and short-term rent discount agreements with tenants, as local tenants in particular are generally experiencing difficulties.

The individual properties developed as shown below.

## FUTURUM HRADEC KRÁLOVÉ, SHOPPING CENTRE, CZECH REPUBLIC


| | |
|---|---|
| **Opening** | **November 2000/May 2012** |
| **Leasable area** | **28,250 m²** |
| **Occupancy rate** | **100 % (Q2 2014/15: 100 %)** |
| **Footfall 2013** | **5.9 million** |

In 2012 an extension of almost 10,000 m² was added to the shopping centre, and the existing centre was also modernized. The number of retail stores now totals 110.

The shopping centre is fully let and records a satisfactory operating profit and customer influx. Compared to 2012, the shopping centre's revenue increased by 16 % and its footfall by 4 % in 2013. The positive trend has so far continued into 2014, with revenue increasing on the same period of 2013. The footfall has remained at the level recorded in the same period last year.

**Major tenants:** Cinestar, Tommy Hilfiger, H&M, New Yorker, Adidas, Reserved, Intersport, Takko Fashion, Foot Locker, Gant, C & A, Lindex, Datart.

TK Development has a 20 % ownership interest in the centre, but receives a performance-driven share of the property value. The property has been sold to Meyer Bergman after the reporting date. The total selling price for the shopping centre, including the hypermarket section, amounts to EUR 87.6 million. This sale is a step towards realizing Management's objective to sell one or more major completed projects, and has made a significant contribution to the Group's free cash resources.

## GALERIA TARNOVIA, SHOPPING CENTRE, TARNÓW, POLAND



| | |
|---|---|
| **Opening** | **November 2009** |
| **Leasable area** | **16,500 m², including a supermarket of about 2,000 m²** |
| **Occupancy rate** | **87 % (Q2 2014/15: 92 %)** |
| **Footfall 2013** | **1.8 million** |

TK Development owns 30 % of the centre. The shopping centre has an acceptable operating profit and customer influx. The general picture is that chain stores are managing satisfactorily, while local tenants are experiencing difficulties.

The revenue and footfall in the centre have increased slightly in 2014 compared to the same period the year before.

Negotiations are ongoing with several tenants, both in connection with the extension of lease agreements and the reletting of vacant premises. The rental level is generally under pressure.

The current focus is on achieving a higher occupancy rate and replacing weak tenants with more robust tenants, and thus increasing the centre's footfall and revenue for the benefit of tenants.

In September 2014 an agreement was made with the supermarket operator regarding its vacation of the premises. At the same time, a new lease agreement for the premises was made with Carrefour. Carrefour took over the lease at the end of October 2014 and has now opened its doors as the new supermarket operator, which is expected to contribute to increasing footfall and revenue in the centre.

**Major tenants**: Carrefour, H&M, New Yorker, Euro RTV AGD, Reserved, Deichmann, Douglas, Rossmann, Stradivarius, Takko Fashion.

## SILLEBROEN, SHOPPING CENTRE, FREDERIKSSUND, DENMARK

| | |
|---|---|
| **Opening** | **March 2010** |
| **Leasable area** | **25,000 m², including about 5,000 m² of supermarket units** |
| **Occupancy rate** | **91 % (Q2 2014/15: 91 %)** |
| **Footfall 2013** | **2.9 million** |

In the difficult economic climate with subdued private consumption, the centre's footfall and revenue showed a slightly declining trend in 2013 compared to 2012. In the past months of 2014 footfall increased on the same period in 2013, while the centre's revenue receded slightly. The development in revenue and footfall reflects the general weak development of Danish retail trade.

Chain stores are managing satisfactorily, while local tenants are generally experiencing difficulties. Tenants are regularly replaced and newcomers move in to optimize the centre. The recent focus has been on extending lease agreements with several major tenants. Negotiations with tenants for several of the remaining rental units are ongoing, and a cinema concept is among one of the potential newcomers.

The centre is still being run in and matured, and continued efforts are being made to position the centre on the market. TK Development's focus is on strengthening the occupancy and revenue levels for the centre.

**Major tenants:** Kvickly, Fakta, H&M, Fona, Gina Tricot, Matas, Sportmaster, Tiger, Frederikssund Isenkram, Deichmann, Vero Moda, Designersmarket, Wagner, Frederikssund Apotek, Tøjeksperten, Skoringen, Bog & Idé, Café Vivaldi.

## GALERIA SANDECJA, SHOPPING CENTRE, NOWY SĄCZ, POLAND



| | |
|---|---|
| **Opening** | **October 2009** |
| **Leasable area** | **17,300 m², including a 5,000 m² hypermarket** |
| **Occupancy rate** | **94 % (Q2 2014/15: 95 %)** |
| **Footfall 2013** | **2.4 million** |

The operation of Galeria Sandecja has been affected by a competing centre opening in Nowy Sącz in autumn 2013. Both the revenue and footfall in the centre have declined in 2014 compared to the same period of 2013.

