

ILLUSTRATION:  
COMMERCIAL DISTRICT, ARNINGE ENTRÉ,  
STOCKHOLM, SWEDEN



TK DEVELOPMENT A/S | CVR NO. 24256782  
VESTRE HAVNEPROMENADE 7 | 9000 AALBORG | DENMARK  
COMPANY ANNOUNCEMENT NO. 9/2016 | 15 SEPTEMBER 2016

# INTERIM REPORT H1 2016/17

(1 February 2016- 31 July 2016)

**RESULTS FOR THE FIRST HALF OF 2016/17**

- The results before tax amounted to DKK -9.3 million in the first half of 2016/17 against DKK -3.2 million in the first half of 2015/16. The results after tax amounted to DKK -9.8 million against DKK -7.2 million in H1 2015/16.
- The balance sheet total amounted to DKK 2,925.6 million against DKK 2,808.8 million at 31 January 2016. Consolidated equity totalled DKK 1,273.9 million, and the solvency ratio stood at 43.5 %.

Breakdown by segment:

DKKm	Property development	Asset management	Unallocated
<b>Profit/loss</b>			
Profit/loss before tax	3.0	-7.2	-5.1
<b>Balance sheet</b>			
Development projects	769.8	-	-
Completed properties under asset management	-	1,174.3	-
Other asset management projects	-	130.2	-
Other assets	474.3	295.1	81.9
Total assets	1,244.1	1,599.6	81.9
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Tied-up equity	637.7	569.8	66.4

**OUTLOOK FOR 2016/17**

- Management still expects consolidated results before tax for 2016/17 to total DKK 10-30 million.
- This profit estimate is based on the expectation that a number of ongoing small and medium-sized projects will be executed before the end of the current financial year. TK Development is recording good progress on the individual projects. The time horizon for the projects means that the majority of them are expected to be completed, handed over to the investor and thus recognized in income in Q4 2016/17. The Group's most significant development projects are not expected to contribute to consolidated results until subsequent financial years.

**PROPERTY DEVELOPMENT**

- The results for this business area amounted to DKK 3.0 million before tax in H1 2016/17. At 31 July 2016 the balance sheet total came to DKK 1,244.1 million, and the equity tied up represented DKK 637.7 million.
- In H1 2016/17 TK Development sold a superstore of about 2,150 m<sup>2</sup> in Røddekro and a plot of land, and also generated fee income on several projects.

- Moreover, TK Development has entered into agreements for the sale of several projects that will impact results positively in Q3 2016/17. These sales underpin Management's profit estimate for the 2016/17 financial year.

**Major development projects:**

- Construction of the new shopping centre, BROEN Shopping, in Esbjerg, Denmark, is progressing according to plan, and the opening is scheduled for spring 2017. The current occupancy rate is 75 % of the premises.
- After problems caused by damage to a neighbouring property in connection with the startup of construction of the Strædet project in Køge, Denmark, which resulted in considerably delay, progress is now being made, and construction is still scheduled for completion in autumn 2017. The retail project, of which 74 % has been let, has been sold conditionally to the Finnish company Citycon together with the parking facilities. The sale to Citycon is still expected to have a significant positive impact on results in the 2017/18 financial year when the completed project is handed over to the investor.
- Construction of the Amerika Have residential project in Copenhagen, Denmark, is progressing as planned. The last apartments have recently been put up for sale, and in total 65 apartments out of 121 have been sold.
- The second phase of the residential project in Bielany in Warsaw, Poland, has been completed. 97 % of the units have been sold, and the handover of the individual units to the buyers is ongoing.
- In June 2016 construction started on the third phase of the Bielany residential project in Warsaw, Poland. The pre-completion sale is progressing satisfactorily, and 19 % of the residential units have been sold.
- In Arninge in Stockholm, Sweden, the municipality has chosen TK Development as its preferred partner for the development of a project of about 60,000 m<sup>2</sup>, primarily retail stores and possibly offices as well.

- The projects in the pipeline are moving ahead at a good pace due to robust tenant and investor interest. Specifically, negotiations about the sale of several projects are ongoing, underpinning the Group's future earnings expectations.

- The Group's portfolio of land has been reduced by a further DKK 84 million since 31 January 2016, amounting to DKK 477 million at 31 July 2016.

- As from the 2017/18 financial year, the return on equity

## SUMMARY

from the property development business area is expected to amount to 15-20 % p.a. before tax.

## ASSET MANAGEMENT

- The results for this business area amounted to DKK -7.2 million before tax in H1 2016/17. At 31 July 2016 the balance sheet total came to DKK 1,599.6 million, and the equity tied up represented DKK 569.8 million.
- The portfolio of completed properties in this business area consists of 156,200 m<sup>2</sup>, amounting to DKK 1,586.9 million at 31 July 2016. This amount includes joint venture projects. The annual net rent from the current leases corresponds to a return on the carrying amount of 4.5 %. Based on full occupancy, the return on the carrying amount is expected to reach 6.1 %.

- Detailed development and operating plans have been drafted for each property, and good progress is being made in their realization in a number of areas.

**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. Expectations may be impacted by factors generally applicable to the sector as well as the factors referred to in the Group's 2015/16 Annual Report under Risk issues and note 2 to the consolidated financial statements, Accounting estimates and judgments, including the valuation of the Group's project portfolio.**

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

Strædet, Køge, Denmark - handover to investor scheduled for autumn 2017



## CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKKm	H1 2016/17	H1 2015/16	Full year 2015/16
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### FINANCIAL HIGHLIGHTS

Net revenue	237.1	168.1	327.8
Value adjustment of investment properties, net	0.0	0.0	-25.0
Gross profit/loss	44.3	30.8	-67.3
Operating profit/loss (EBIT)	3.7	-9.7	-183.0
Income from investments in joint ventures	5.0	27.2	30.4
Financing, etc.	-18.4	-21.2	-39.5
Profit/loss before tax and writedowns, etc.	-7.6	-1.2	3.6
Profit/loss before tax	-9.3	-3.2	-191.0
<b>Profit/loss for the period</b>	<b>-9.8</b>	<b>-7.2</b>	<b>-222.3</b>
Comprehensive income for the period	-11.8	0.6	-223.7
Balance sheet total	2,925.6	2,835.3	2,808.8
Property, plant and equipment	0.9	0.9	0.9
Investment properties	53.1	78.3	53.3
Total project portfolio	2,021.2	2,022.2	2,013.6
<b>Equity</b>	<b>1,273.9</b>	<b>1,510.0</b>	<b>1,285.7</b>
Cash flows for the period	-1.0	-14.5	-17.1
Net interest-bearing debt, end of period	1,113.9	978.1	1,099.4

