

TK Development announces new cooperation with AP Pension concerning a residential development project and comments on other projects expected to have a significant impact on profits

Summary:

- *TK Development has entered into a cooperation agreement with AP Pension concerning a residential development project of about 12,500 m² at Amerika Plads in Copenhagen.*
- *TK Development has handed over the Barkarby project in Sweden to the investor.*
- *Based on a reassessment of the concept and potential for the Sillebroen shopping centre in Denmark, a writedown for impairment of DKK 44.5 million has been made.*
- *TK Development maintains its profit estimate for the 2014/15 financial year.*

Residential project to be developed together with AP Pension

Since 2002 TK Development has developed sites and projects at Amerika Plads in Copenhagen in a 50/50 partnership with Udviklingsselskabet By & Havn I/S, through the jointly owned company P/S Danlink Udvikling. The partnership has also successively built an integrated underground car park in the area. Following the announced sale of lot A to A.P. Møller - Mærsk A/S, see company announcement no. 23/2014, only one unbuilt lot with building rights for about 12,500 m² remains to be developed at Amerika Plads.

P/S Danlink Udvikling has now entered into cooperation with AP Pension about developing the remaining area of about 12,500 m², of which about 12,000 m² is earmarked for residential construction and about 500 m² for ground-floor business premises targeting the general public. The partnership executing the project will be owned 50/50 by AP Pension and P/S Danlink Udvikling. The aim is to build about 120 high-quality apartments to be sold to private buyers. The project, designed by Vilhelm Lauritzen Architects, is now in progress. Thus, the partnership has applied for and obtained an approval in principle from the public authorities, with construction scheduled to start in mid-2015. The sale of the lot to the jointly owned company will generate a minor profit, and the additional profits anticipated on the development, construction and sale of the project will be recognized upon handover of the apartments to the respective buyers, expected to take place from the first quarter of 2017 and onwards.

P/S Danlink Udvikling still owns the integrated underground car park at Amerika Plads. The development of the entire Amerika Plads area will improve the occupancy – and thus optimize the operation – of the underground car park.

Sale of Barkarby project, Sweden, executed

In company announcement no. 15/2013, Management announced the sale of a retail park of about 20,000 m² in Barkarby, Sweden, to a fund managed by Cordea Savills. The sale was based on forward funding, and the retail park was scheduled to open in autumn 2014.

Although the construction of the retail park was slightly delayed, the opening took place in 2014, and the project has now been handed over to Cordea Savills. Thus, the profit on the project has been realized in the 2014/15 financial year.

DKK 44.5 million impairment of the Silkeborg shopping centre in Denmark

The 25,000 m² Silkeborg shopping centre in Frederikssund, Denmark, opened in spring 2010. Due to the financial and economic crisis, the running-in and maturing phase took longer than expected, and as announced on several occasions, a number of tenants are recording difficulties, particularly local tenants. Despite an increasing footfall that slightly exceeded 3.0 million in 2014, the shopping centre has recorded unchanged revenue, with about 10% vacancies since the opening.

Management finds it relevant to increase the customer flow, and thus the shopping centre revenue, in order to improve the prospects of attracting new tenants that can establish viable business units. As part of these efforts, TK Development has entered into an agreement with Nordisk Film Biografer about the establishment of a cinema of about 1,400 m² in the Silkeborg shopping centre, an initiative that Management considers an important step towards increasing the footfall and boosting revenue in the rest of the centre. The establishment of a cinema involves constructing an extension of the shopping centre, expected to be built over the next 15 months.

Apart from the cinema, Management will establish rental units based on alternative concepts that will help increase the occupancy rate and contribute to creating an integrated and viable centre.

At a board meeting, the Group's Board of Directors has decided – in addition to introducing the changed letting concept described above – to write down the value of the Silkeborg shopping centre by DKK 44.5 million as Management expects the net rent potential to be lower than previously estimated, partly as a result of the changed letting concept for the centre.

Profit estimate

The Group maintains its profit estimate of about DKK 40 million before tax for the continuing activities for the 2014/15 financial year.

The Group expects to announce its profit estimate for 2015/16 at the same time as publishing its preliminary announcement of financial statements for 2014/15.

The expectations mentioned in this announcement, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Expectations may be affected by various factors, as mentioned in the section "Risk issues" in the Group's 2013/14 Annual Report.

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