Negotiations are ongoing with several tenants, both in connection with the extension of lease agreements and the reletting of vacant premises. The rental level is generally under pressure.

The current focus is on achieving a higher occupancy rate and replacing weak tenants with more robust tenants, and thus creating a strong mix of tenants.

**Major tenants:** Carrefour, H&M, New Yorker, Reserved, Deichmann, Douglas, Carry, Euro RTV AGD.

## RINGSTED OUTLET, RINGSTED, DENMARK



| | |
|---|---|
| **Opening** | **March 2008** |
| **Leasable area** | **13,200 m²** |
| **Occupancy rate** | **72 % (Q2 2014/15: 69 %)** |
| **Footfall 2013** | **1.2 million** |

Ringsted Outlet has been developed in a 50/50 joint venture with Miller Developments. After a long running-in period, Ringsted Outlet has recorded pleasing progress in the past years. Ringsted Outlet recorded progress again in 2013. Footfall increased about 10 % and revenue close to 14 % compared to the year before. This positive development has continued into 2014.

A number of new stores have opened their doors in 2014: Stiletto in February, LEGO Wear in March and Hunkemöller, POMPdeLUX and Desigual in August. The latest newcomers are Olsen and Samsonite, which opened in October and November, respectively. Several other stores are expected to open for business in spring 2015.

**Major tenants:** Hugo Boss, Nike, Puma, Diesel, G-Star Raw, Redgreen, Desigual, McDonald's, Superdry, Levi's, Samsøe & Samsøe, Rosendahl, Noa Noa, Helly Hansen, Ticket to Heaven, Le Creuset, Saint Tropez, Asics, Envii, Signal, LEGO Wear, Samsonite.

## MOST RETAIL PARK, PHASE 1, CZECH REPUBLIC

In the Czech town of Most, TK Development completed the first phase of a retail park in 2009, covering about 6,400 m² of a planned total floor space of about 8,400 m². The occupancy rate for the first phase dropped to 57 % in the first half of 2014/15 after several tenants had vacated their premises on expiry of their lease agreements. The 12 % increase in occupancy rate in Q3 2014/15 is in part due to an extension made by an existing tenant, bringing up the current occupancy rate to 69 %. Efforts are under way to let the vacant premises, and a constructive dialogue has been established with potential tenants.

## RETAIL PARK, AABENRAA, DENMARK

TK Development built a retail park of approx. 4,200 m² in Aabenraa in 2009. The occupancy rate for the retail park is 71 % (Q2 2014/15: 71 %). The tenants in the retail park are jem & fix, Petworld, T. Hansen and Sport24. Discussions with potential tenants for the vacant unit are ongoing, and efforts are being made to sell the property to private investors.


## RETAIL PROPERTY, BRØNDERSLEV, DENMARK

TK Development has developed retail stores of about 2,400 m² at Mejlstedgade in Brønderslev. The premises have been let to Sportmaster, Fitness World and Intersport, among other tenants. All premises have been fully let (Q2 2014/15: 100 %). A share of the property (Fitness World, approx. 1,200 m²) was sold and handed over to a private investor in the first nine months of 2014/15.

TK Development has a market focus that targets the countries expected to contribute to generating substantial value in future and more efficient utilization of capital resources. This means that the Group will phase out its activities in Finland, Germany, the Baltic States and Russia. The phase-out is being carried out as quickly as possible, subject to the consideration that these countries have projects that must be managed in such a way as to retain maximum value.

| Discontinuing activities | |
|---|---|
| Countries: | Germany, Finland, Lithuania, Latvia and Russia |
| Revenue: | Q1-Q3 2014/15: DKK 85.6 million (Q1-Q3 2013/14: DKK 9.1 million) |
| Gross profit/loss: | Q1-Q3 2014/15: DKK -38.8 million (Q1-Q3 2013/14: DKK -1.8 million) |
| Balance sheet total: | 31 Oct 2014: DKK 274.7 million (31 Jan 2014: DKK 367.7 million) |
| Number of employees: | 31 Oct 2014: 2 (31 Jan 2014: 2) |

For the first nine months of 2014/15 results before tax of the discontinuing activities amounted to DKK -47.7 million against DKK -13.5 million in the same period of 2013/14. Of the results, DKK -15.6 million derives from current operations, DKK -13.8 million from losses recognized on completed sales, including sales after the reporting date, and DKK -18.3 million from impairment losses on the remaining assets.

Management accords strict priority to phasing out those of the Group's activities that are categorized as discontinuing activities, and has chosen to implement sales at a price below the carrying amount. In order to speed up the phase-out, particularly of the Finnish activities, Management has moreover chosen to write down the remaining assets by an amount of DKK 18.3 million.

At 31 October 2014 the balance sheet total for the discontinuing activities amounted to DKK 274.7 million against DKK 367.7 million at 31 January 2014, a decline of about 25 %. The reduction relates mainly to the handover of the first phase of the DomusPro Retail Park project in Vilnius, which has been sold in advance to the investor.