### KEY RATIOS

Return on equity (ROE) <sup>*)</sup>	-1.5 %	-1.0 %	-15.9 %
Solvency ratio (based on equity)	43.5 %	53.3 %	45.8 %
Equity value in DKK per share	13.0	15.4	13.1
Price/book value (P/BV)	0.6	0.6	0.5
Number of shares, end of period	98,153,335	98,153,335	98,153,335
Earnings per share (EPS) in DKK	-0.1	-0.1	-2.3
Dividend in DKK per share	0	0	0
Listed price in DKK per share	7.6	9.1	7.2

<sup>\*)</sup> Annualized.

The calculation of key ratios is based on the 2015 guidelines issued by The Danish Finance Society.

## RESULTS

The results before tax amounted to DKK -9.3 million in H1 2016/17 against DKK -3.2 million in H1 2015/16. The results after tax amounted to DKK -9.8 million against DKK -7.2 million in H1 2015/16.

The revenue for the period under review totalled DKK 237.1 million against DKK 168.1 million in H1 2015/16. The gross profit for H1 2016/17 amounted to DKK 44.3 million against DKK 30.8 million in H1 2015/16.

The gross results and joint venture results for the period consist mainly of the impact from projects handed over in the property development business area, the operation of the Group's wholly and partly owned completed properties under asset management, as well as fee income and the value adjustment of investment properties under construction.

Staff costs and other external expenses amounted to DKK 40.4 million against DKK 40.2 million in the same period the year before.

The income generated by investments in joint ventures amounted to DKK 5.0 million against DKK 27.2 million in H1 2015/16. This amount includes the operation of the Group's partly owned completed properties under asset management and value adjustments of investment properties under construction.

Net financing expenses amounted to DKK 18.4 million against DKK 21.2 million in H1 2015/16.

Tax on the results for the period amounted to DKK 0.5 million. The Group's foreign tax assets have been valued at DKK 0 based on Management's decision to phase out the Group's activities in several countries and the low earnings expected from the Polish activities in the years ahead.

## BALANCE SHEET

The balance sheet total came to DKK 2,925.6 million against DKK 2,808.8 million at 31 January 2016.

### Investment properties

TK Development's investment properties consisted of a single German investment property at 31 July 2016. The carrying amount of the property amounts to DKK 53.1 million, on a par with the carrying amount at 31 January 2016.

### Investments in and receivables from joint ventures

Net investments in and receivables from joint ventures amounted to DKK 436.9 million against DKK 456.4 million at 31 January 2016. The decline is a combined result of the distribution of dividend by individual joint ventures and additional investments in other joint ventures.

### Deferred tax assets

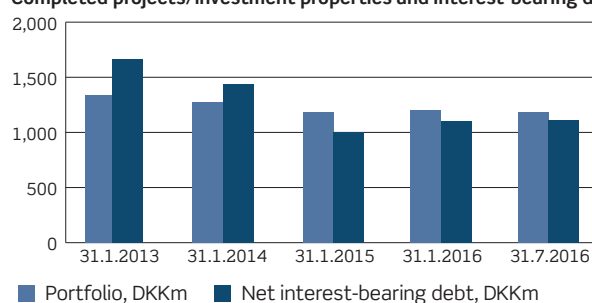
Deferred tax assets totalled DKK 80.9 million against DKK 81.6 million at 31 January 2016. The deferred tax assets exclusively relate to the Group's Danish activities.

### Projects in progress or completed

The total project portfolio came to DKK 2,021.2 million against DKK 2,013.6 million at 31 January 2016. The rise derives mainly from a combination of two factors: an increase in the Group's portfolio of projects in progress, including Strædet in Køge; and a decrease resulting from the handover of sold projects, primarily the second phase of the Bielany residential project in Warsaw where the handover of units to the individual buyers is ongoing. Total prepayments from customers amounted to DKK 51.6 million at 31 July 2016 versus DKK 75.6 million at 31 January 2016.

The development in the total portfolio of completed projects and investment properties, excluding projects and investment properties owned by joint ventures, is shown below together with the development in net interest-bearing debt.

**Completed projects/investment properties and interest-bearing debt**



### Deposits in custody and escrow accounts

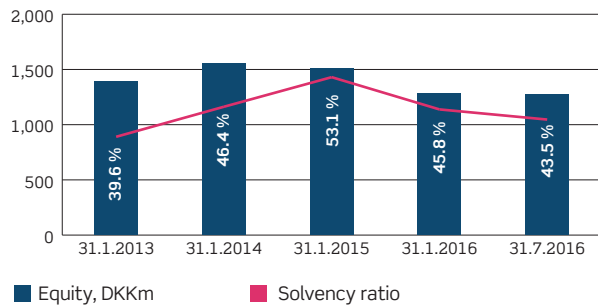
Deposits in escrow accounts totalled DKK 219.4 million against DKK 94.1 million at 31 January 2016. This amount consists largely of prepayments from customers, which are released upon the handover of projects, subject to specific conditions being met.

### Equity

The Group's equity came to DKK 1,273.9 million against

DKK 1,285.7 million at 31 January 2016. The solvency ratio stood at 43.5 %, compared to 45.8 % at 31 January 2016. Management attaches great weight to the Group's solvency and aims to maintain a constant minimum solvency ratio of 40 %.

**Equity and solvency**



**Liabilities**

The Group's total liabilities came to DKK 1,651.7 million against DKK 1,523.1 million at 31 January 2016. The increase is mainly attributable to the debt to credit institutions for financing projects in progress.

**CASH FLOWS**

Cash flows for the period amounted to DKK -1.0 million against DKK -14.5 million in the same period the year before.