The timing and phase-out of the discontinuing activities are subject to uncertainty. The phase-out is progressing, and the risk exists that these activities may be phased out at a value lower than their carrying amount.

## GERMANY

In Germany TK Development sold another of its investment properties in Q3 2014/15, and now has only one investment property left, a combined commercial and residential rental property in Lüdenscheid in western Germany.

The valuation of this property is unchanged compared to 31 January 2014, amounting to DKK 81.0 million at 31 October 2014. The valuation has been 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. Part of the property has not been let, and work is proceeding on a development plan aimed at optimizing and subsequently selling the whole property. Therefore, Management expects the time horizon for disposing of this property to be slightly longer.

In addition, TK Development owns two plots of land and a share of a minor shopping centre, which has been sold after the reporting date.

The employees have left their positions, and the branch office has closed down.

## FINLAND

The Group's activities in Finland are fairly limited and comprise the projects listed below.

| Project | City/town | Segment | Floor space (m²) |
|---|---|---|---|
| Pirkkala Retail Park, phase 2 | Tammerfors | Retail | 5,400 |
| Kaarina Retail Park | Turku | Retail | 6,600 |

Efforts are being made to phase out the activities as quickly as possible. The Group's plot of land in Kaarina has been sold and handed over to the municipality after the reporting date. A loss recognized in Q3 2014/15 was recorded on this sale.

The employees have left their positions, and the branch office has closed down.

## BALTIC STATES

The Group's Baltic activities comprise the following projects:

| Project | City/town | Segment | Floor space (m²) |
|---|---|---|---|
| DomusPro Retail Park, phase 2 | Vilnius (LT) | Retail | 3,800 |
| Milgravja Street | Riga (LV) | Residential | 10,400 |
| Ulmana Retail Park | Riga (LV) | Retail | 12,500 |

### DomusPro Retail Park, Vilnius, Lithuania

TK Development owns a plot of land in Vilnius on which a retail park with a total floor space of 11,300 m² is being developed. Construction of the first phase of about 7,500 m² has been completed, and the opening took place on 20 March 2014. The project was sold and handed over to the buyer, BPT Baltic Opportunity Fund, which is managed by BPT Asset Management, in Q1 2014/15. The selling price is based on a return requirement of 8.5 %. The second phase of the project of about 3,800 m² has been fully let, with construction expected to start in spring 2015 and the handover to the buyer to take place upon completion in 2016. In addition, TK Development has the option of developing and constructing a third phase, to consist of housing of about 3,900 m² and retail stores of about 850 m², or, in the alternative, office premises of 2-3,000 m². Both options are currently being investigated with a view to reaching a swift decision and starting construction in mid-2015.

Efforts are being made to phase out the remaining activities in the Baltic States as quickly as possible, with due consideration paid to retaining the maximum possible value of the existing portfolio.

## RUSSIA

The Group owns a minor project in Moscow, consisting of Scandinavian-style dwellings that are used for rental. Efforts will be made to sell this project once market conditions have normalized.

## TRANSACTIONS WITH RELATED PARTIES

No major or unusual transactions were made with related parties in the first nine months of the 2014/15 financial year.

## FINANCIAL TARGETS

To provide for sufficient future financial resources, liquidity targets have been formulated for the whole Group. Moreover, Management has adopted a target solvency ratio of about 40 % at group level, calculated as the ratio of equity to total assets.

The Group has also 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 2013/14, which is available at the Company's website: www.tk-development.com

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

The Board of Directors and Executive Board have today considered and adopted the Interim Report of TK Development A/S for the period from 1 February 2014 to 31 October 2014.

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

In our opinion, the Interim Report gives a true and fair view of the Group's financial position at 31 October 2014 and of the results of the Group's operations and cash flows for the period from 1 February to 31 October 2014.

Moreover, we consider the Management Commentary 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 Company and the Group.

Aalborg, 17 December 2014

## EXECUTIVE BOARD

**Frede Clausen**
President and CEO

**Robert Andersen**
Executive Vice President

## BOARD OF DIRECTORS

**Niels Roth**
Chairman

**Peter Thorsen**
Deputy Chairman

**Per Søndergaard Pedersen**

**Arne Gerlyng-Hansen**

**Kim Mikkelsen**

**Morten E. Astrup**

## INCOME STATEMENT

| DKKm | Note | **Q1-Q3 2014/15** | Q1-Q3 2013/14 | **Q3 2014/15** | Q3 2013/14 | Full Year 2013/14 |
|---|---|---|---|---|---|---|
| Net revenue | | **238.3** | 229.3 | **44.0** | 47.3 | 330.7 |
| External direct project costs | 3 | **-202.9** | -169.5 | **-57.4** | -28.8 | -218.7 |
| Value adjustment of investment properties, net | | **-0.4** | -1.0 | **-0.4** | -0.4 | -9.5 |
| **Gross profit/loss** | | **35.0** | 58.8 | **-13.8** | 18.1 | 102.5 |
| Other external expenses | | **17.2** | 20.2 | **5.5** | 6.8 | 26.6 |
| Staff costs | | **40.7** | 49.1 | **13.0** | 16.3 | 63.8 |
| **Total** | | **57.9** | 69.3 | **18.5** | 23.1 | 90.4 |
| **Profit/loss before financing and depreciation** | | **-22.9** | -10.5 | **-32.3** | -5.0 | 12.1 |
| Depreciation and impairment of non-current assets | | **0.5** | 1.2 | **0.1** | 0.3 | 1.4 |
| **Operating profit/loss** | | **-23.4** | -11.7 | **-32.4** | -5.3 | 10.7 |
| Income from investments in joint ventures | | **28.6** | 34.2 | **2.7** | 9.8 | 37.5 |
| Income from investments in associates | | **-4.6** | 1.1 | **-4.9** | 0.3 | -4.1 |
| Financial income | | **3.6** | 6.2 | **2.5** | 1.9 | 8.6 |
| Financial expenses | | **-48.2** | -71.9 | **-16.7** | -20.8 | -95.5 |
| **Total** | | **-20.6** | -30.4 | **-16.4** | -8.8 | -53.5 |
| **Profit/loss before tax** | | **-44.0** | -42.1 | **-48.8** | -14.1 | -42.8 |
| Tax on profit/loss for the period | | **-4.7** | -2.9 | **-2.5** | -5.0 | 6.2 |
| **Profit/loss for the period** | | **-39.3** | -39.2 | **-46.3** | -9.1 | -49.0 |

## EARNINGS PER SHARE IN DKK

| | | | | | |
|---|---|---|---|---|---|
| Earnings per share (EPS) | **-0.4** | -0.6 | **-0.5** | -0.1 | -0.7 |
| Diluted earnings per share (EPS-D) | **-0.4** | -0.6 | **-0.5** | -0.1 | -0.7 |

## COMPREHENSIVE INCOME STATEMENT

| | | | | | |
|---|---|---|---|---|---|
| Profit/loss for the period | **-39.3** | -39.2 | **-46.3** | -9.1 | -49.0 |
| **Items that may be re-classified to profit/loss:** | | | | | |
| Foreign-exchange adjustments, foreign operations | **-11.3** | -0.5 | **-5.9** | 4.6 | -11.2 |
| Value adjustment of hedging instruments | **0.0** | -2.1 | **0.0** | -0.6 | -2.3 |
| Value adjustment of available-for-sale financial assets | **0.1** | 0.0 | **0.0** | 0.0 | 0.0 |
| Tax on other comprehensive income | **0.3** | -0.8 | **1.9** | -3.2 | 7.0 |
| **Other comprehensive income for the period** | **-10.9** | -3.4 | **-4.0** | 0.8 | -6.5 |
| **Comprehensive income for the period** | **-50.2** | -42.6 | **-50.3** | -8.3 | -55.5 |

## BALANCE SHEET

| DKKm | Note | 31 Oct 14 | 31 Jan 14 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | | **33.3** | 33.3 |
| **Intangible assets** | | **33.3** | 33.3 |
| Other fixtures and fittings, tools and equipment | | **0.9** | 1.3 |
| **Property, plant and equipment** | | **0.9** | 1.3 |
| Investment properties | | **81.0** | 103.2 |
| **Investment properties** | | **81.0** | 103.2 |
| Investments in joint ventures | | **403.3** | 470.5 |
| Investments in associates | | **3.0** | 2.6 |
| Receivables from joint ventures | | **122.1** | 145.8 |
| Receivables from associates | | **4.6** | 4.6 |
| Other securities and investments | | **14.4** | 0.3 |
| **Financial assets** | | **547.4** | 623.8 |
| Deferred tax assets | | **121.9** | 121.6 |
| **Other non-current assets** | | **121.9** | 121.6 |
| **Non-current assets** | | **784.5** | 883.2 |
| **Current assets** | | | |
| **Projects in progress or completed** | | **2,229.9** | 2,334.6 |
| Trade receivables | | **53.0** | 25.6 |
| Receivables from associates | | **7.2** | 12.0 |
| Corporate income tax receivable | | **1.1** | 1.3 |
| Other receivables | | **17.8** | 19.2 |
| Prepayments | | **11.8** | 15.1 |
| **Receivables** | | **90.9** | 73.2 |
| Other securities and investments | | **4.1** | 4.0 |
| Deposits in blocked and escrow accounts | 5 | **50.7** | 46.0 |
| Cash and cash equivalents | 5 | **8.6** | 6.1 |
| **Current assets** | | **2,384.2** | 2,463.9 |
| **ASSETS** | | **3,168.7** | 3,347.1 |