Cash flows from operating activities were negative in the amount of DKK 166.1 million (H1 2015/16: positive in the amount of DKK 89.9 million). The amount includes a significant increase in funds tied up in escrow accounts because prepayments from customers on a few of the Group's projects are deposited in escrow accounts and only released to TK Development upon handover of the individual properties to the buyers, subject to specific conditions being met.

Cash flows from investing activities were positive in the amount of DKK 25.5 million (H1 2015/16: negative in the amount of DKK 122.9 million), due mainly to the distribution of dividend by joint ventures.

Cash flows from financing activities are positive in the amount of DKK 139.6 million, a combined result of project loans being raised for ongoing projects and other payables to credit institutions being reduced (H1 2015/16: positive in the amount of DKK 18.5 million).

**FINANCIAL ISSUES**

Net interest-bearing debt totalled DKK 1,113.9 million at 31

July 2016 against DKK 1,099.4 million at 31 January 2016.

Project credit facilities of DKK 336 million at 31 January 2016 that were due to expire prior to end-January 2017 have all been prolonged or refinanced.

TK Development has a general agreement with its main banker about operating and project credits. The agreement is usually renegotiated once a year and, as a result of the most recent renegotiation, it has been prolonged until 30 September 2017.

One of the Group's partly owned companies in Poland has taken steps to change the tenant composition of its shopping centre in order to optimize tenant mix variety and customer flow. This has resulted in a temporary decline in occupancy rate and net rent, and for some time the company has been negotiating a solution with the bank providing credit facilities. This financing agreement is now in place.

**OUTLOOK FOR 2016/17**

Management still expects consolidated results before tax for 2016/17 to total DKK 10-30 million.

This profit estimate is based on the expectation that a number of ongoing small and medium-sized projects will be executed before the end of the current financial year. TK Development is recording good progress on the individual projects. The time horizon for the projects means that the majority of them are expected to be completed, handed over to the investor and thus recognized in income in Q4 2016/17. The Group's most significant development projects are not expected to contribute to consolidated results until subsequent financial years.

**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. Expectations may be impacted by factors generally applicable to the sector as well as the factors referred to in the Group's 2015/16 Annual Report under Risk issues and note 2 to the consolidated financial statements, Accounting estimates and judgments, including the valuation of the Group's project portfolio.**

**SUBSEQUENT EVENTS**

No significant events that may affect the Company's financial position have occurred after the reporting date.

## MARKET CONDITIONS

In Management's opinion, property markets are generally characterized by optimism, reasonable opportunities for financing property acquisitions and a fair amount of investor interest. The historically low interest level and surplus of liquidity have contributed to increasing interest in real property.

The Group's markets are characterized by expectations for low to moderate economic growth and increasing, but subdued private consumption, although varying in strength from country to country. Climbing Internet sales are still expected to intensify competition in the retail trade sector in the years to come.

In Management's opinion, the property development business area can continue to generate satisfactory earnings, a forecast underpinned by current market conditions in terms of land prices, construction costs, occupancy levels and investors' return requirements.

TK Development focuses on three segments: the retail, office and residential segments. TK Development wishes to exploit the attractive opportunities for developing real property in the residential segment to an even greater extent than before. This is reflected by an increase in TK Development's portfolio of residential projects. At the same time TK Development strives to achieve a spread in the project portfolio between small and medium-sized projects with a fairly short completion time – on which the Group can generate reasonable earnings without tying up a large amount of capital for a prolonged period – and large, more complex projects which TK Development also has the competencies to execute.

In Denmark TK Development operates in all three segments – the retail, residential and office segments. In Sweden TK Development focuses on the retail segment and mixed-segment projects, but also strives to include attractive residential projects in its portfolio. In Poland TK Development currently has activities in the retail and the residential segment. The amount of equity tied up in projects is highest in Poland, and TK Development will therefore continue focusing on reducing the level of tied-up capital in the period ahead.

In all the Group's markets in the property development business area, investors continue to show reasonable interest in retail, office and residential projects at attractive locations in major towns and cities. Location and quality are the key determinants of investment decisions on all markets. The Group can obtain satisfactory selling prices for prime-location properties where the risk of vacancies is relatively limited, and the selling

prices have shown an upward trend in the most recent period. Investors, including foreign investors, are showing keen interest in investing in properties in major towns and cities, with capital cities being the preferred location. The number of foreign investors is increasing on all markets.

Investor interest in secondary towns is low, and selling prices remain under pressure in these locations.

### RETAIL

Population growth in major towns and cities on the Group's markets results in a demand for new retail establishments and retail store extensions, as concerns both retail parks and shopping centres.

In the retail market, strong national and international chains are still looking to expand at a controlled pace, although their decision-making processes are protracted. Project location continues to be tenants' paramount consideration, and the gap between primary and secondary locations has widened in recent years and continues to do so. The clear trend is for retail chains to expand in major towns and cities, and in Denmark more tenants are also showing interest in new, small town locations. Rental levels show a stable trend for primary locations, while remaining under pressure for secondary locations.

International investors – and local investors in Denmark and Sweden – are generally showing a high level of interest, particularly in prime locations in major towns and cities, and the return requirement, which is fairly low for these projects, is expected to remain stable in the period ahead.

### RESIDENTIAL

The residential market in Denmark holds wide appeal, particularly in the cities. There is demand for both rental dwellings and owner-occupied dwellings in the towns and cities that are recording substantial population growth. The migration towards major towns and cities is expected to continue in future years as well.

The rental level for rental housing is currently relatively high and expected to remain stable in the period ahead. Residential rental properties are attracting great investor interest. This interest is focused on locations in capitals, major towns and cities, where substantial population growth is being recorded. Potential investors include high-net-worth individuals, local or major property companies, institutional investors and foreign investors.



## MARKET CONDITIONS

Moreover, the market for developing and selling housing to private owner-occupants remains attractive. TK Development is currently working on several residential projects and will continue to do so in the years to come.