## BALANCE SHEET

| DKKm | Note | 31 Oct 14 | 31 Jan 14 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | **98.2** | 98.2 |
| Other reserves | 6 | **-12.1** | 587.7 |
| Retained earnings | | **1,417.5** | 867.8 |
| **Equity** | | **1,503.6** | 1,553.7 |
| **Liabilities** | | | |
| Credit institutions | | **0.0** | 52.0 |
| Debt to joint ventures | | **60.1** | 20.7 |
| Deferred tax liabilities | | **18.6** | 21.9 |
| **Non-current liabilities** | | **78.7** | 94.6 |
| Credit institutions | | **1,471.7** | 1,566.6 |
| Trade payables | | **49.2** | 53.4 |
| Corporate income tax | | **1.8** | 5.7 |
| Provisions | | **16.2** | 9.6 |
| Other debt | | **41.4** | 56.2 |
| Deferred income | | **6.1** | 7.3 |
| **Current liabilities** | | **1,586.4** | 1,698.8 |
| **Liabilities** | | **1,665.1** | 1,793.4 |
| **EQUITY AND LIABILITIES** | | **3,168.7** | 3,347.1 |

## STATEMENT OF CHANGES IN EQUITY

| DKKm | Share capital | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| Equity at 1 February 2013 | 631.0 | 5.3 | 753.4 | 1,389.7 |
| Profit/loss for the period | 0.0 | 0.0 | -39.2 | -39.2 |
| Other comprehensive income for the period | 0.0 | -3.4 | 0.0 | -3.4 |
| **Total comprehensive income for the period** | 0.0 | -3.4 | -39.2 | -42.6 |
| Capital decrease | -588.9 | 588.9 | 0.0 | 0.0 |
| Capital increase | 56.1 | 0.0 | 0.0 | 56.1 |
| Premium on capital increase | 0.0 | 174.4 | 0.0 | 174.4 |
| Costs of share issue | 0.0 | -11.9 | 0.0 | -11.9 |
| Special reserve transferred to distributable reserves | 0.0 | -162.5 | 162.5 | 0.0 |
| Share-based payment | 0.0 | 0.0 | 0.5 | 0.5 |
| **Equity at 31 October 2013** | 98.2 | 590.8 | 877.2 | 1,566.2 |
| | | | | |
| Equity at 1 February 2014 | **98.2** | **587.7** | **867.8** | **1,553.7** |
| Profit/loss for the period | **0.0** | **0.0** | **-39.3** | **-39.3** |
| Other comprehensive income for the period | **0.0** | **-10.9** | **0.0** | **-10.9** |
| **Total comprehensive income for the period** | **0.0** | **-10.9** | **-39.3** | **-50.2** |
| Special reserve transferred to distributable reserves | **0.0** | **-588.9** | **588.9** | **0.0** |
| Share-based payment | **0.0** | **0.0** | **0.1** | **0.1** |
| **Equity at 31 October 2014** | **98.2** | **-12.1** | **1,417.5** | **1,503.6** |

## CASH FLOW STATEMENT

| DKKm | Q1-Q3 2014/15 | Q1-Q3 2013/14 |
|---|---|---|
| Operating profit/loss | **-23.4** | -11.7 |
| Adjustments for non-cash items: | | |
| Value adjustment investment properties, net | **0.4** | 1.0 |
| Depreciation and impairment | **29.7** | 7.4 |
| Share-based payment | **0.1** | 0.5 |
| Provisions | **6.6** | -5.6 |
| Foreign-exchange adjustment | **-6.6** | -13.9 |
| Increase/decrease in investments in projects, etc. | **61.3** | 23.0 |
| Increase/decrease in receivables | **-22.8** | -3.2 |
| Changes in deposits on blocked and escrow accounts | **-4.6** | 4.0 |
| Increase/decrease in payables and other debt | **-18.5** | 23.1 |
| **Cash flows from operations** | **22.2** | 24.6 |
| Interest paid, etc. | **-55.9** | -80.9 |
| Interest received, etc. | **3.9** | 7.2 |
| Corporate income tax paid | **-3.8** | 0.0 |
| **Cash flows from operating activities** | **-33.6** | -49.1 |
| Investment in equipment, fixtures and fittings | **0.0** | -0.2 |
| Sale of investment properties | **21.6** | 54.7 |
| Sale of joint ventures | **159.6** | 6.4 |
| Investments in joint ventures | **-9.9** | -5.4 |
| Increase/decrease in receivables from joint ventures | **23.7** | 14.7 |
| Purchase of securities and investments | **-14.2** | -0.1 |
| Sale of securities and investments | **0.0** | 0.4 |
| **Cash flows from investing activities** | **180.8** | 70.5 |
| Raising of project financing | **4.6** | 21.7 |
| Reduction of project financing/repayments, credit institutions | **-149.4** | -244.9 |
| Capital increase | **0.0** | 230.5 |
| Costs of share issue | **0.0** | -11.9 |
| **Cash flows from financing activities** | **-144.8** | -4.6 |
| **Cash flows for the period** | **2.4** | 16.8 |
| Cash and cash equivalents, beginning of period | **6.1** | 6.2 |
| Foreign-exchange adjustment of cash and cash equivalents | **0.1** | 0.0 |
| **Cash and cash equivalents, end of period** | **8.6** | 23.0 |

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

## NOTE 1. IMPACT OF IFRS 11, JOINT ARRANGEMENTS

IFRS 11 replaces IAS 31, Interests in Joint Ventures. IFRS 11 classifies joint arrangements as either joint operations or joint ventures. A joint venture is defined as a joint arrangement whereby joint controlling parties ("joint venturers") have rights to the net assets of the arrangement.