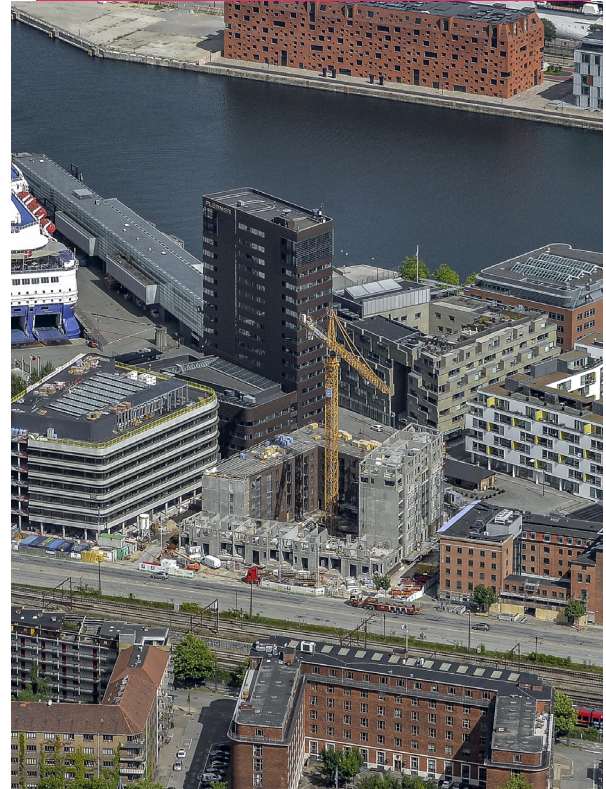
The exodus to major towns and cities in Poland has pushed up demand for new dwellings and also made the residential market in Poland interesting. More specifically, the market for developing housing for sale to private owner-occupants has been attractive for quite some time and remains so. The owner-occupant residential market in Warsaw is driven by stable to slightly rising prices, a low interest level and confidence in sustained economic growth. The demand for housing is high, and the Group regularly concludes agreements for the sale of apartments in its ongoing residential project in Bielany, Warsaw. In the years to come, TK Development will focus on developing and completing the last phases of this residential project and on executing several minor residential projects, also in Warsaw.

The market for rental housing in Poland is becoming an interesting option, and TK Development is working on the development of rental dwellings in Warsaw. The first project is being developed in cooperation with the ultimate investor. When completed, this project will be one of the first purely residential rental projects in Poland.

### OFFICES

In the Danish office market, a respectable amount of interest in projects in the largest towns and cities has been recorded. Projects in attractive locations appeal to tenants and investors alike, and the demand for office space is increasing in step with declining unemployment rates. The vacancy rates for primary and secondary locations differ vastly. Demand for fairly new premises with a practical layout is expected to remain at a sound level in the years to come. The rental level for primary locations is expected to be relatively stable, but to remain under pressure for secondary locations.

Amerika Have, residential property, Copenhagen, Denmark





## SEGMENT RESULTS

TK Development's segments comprise property development and asset management activities.

With effect from 31 October 2015, TK Development stopped reporting on the business area previously defined as discontinuing activities, now included under asset management. Consequently, property development now comprises the development of real property in Denmark, Sweden and Poland. Moreover, with effect from 1 February 2016, Management has chosen to allocate a share of the fixed costs to the individual business areas. The comparative figures for H1 2015/16 have been restated accordingly.

### RESULTS H1 2016/17 (DKKM)

Profit/loss	H1 2016/17	Property development	Asset management	Unallocated
Revenue	237.1	196.9	40.2	-
Gross profit/loss	44.3	20.2	24.1	-
Costs, including depreciation of non-current assets	40.6	22.4	12.8	5.4
Operating profit/loss	3.7	-2.2	11.3	-5.4
Income from investments in joint ventures	5.0	4.2	0.5	0.3
Income from investments in associates	0.4	0.4	-	-
Financing, net	-18.4	0.6	-19.0	-
Profit/loss before tax	-9.3	3.0	-7.2	-5.1
Tax on the profit/loss for the period	0.5			
<b>Profit/loss for the period</b>	<b>-9.8</b>			

### BALANCE SHEET STRUCTURE AT 31.7.2016 (DKKM)

Balance sheet	31.7.2016	Property development	Asset management	Unallocated
<b>Assets</b>				
Investment properties	53.1	-	53.1	-
Investments in joint ventures	240.8	107.0	133.8	-
Non-current receivables	202.1	88.8	113.3	-
Other non-current assets	98.5	3.3	13.4	81.8
Projects in progress or completed	2,021.2	769.8	1,251.4	-
Current receivables	81.9	51.9	30.0	-
Cash, cash equivalents, escrow accounts, etc.	228.0	223.3	4.6	0.1
<b>Assets</b>	<b>2,925.6</b>	<b>1,244.1</b>	<b>1,599.6</b>	<b>81.9</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>1,273.9</b>	<b>637.7</b>	<b>569.8</b>	<b>66.4</b>
Credit institutions	1,532.7	529.7	1,003.0	-
Other liabilities	119.0	76.7	26.8	15.5
<b>Equity and liabilities</b>	<b>2,925.6</b>	<b>1,244.1</b>	<b>1,599.6</b>	<b>81.9</b>
<b>Solvency ratio</b>	<b>43.5 %</b>	<b>51.3 %</b>	<b>35.6 %</b>	<b>81.1 %</b>

The Group's primary business area is the development of real property, termed property development. The Group's strategic focus is property development in Denmark, Sweden and Poland.

The return on equity from this business area is expected to amount to 15-20 % p.a. before tax as from the 2017/18 financial year.

Property development – Denmark, Sweden and Poland		
DKKm	H1 2016/17	H1 2015/16
Revenue	196.9	126.9
Gross profit/loss	20.2	13.3
Results of joint ventures	4.2	26.9
Profit/loss before tax	3.0	16.3
	<b>31.7.2016</b>	31.1.2016
Balance sheet total	1,244.1	1,094.1
Tied-up equity	637.7	646.5

The gross profit for H1 2016/17 amounted to DKK 20.2 million against DKK 13.3 million in H1 2015/16. The results of joint ventures amounted to DKK 4.2 million against DKK 26.9 million in the same period of 2015/16.