The Management of TK Development has reassessed the classification of the Group's investments in joint arrangements in accordance with IFRS 11. In this connection Management has concluded that all the partly owned enterprises that are jointly controlled with other parties, and which have previously been included in the consolidated financial statements by pro-rata consolidation, are to be classified as joint ventures.

The equity method is to be used for recognizing investments in joint ventures, as the option for pro-rata consolidation of such investments was eliminated in connection with the withdrawal of IAS 31.

The amendment affects a great number of items in the income statement, assets, equity and liabilities, and the overall result is a reduction of the Group's balance sheet total. The amendment has no impact on either the results or the equity of the Group.

In accordance with the provisions regarding the applicability of IFRS 11, the change from pro-rata consolidation to the equity method in the accounting policies has been implemented with retroactive effect. The carrying amount of the investment at 1 February 2013 has been determined at the sum total of the carrying amounts of the assets and liabilities that the Group previously recognized by means of pro-rata consolidation.

In accordance with the provisions regarding the applicability of IFRS 11, the effect on the comparative figures for 2013/14 is shown. The effect on the 2014/15 figures is not shown. The effect is outlined below.

## NOTE 1. IMPACT OF IFRS 11, JOINT ARRANGEMENTS, CONTINUED

**Balance sheet as at 31 January 2014**

| DKKm | Based on previous accounting policies | Impact of IFRS 11 | Based on new accounting policies |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 33.3 | - | 33.3 |
| Other fixtures and fittings, tools and equipment | 1.4 | -0.1 | 1.3 |
| Investment properties | 411.7 | -308.5 | 103.2 |
| Investment properties under construction | 24.2 | -24.2 | - |
| Investments in joint ventures | - | 470.5 | 470.5 |
| Investments in associates | 2.6 | - | 2.6 |
| Receivables from joint ventures | - | 145.8 | 145.8 |
| Receivables from associates | 4.6 | - | 4.6 |
| Other securities and investments | 0.3 | - | 0.3 |
| Deferred tax assets | 122.6 | -1.0 | 121.6 |
| **Non-current assets** | **600.7** | **282.5** | **883.2** |
| Projects in progress or completed | 2,986.0 | -651.4 | 2,334.6 |
| Trade receivables | 54.1 | -28.5 | 25.6 |
| Receivables from associates | 12.0 | - | 12.0 |
| Corporate income tax receivable | 1.7 | -0.4 | 1.3 |
| Other receivables | 77.2 | -58.0 | 19.2 |
| Prepayments | 17.8 | -2.7 | 15.1 |
| Other securities and investments | 4.0 | - | 4.0 |
| Deposits in blocked and escrow accounts | 47.4 | -1.4 | 46.0 |
| Cash and cash equivalents | 38.7 | -32.6 | 6.1 |
| **Currents assets** | **3,238.9** | **-775.0** | **2,463.9** |
| **Assets** | **3,839.6** | **-492.5** | **3,347.1** |
| **Equity and liabilities** | | | |
| Share capital | 98.2 | - | 98.2 |
| Other reserves | 587.7 | - | 587.7 |
| Retained earnings | 867.8 | - | 867.8 |
| **Equity** | **1,553.7** | **-** | **1,553.7** |
| Credit institutions | 108.0 | -56.0 | 52.0 |
| Debt to joint ventures | - | 20.7 | 20.7 |
| Deferred tax liabilities | 35.0 | -13.1 | 21.9 |
| **Non-current liabilities** | **143.0** | **-48.4** | **94.6** |
| Credit institutions | 1,881.6 | -315.0 | 1,566.6 |
| Trade payables | 95.3 | -41.9 | 53.4 |
| Corporate income tax | 6.5 | -0.8 | 5.7 |
| Provisions | 9.6 | - | 9.6 |
| Other debt | 139.0 | -82.8 | 56.2 |
| Deferred income | 10.9 | -3.6 | 7.3 |
| **Current liabilities** | **2,142.9** | **-444.1** | **1,698.8** |
| **Liabilities** | **2,285.9** | **-492.5** | **1,793.4** |
| **Equity and liabilities** | **3,839.6** | **-492.5** | **3,347.1** |

## NOTE 1. IMPACT OF IFRS 11, JOINT ARRANGEMENTS, CONTINUED

**Comprehensive income statement, 1 February 2013 to 31 October 2013**

| DKKm | Based on previous accounting policies | Impact of IFRS 11 | Based on new accounting policies |
|---|---|---|---|
| Net revenue | 285.5 | -56.2 | 229.3 |
| External direct project costs | -173.3 | 3.8 | -169.5 |
| Value adjustment of investment properties, net | -0.3 | -0.7 | -1.0 |
| **Gross profit/loss** | **111.9** | **-53.1** | **58.8** |
| Other external expenses | 20.4 | -0.2 | 20.2 |
| Staff costs | 49.1 | - | 49.1 |
| Depreciation and impairment of non-current assets | 1.2 | - | 1.2 |
| **Operating profit/loss** | **41.2** | **-52.9** | **-11.7** |
| Income from investments in joint ventures | - | 34.2 | 34.2 |
| Income from investments in associates | 1.1 | - | 1.1 |
| Financial income | 3.7 | 2.5 | 6.2 |
| Financial expenses | -81.1 | 9.2 | -71.9 |
| **Profit/loss before tax** | **-35.1** | **-7.0** | **-42.1** |
| Tax on profit/loss for the period | -4.1 | 7.0 | 2.9 |
| **Profit/loss for the period** | **-39.2** | **-** | **-39.2** |

| **Cash flow statement 1 February 2013 to 31 October 2013** | | | |
|---|---|---|---|
| Cash flows from operating activities | -22.2 | -26.9 | -49.1 |
| Cash flows from investing activities | 47.6 | 22.9 | 70.5 |
| Cash flows from financing activities | -14.1 | 9.5 | -4.6 |
| **Changes in cash and cash equivalents** | **11.3** | **5.5** | **16.8** |
| | | | |
| Cash and cash equivalents, beginning of year | 31.2 | -25.0 | 6.2 |
| Foreign-exchange adjustments of cash and cash equivalents | 0.0 | - | 0.0 |
| **Cash and cash equivalents, end of period** | **42.5** | **-19.5** | **23.0** |

## NOTE 2. SEGMENT INFORMATION

The internal reporting in TK Development is split into the business units development, asset management and discontinuing activities. The segment information has been disclosed accordingly.

| DKKm | Development | Asset management | Discontinuing activities | Unallocated | Total |
|---|---|---|---|---|---|
| **31.10.2014** | | | | | |
| Net revenue, external customers | **100.7** | **52.0** | **85.6** | **0.0** | **238.3** |
| Profit/loss before tax | **32.2** | **40.5** | **-47.7** | **-69.0** | **-44.0** |
| Segment assets | **1,191.7** | **1,536.1** | **274.7** | **166.2** | **3,168.7** |
| Segment liabilities | **373.8** | **941.3** | **83.2** | **266.8** | **1,665.1** |

| DKKm | Development | Asset management | Discontinuing activities | Unallocated | Total |
|---|---|---|---|---|---|
| 31.10.2013 | | | | | |
| Net revenue, external customers | 169.5 | 50.7 | 9.1 | 0.0 | 229.3 |
| Profit/loss before tax | 10.6 | 41.4 | -13.5 | -80.6 | -42.1 |
| Segment assets | 1,145.2 | 1,725.0 | 374.7 | 181.5 | 3,426.4 |
| Segment liabilities | 490.0 | 957.4 | 147.1 | 265.7 | 1,860.2 |

## NOTE 3. EXTERNAL DIRECT PROJECT COSTS

| | **Q1-Q3 2014/15** | Q1-Q3 2013/14 | Full year 2013/14 |
|---|---|---|---|
| Project costs | **173.6** | 163.2 | 227.4 |
| Impairment losses on projects in progress or completed projects | **29.3** | 6.3 | 8.9 |
| Reversal of impairment losses on projects in progress or completed projects | **0.0** | 0.0 | -17.6 |
| **External direct project costs, total** | **202.9** | 169.5 | 218.7 |

## NOTE 4. SHARE-BASED PAYMENT

For a more detailed description of the Group's incentive schemes, reference is made to the Group's 2013/14 Annual Report.

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

| Number of warrants | **31.10.2014** | 31.1.2014 | 31.10.2013 |
|---|---|---|---|
| Outstanding warrants, beginning of year | **615,461** | 930,315 | 930,315 |
| Allocated during the financial year (adjustment) | **0** | 171,461 | 171,461 |
| Lapsed due to termination of employment | **0** | -40,000 | -40,000 |
| Expired during the financial year | **0** | -446,315 | -446,315 |
| **Outstanding warrants, end of period** | **615,461** | 615,461 | 615,461 |
| | | | |
| Number of warrants exercisable at the reporting date | **615,461** | 0 | 0 |
| Share-based payment recognized in the profit/loss (DKK million) | **0.1** | 0.6 | 0.5 |

## NOTE 5. LIQUIDITY RESERVES

| | **31 Oct 14** | 31 Jan 14 |
|---|---|---|
| **The liquidity reserves break down as follows:** | | |
| Cash and cash equivalents | **8.6** | 6.1 |
| Unutilized operating credit facilities | **25.7** | 4.7 |
| **Total** | **34.3** | 10.8 |
| Deposited funds for later release | **50.7** | 46.0 |
| **Total liquidity reserve** | **85.0** | 56.8 |