The increase in the balance sheet total from DKK 1,094.1 million at 31 January 2016 to DKK 1,244.1 million at 31 July 2016 relates mainly to the Group's ongoing construction projects, including Strædet, Køge, Denmark, and the residential project in Bielany, Warsaw, Poland.

### Handed-over projects

The projects handed over in H1 2016/17 included the following:

#### Retail project, Rødokro, Denmark

TK Development has developed a project of 2,150 m<sup>2</sup> in Rødokro. The project has been let to Harald Nyborg and sold to a private investor. Following the completion of construction, the finished project was handed over to the tenant and investor in Q1 2016/17.

In addition, TK Development has sold a few plots of land and generated fee income on a few projects.

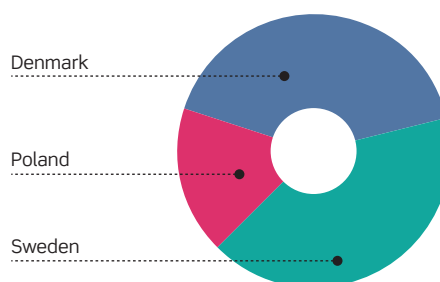
Moreover, TK Development has entered into agreements for the sale of several projects that will impact results positively in Q3 2016/17. These sales underpin Management's profit estimate for the 2016/17 financial year.

### Project portfolio

At 31 July 2016 the development potential of the project portfolio represented sold projects of 29,000 m<sup>2</sup> and remaining projects of 312,000 m<sup>2</sup>, a total of 341,000 m<sup>2</sup>, as compared to 329,000 m<sup>2</sup> at 31 January 2016.

folio represented sold projects of 29,000 m<sup>2</sup> and remaining projects of 312,000 m<sup>2</sup>, a total of 341,000 m<sup>2</sup>, as compared to 329,000 m<sup>2</sup> at 31 January 2016.

### Geographical segmentation of the development potential of the project portfolio (m<sup>2</sup>):



Overall, TK Development has ongoing construction projects covering more than 85,000 m<sup>2</sup> and is recording good progress on these projects. The projects in the pipeline are moving ahead at a good pace due to robust tenant and investor interest. Specifically, negotiations about the sale of several projects are ongoing, underpinning the Group's future earnings expectations.

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

DKKm	31.1.2015	31.1.2016	31.7.2016
<b>Sold</b>			
Completed	0	0	11
In progress	94	228	312
Not initiated	44	0	0
<b>Total</b>	<b>138</b>	<b>228</b>	<b>323</b>
<b>Remaining</b>			
Completed	49	31	13
In progress	183	209	267
Not initiated	651	443	358
<b>Total</b>	<b>883</b>	<b>683</b>	<b>638</b>
<b>Net project portfolio</b>	<b>1,021</b>	<b>911</b>	<b>961</b>
Forward funding	5	76	52
Gross project portfolio	1,026	987	1,013
Forward funding in % of gross carrying amount of sold projects	3.5 %	25.0 %	13.9 %

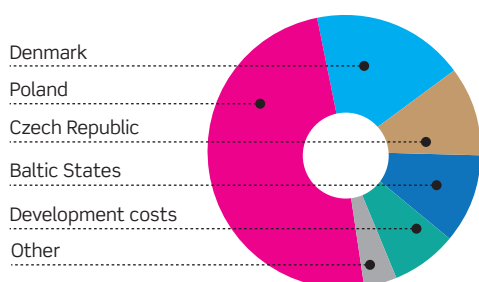
### Portfolio of land

The Group's portfolio of land has been trimmed considerably in the past few years, most recently from DKK 561 million at 31 January 2016 to DKK 477 million at 31 July 2016, due mainly to the startup of the third phase of the Bielany residential project in Warsaw. TK Development maintains its strong focus on substantially reducing the portfolio of land, either by selling plots

## PROPERTY DEVELOPMENT

or initiating projects. When the last phase of the residential project in Bielany, Warsaw, is initiated, the portfolio of land will be reduced by a further DKK 96 million.

### Portfolio of land at 31 July 2016 broken down by country (DKK):



### PROJECT OUTLINE

The outline below lists the key projects in the portfolio in the property development business area. The outline includes projects both in wholly owned companies and in joint ventures. In addition, TK Development's activities include a number of small and medium-sized projects in the Group's primary segments – the retail, office and residential segments – as well as mixed segments.

### COMPLETED PROJECTS

#### Ahlgade, Holbæk, Denmark

TK Development owns a retail property of about 1,200 m<sup>2</sup> in Holbæk. The property was completed in 2014 and has been fully let to the two Bestseller concepts Jack & Jones and Vila, as well as Imerco (Q1 2016/2016: 100 %). In Q2 2016 TK Development entered into an agreement for the sale of the property to a private investor, and the property was handed over to the buyer immediately after the reporting date.

#### Residential Park, Bielany, Warsaw, Poland

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

### PROJECTS UNDER CONSTRUCTION

#### Development of town centre, Strædet, Køge, Denmark

This project comprises about 34,300 m<sup>2</sup>, excluding parking facilities, and is being built immediately next to Køge Station and the town centre shopping area. The total project comprises a retail project of about 19,000 m<sup>2</sup>; public service facilities of almost 9,000 m<sup>2</sup>, including a town hall and rehabilitation centre; and residential premises of about 6,300 m<sup>2</sup>. In addition,

Project	City/town	Country	Segment	TKD's ownership share of area (m <sup>2</sup> )	TKD's ownership interest	Construction start/expected construction start	Opening/expected opening
<b>Completed</b>							
Ahlgade	Holbæk	DK	Retail	1,200	100 %	October 2013	October 2014
MetroBielany, Bielany, phase 2	Warsaw	PL	Residential/services	2,650	100 %	June 2014	May 2016
<b>In progress</b>							
Strædet	Køge	DK	Mixed	25,300	100 %	March 2015	Autumn 2017
BROEN Shopping	Esbjerg	DK	Retail	10,430	35 %	May 2015	Spring 2017
Amerika Have	Copenhagen	DK	Residential	3,125	25 %	September 2015	Spring 2017
Retail park, Oskarshamn	Oskarshamn	SE	Retail	3,200	100 %	May 2016	Spring 2017
MetroBielany, Bielany, phase 3	Warsaw	PL	Residential/services	15,650	100 %	June 2016	Spring 2018
<b>Not initiated</b>							
Vasevej	Birkerød	DK	Residential	1,900	100 %	-	-
Aarhus South, phase 2	Aarhus	DK	Retail	2,800	100 %	2017	2018
Ejby Industrivej	Copenhagen	DK	Office	12,900	100 %	-	-
Østre Havn/Stuhrs Brygge	Aalborg	DK	Mixed	25,000	<sup>1)</sup> 50 %	Continuously	Continuously
The Kulan commercial district	Gothenburg	SE	Mixed	55,000	100 %	2017	2019
Commercial district, Arninge Entré	Stockholm	SE	Mixed	60,000	100 %	2018	2020
Retail park, Södertälje	Södertälje	SE	Retail	8,000	100 %	Autumn 2016	Autumn 2017
Retail park, Söderhamn	Söderhamn	SE	Retail	10,000	100 %	2017	2018
MetroBielany, Bielany, phase 4	Warsaw	PL	Residential/services	13,650	100 %	Spring 2018	Autumn 2019
Bytom Retail Park	Bytom	PL	Retail	21,400	100 %	Continuously	Continuously
<b>Property development, total floor space</b>				<b>approx. 272,000</b>			

<sup>1)</sup> Share of profit on development amounts to 70 %.



the project will comprise parking facilities of about 13,000 m<sup>2</sup>. The building rights for a town hall and rehabilitation centre have been sold to Køge Municipality. The retail project of about 19,000 m<sup>2</sup> has been sold conditionally to the Finnish company Citycon together with parking facilities of about 13,000 m<sup>2</sup>.

After problems caused by damage to a neighbouring property in connection with the startup of construction, which resulted in considerable delay, progress is now being made, and the retail project is still expected to be completed and handed over to Citycon in autumn 2017. The sale to Citycon is still expected to have a significant positive impact on results in the 2017/18 financial year when the completed project is handed over to the investor.

The current occupancy rate is 74 % for the overall retail project (Q1 2016/17: 74 %). The tenants include Irma, Fakta, H&M, Bones, Gina Tricot, Deichmann and Nordisk Film Cinemas, which will be opening a six-screen cinema.

#### **BROEN Shopping, shopping centre, Esbjerg, Denmark**

Together with CapMan Real Estate, TK Development is building a new shopping centre in Esbjerg, BROEN Shopping, of about 29,800 m<sup>2</sup> at Esbjerg Station. 75 % of the premises have been let (Q1 2016/17: 73 %). The tenants include Kvickly, H&M, Bahne, Imerco, Sportmaster, Gina Tricot, Skoringen, Designers Market and Deichmann.

Construction is progressing according to plan, and completion of the shopping centre is scheduled for spring 2017. The centre is to be expanded with a cinema, and a lease agreement has been concluded with Nordisk Film Cinemas regarding the establishment of an eight-screen cinema in connection with the centre. The work on the local plan required for this purpose has been initiated. The cinema is expected to open its doors in autumn 2018.

#### **Residential project, Amerika Have, Copenhagen, Denmark**

Kommanditaktieselskabet Danlink Udvikling (DLU), owned 50/50 by Udviklingselskabet By & Havn I/S and TK Development, is developing a project at Amerika Plads in a 50/50 joint venture with AP Pension. The project – Amerika Have – will comprise housing of about 12,000 m<sup>2</sup> and ground-floor business premises of about 500 m<sup>2</sup> targeting the general public. The housing will consist of 121 high-quality apartments for sale to private owners. Construction started in September 2015 and is progressing as planned. The second and last phase of the entire project (121 apartments) has recently been put up for

sale, and a total of 65 apartments have been sold (Q1 2016/17: 38). The 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 spring 2017.

#### **Retail park, Oskarshamn, Sweden**

In Oskarshamn TK Development has conditionally sold a 3,200 m<sup>2</sup> retail project and an option to expand the project by a further 4,700 m<sup>2</sup>. The project premises are fully let, and construction began in May 2016. The retail project is scheduled for completion and handover to the investor in spring 2017.

#### **MetroBielany, residential project, Bielany, Warsaw, Poland**

In Warsaw TK Development is developing a residential project of owner-occupied apartments totalling about 52,000 m<sup>2</sup>. The project is being built in four phases, and the first phase of 7,850 m<sup>2</sup> was completed and sold to private users in previous years.

The second phase of about 14,850 m<sup>2</sup>, consisting of 297 residential units and service facilities, was completed in spring 2016. 97 % of the units have been sold, and handover of the apartments to the individual buyers, which started in May 2016, will continue during the months to come.

The third phase will comprise about 15,650 m<sup>2</sup>, consisting of 263 residential units and service facilities. Construction was initiated in June 2016, with completion scheduled for spring 2018. The pre-completion sale is progressing satisfactorily, and 19 % of the units have been sold.

The fourth and last phase is expected to start immediately after completion of the third phase.

### **A SELECTION OF PROJECTS NOT INITIATED**

#### **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 through a company owned 50/50 with Frederikshavn Maritime Erhvervspark, and the next phase of 50,000 m<sup>2</sup> is currently being planned. 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.

The local plan for the area is in place, and the planned projects include 7,000 m<sup>2</sup> of housing for young people, 11,000 m<sup>2</sup> of rental housing, 12,000 m<sup>2</sup> of owner-occupied dwellings and

## PROPERTY DEVELOPMENT

13,000 m<sup>2</sup> of offices, as well as parking facilities. A few of the projects are described below.

Plans are in progress to develop housing for young people of about 7,000 m<sup>2</sup> to be sold to a housing association with a view to starting construction in spring 2017.

Another project planned for this area comprises owner-occupied dwellings of almost 7,000 m<sup>2</sup> with a unique location at Beddingen 1A. The pre-construction sale of these apartments has just begun. Construction is scheduled to start in early 2017, and the apartments are expected to be ready for occupation in mid-2018.

The plan is for the rental housing to be constructed in two phases, with the first phase to consist of a rental property of about 5,000 m<sup>2</sup>. Investors have shown keen interest in the project, and attempts are being made to sell it before construction startup, which is scheduled for end-2016.