## 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 2013 | 0.0 | -0.1 | -0.7 | 6.1 | 5.3 |
| Capital decrease | 588.9 | 0.0 | 0.0 | 0.0 | 588.9 |
| Premium on capital increase | 174.4 | 0.0 | 0.0 | 0.0 | 174.4 |
| Costs of share issue | -11.9 | 0.0 | 0.0 | 0.0 | -11.9 |
| Special reserve transferred to distributable reserves | -162.5 | 0.0 | 0.0 | 0.0 | -162.5 |
| **Other comprehensive income** | | | | | |
| Exchange-rate adjustment, foreign operations | 0.0 | 0.0 | 0.0 | -0.5 | -0.5 |
| Value adjustment of hedging instruments | 0.0 | 0.0 | -2.1 | 0.0 | -2.1 |
| Deferred tax on other comprehensive income | 0.0 | 0.0 | 0.4 | -1.2 | -0.8 |
| **Other comprehensive income, total** | 0.0 | 0.0 | -1.7 | -1.7 | -3.4 |
| | | | | | |
| **Other reserves at 31 October 2013** | 588.9 | -0.1 | -2.4 | 4.4 | 590.8 |
| | | | | | |
| Other reserves at 1 February 2014 | **588.9** | **-0.1** | **-2.6** | **1.5** | **587.7** |
| Special reserve transferred to distributable reserve | **-588.9** | **0.0** | **0.0** | **0.0** | **-588.9** |
| **Other comprehensive income** | | | | | |
| Exchange-rate adjustment, foreign operations | **0.0** | **0.0** | **0.0** | **-11.3** | **-11.3** |
| Value adjustment of hedging instruments | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| Value adjustment of available-for-sale financial assets | **0.0** | **0.1** | **0.0** | **0.0** | **0.1** |
| Deferred tax on other comprehensive income | **0.0** | **0.0** | **0.0** | **0.3** | **0.3** |
| **Other comprehensive income, total** | **0.0** | **0.1** | **0.0** | **-11.0** | **-10.9** |
| | | | | | |
| **Other reserves at 31 October 2014** | **0.0** | **0.0** | **-2.6** | **-9.5** | **-12.1** |

Other reserves amounted to DKK 588.9 million at 31 January 2014 and concerned a special fund that arose in connection with the capital reduction implemented in June 2013, when the denomination of the Group's shares was changed from DKK 15 to DKK 1. This reserve can be used only following a resolution passed at the General Meeting. At the Company's Annual General Meeting on 30 April 2014, the proposal to transfer the special reserve of DKK 588.9 million to distributable reserves was adopted.

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

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

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

## NOTE 7. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

## NOTE 8. TRANSACTIONS WITH RELATED PARTIES

The Company has no related parties with a controlling interest.

The Company has the following related parties:

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

| | **31 Oct 14** | 31 Jan 14 | 31 Oct 13 |
|---|---|---|---|
| **Board of Directors and Executive Board (and their related parties)** | | | |
| Holding of shares, in terms of number (balance) | **30,958,931** | 26,519,562 | 26,519,562 |
| Obligation towards Executive Board, employee bonds (balance) | **0.5** | 0.5 | 1.5 |
| Fees for Board of Directors | **1.1** | 1.5 | 1.2 |
| Salaries, etc., Executive Board | **3.6** | 6.0 | 3.9 |
| Interest expenses, project finance loans from Board of Directors and Executive Board | **0.0** | 1.3 | 1.3 |
| Repayment, project finance loans from Board of Directors and Executive Board | **0.0** | -20.7 | -20.7 |
| **Joint ventures** | | | |
| Fees from joint ventures | **12.6** | 2.8 | 2.0 |
| Interest income from joint ventures | **2.7** | 6.9 | 4.7 |
| Interest expenses to joint ventures | **-2.0** | -2.5 | -2.5 |
| Receivables from joint ventures (balance) | **122.1** | 145.8 | 198.7 |
| Payables to joint ventures (balance) | **60.1** | 20.7 | 52.6 |
| **Associates** | | | |
| Interest income from associates | **0.1** | 0.0 | 0.0 |
| Receivables from associates (balance) | **11.8** | 16.6 | 23.8 |

No security or guarantees had been furnished for balances owing to or by related parties at the reporting date or at 31 January 2014. Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. No impairment was made in Q1-Q3 2014/15 to provide for any probable losses on such receivables (Q1-Q3 2013/14: DKK 0.0 million).

## NOTE 9. FINANCIAL INSTRUMENTS

TK Development has no significant financial instruments that are measured at fair value.

During the period under review, no changes were made to the classification within the fair-value hierarchy. There have been no changes in the Group's situation or the financial markets that materially affect the disclosures regarding financial instruments measured at fair value as appearing from the Group's Annual Report for 2013/14.

## TK Development A/S

**CVR no.:**
24256782

**ISIN code:**
DK0010258995 (TKDV)

**Municipality of registered office:**
Aalborg, Denmark

**Website:**
www.tk-development.com

**e-mail:**
tk@tk.dk

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

**Board of Directors:**
Niels Roth, Peter Thorsen, Per Søndergaard Pedersen, Arne Gerlyng-Hansen, Kim Mikkelsen and Morten E. Astrup.

### The Group's mission

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