### **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 85,000 m<sup>2</sup>: 40,000 m<sup>2</sup> for a shopping centre, 15,000 m<sup>2</sup> for service/commercial space and 30,000 m<sup>2</sup> for housing. TK Development will be in charge of developing the 55,000 m<sup>2</sup> for a shopping centre, services and commercial facilities, while a housing developer will have responsibility for the 30,000 m<sup>2</sup> of housing. The local plan is currently being prepared, but it has been delayed and is not expected to be adopted until 2017. The project is being discussed with potential ten-

ants, and a number of lease agreements have been concluded.

### **Commercial district, Arninge Entré, Stockholm, Sweden**

In Arninge in Stockholm, the municipality has chosen TK Development as its preferred partner for developing an area that is to serve as the entrance to the town centre of Arninge. TK Development is currently engaged in the planning process together with the municipality. The project is expected to comprise premises of about 60,000 m<sup>2</sup>, primarily retail stores and possibly offices as well. Both tenants and investors have shown a good amount of interest in the project, and work on the planning, letting and sale will proceed during the months to come. Construction is expected to start in 2018, and the completion is scheduled for 2020.

### **Retail park, Södertälje, Sweden**

TK Development is currently developing a retail park of about 8,000 m<sup>2</sup> in Södertälje. A lease agreement for 40 % of the premises has been concluded with a supermarket operator, and tenants are showing a good amount of interest in the remaining premises. Construction is expected to start in autumn 2016, and the completion is scheduled for autumn 2017.

### **Residential Park, Bielany, Warsaw, Poland**

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

### **Bytom Retail Park, Bytom, Poland**

TK Development expects to develop a retail park with total leasable space of about 21,400 m<sup>2</sup> on its plot in Bytom. Construction of the project will be phased in step with letting. Letting efforts are ongoing, and construction will start as space is let.

**BROEN Shopping, Esbjerg, Denmark - completion scheduled for spring 2017**



The Group's asset management activities comprise the operation of the Group's completed properties, as well as plots of land and development projects on the markets where the Group wishes to discontinue its activities in the longer term.

As announced in December 2015, the aim is to sell the asset management activities within a period of three to five years starting in December 2015, as well as to distribute the freed-up equity to TK Development's shareholders. The operation of the assets is to be matured and optimized prior to their sale, and intensive efforts are being made to achieve this.

Asset management		
DKKm	H1 2016/17	H1 2015/16
Revenue	40.2	41.2
Gross profit/loss	24.1	17.5
Results of joint ventures	0.5	0.1
Profit/loss before tax	-7.2	-14.3
	<b>31.7.2016</b>	31.1.2016
Balance sheet total	1,599.6	1,632.0
Tied-up equity	569.8	577.2
Number of employees at centres	11	12

The results before tax for the asset management activities amounted to DKK -7.2 million against DKK -14.3 million in H1 2015/16. This improvement is partly attributable to the higher

letting activity for several of the asset management properties in operation and to the sale of a few plots of land at a loss in H1 2015/16.

The total portfolio of completed properties under asset management, including joint venture properties, amounted to DKK 1,586.9 million at 31 July 2016 against DKK 1,577.9 million at 31 January 2016.

The annual net rent from current leases in the total portfolio corresponds to a return on the carrying amount of 4.5 %<sup>1)</sup> (Q1 2016/17: 4.4 %), which reflects a large spread in the returns on individual centres, as local tenants in particular are generally experiencing difficulties. The current letting situation is still affected by vacancies, short-term rent discount agreements with tenants and improvement initiatives that have not yet materialized. Based on full occupancy, the return on the carrying amount is expected to reach 6.1 % (Q1 2016/17: 6.1 %).

<sup>1)</sup> Before a preferred return for a joint venture partner in Polish projects.

#### The Group's completed properties in the asset management business area comprised the following at 31 July 2016:

	Country	Type	TKD's ownership interest	Project area (m <sup>2</sup> )	Current occupancy rate
<b>Projects in wholly owned companies</b>					
<b>Completed projects</b>					
Sillebroen Shopping, Frederikssund	Denmark	Shopping centre	100 %	*1) 26,400	93 %
Galeria Sandecja, Nowy Sącz	Poland	Shopping centre	100 %	17,300	97 %
Most Retail Park	Czech Republic	Retail park	100 %	6,400	69 %
Aabenraa	Denmark	Retail park	100 %	4,200	100 %
Brønderslev	Denmark	Retail property	100 %	1,200	100 %
<b>Investment properties</b>					
Lüdenscheid	Germany	Mixed	100 %	14,000	65 %
<b>Projects in joint ventures</b>					
Galeria Nowy Rynek, Jelenia Góra	Poland	Shopping centre	30 %	24,800	95 %
Galeria Tarnovia, Tarnów	Poland	Shopping centre	30 %	**1) 16,700	89 %
Ringsted Outlet	Denmark	Outlet centre	50 %	13,200	87 %
Amerika Plads, underground car park	Denmark	Car park	50 %	32,000	n/a
<b>Total</b>				<b>156,200</b>	

\*1) Including a four-screen cinema for Nordisk Film Cinemas of about 1,400 m<sup>2</sup>.

\*\*1) Including an agreed five-screen cinema of about 1,300 m<sup>2</sup>.

**SILLEBROEN SHOPPING, SHOPPING CENTRE, FREDERIKSSUND, DENMARK**

**Planned operational improvements:**

- The planned Nordisk Film cinema opened in August 2016.
- To assess the derived effects of opening the cinema and proactively ensuring a good tenant mix on this basis.
- To launch marketing and image improvement campaigns in connection with the cinema opening.
- To conclude agreements with new tenants that can further strengthen Sillebroen and make it a natural choice for daily shoppers.
- To upgrade the parking facilities.

Opening	March 2010
Leasable area <sup>*)</sup>	26,400 m <sup>2</sup> , including about 5,000 m <sup>2</sup> of supermarket units
Occupancy rate	93 % (Q1 2016/17: 94 %)
Footfall 2015	3.3 million

<sup>\*)</sup> Including a four-screen cinema for Nordisk Film Cinemas of about 1,400 m<sup>2</sup>.

The running-in and maturing phase after the opening in 2010 took longer than expected. However, 2015 saw a successful reversal in terms of both footfall and revenue. Footfall for 2016 to date is at index 104 compared to the same period of 2015, and the revenue is on a par with the revenue recorded in the same period last year. The occupancy rate has declined from 94 % to 93 % during the past quarter. Overall, the mix of tenants in the centre has improved considerably in the past six to 12 months, in part due to the opening of new stores in the centre, including Imerco, Søstrene Grene and Normal. A dialogue is ongoing with potential tenants, and the occupancy rate is expected to reach 94 % at the end of the year.

As an important step towards increasing customer flow and strengthening revenue in the centre, an agreement was made with Nordisk Film Cinemas about the establishment of a cinema of about 1,400 m<sup>2</sup> in the centre. The extension of the centre has been completed, and the cinema opened in August 2016. The positive effect of the cinema opening will be a significant factor in the future optimization of the centre's tenant mix.

**GALERIA TARNOVIA, SHOPPING CENTRE, TARNÓW, POLAND**

**Planned operational improvements:**

- To establish a cinema scheduled to open in December 2016.
- To move tenants around to create a better customer flow in the centre.
- To assess the derived effects of opening the cinema and proactively ensuring a good tenant mix on this basis.
- To change temporary leases to ordinary leases on conditions that are satisfactory to the Group.
- To launch marketing and image improvement campaigns in connection with the cinema opening.
- To boost the occupancy rate – dialogue is ongoing with potential tenants.

Opening	November 2009
Leasable area <sup>*)</sup>	16,700 m <sup>2</sup> , including a supermarket of about 2,000 m <sup>2</sup>
Occupancy rate	89 % (Q1 2016/17: 89 %)
Footfall 2015	1.8 million

<sup>\*)</sup> Including an agreed five-screen cinema of about 1,300 m<sup>2</sup>.

Galeria Tarnovia is owned by a joint venture with Heitman, and TK Development has a 30 % ownership interest. The operation of the centre is impacted by a strong competitive environment in Tarnów. Both footfall and revenue in the centre dropped substantially from 2014 to 2015. The situation is now improving, and the footfall for the past months of 2016 is at index 99 compared to the same period the year before, and the centre's revenue is at index 103. The occupancy rate is 89 %.

Steps have been taken to change the tenant composition of the shopping centre, including relocating a major electronics store and concluding lease agreements with several LPP concepts and a cinema operator. A conversion is under way to house the cinema, which is expected to open in December 2016.

In Q2 2016/17 the joint venture refinanced the centre by floating a mezzanine loan. The loan agreements contain a number of covenants that are to be met at regular intervals in order for the loan to be upheld.

GALERIA SANDECJA, SHOPPING CENTRE, NOWY SĄCZ, POLAND



**Planned operational improvements:**

- To retain a high occupancy rate in the centre.
- To change temporary leases to ordinary leases on conditions that are satisfactory to the Group.
- To ensure a good tenant mix, with traditional tenants on the ground floor.
- To upgrade the first floor with discount stores offering a wide range of products at low prices.

Opening	October 2009
Leasable area	17,300 m <sup>2</sup> , including a 5,000 m <sup>2</sup> hypermarket
Occupancy rate	97 % (Q1 2016/17: 97 %)
Footfall 2015	2.0 million

The opening of a competing centre in Nowy Sącz in autumn 2013 has affected the operation of Galeria Sandecja, whose footfall and revenue have declined. In 2015 the footfall index was 95 and the revenue index 93 compared to 2014. Now this negative trend has reversed. For the past months of 2016, footfall was at index 101 and revenue at index 113 compared to the same period of 2015.

The change in the competitive situation has meant that the rental level has been under pressure. As a result of the focus placed on retaining a high occupancy rate in the centre, several temporary lease agreements have been concluded at a relatively low rent.

Work is proceeding on a long-term plan to regain satisfactory revenue and footfall levels in the centre within the next few years. The initial focus was on creating a strong mix of tenants on the ground floor. The ground-floor premises are almost fully let, and efforts are continuing to replace weak tenants and to change temporary leases to leases on conditions that are satisfactory to the Group. Moreover, efforts are being made to upgrade the first floor with discount stores in order to secure a higher occupancy rate and a better customer flow in the centre.

RINGSTED OUTLET, RINGSTED, DENMARK



**Planned operational improvements:**

- To ensure a good tenant mix through proactive dialogue with tenants.
- To boost the occupancy rate (dialogue is ongoing with several potential tenants).
- To make preparations for contemplated expansion of the centre with a second phase.

Opening	March 2008
Leasable area	13,200 m <sup>2</sup>
Occupancy rate	87 % (Q1 2016/17: 85 %)
Footfall 2015	1.5 million

Ringsted Outlet continues to record progress, with pleasing growth in both revenue and footfall. For the past months of 2016, footfall was at index 113 and revenue at index 117 compared to the same period of 2015.

New tenants, such as Golfino, Villeroy & Boch and Gant, opened outlets in the centre in spring 2016, and both the extended BOSS and Calvin Klein units have opened. A lease agreement has recently been concluded with Guess, which will open an outlet in the centre in autumn 2016. The outlet centre's occupancy rate has reached 87 %, and a good dialogue is ongoing with several potential tenants.

Ringsted Outlet has been developed in a 50/50 joint venture with Miller Developments. In June 2016 Miller Developments sold its 50 % stake to CapMan Real Estate. In the years to come TK Development and CapMan Real Estate will carry on developing the centre and thus proceed working on the contemplated expansion of the centre.



## GALERIA NOWY RYNEK, SHOPPING CENTRE, JELENIA GÓRA, POLAND

**Planned operational improvements:**

- To replace weak tenants.
- To let vacant premises.
- To ensure a good tenant mix.
- To launch a massive marketing campaign and strengthen the centre profile, based on the novelty value after the recent opening.

<b>Opening</b>	<b>October 2015</b>
<b>Leasable area</b>	<b>24,800 m<sup>2</sup>, including a supermarket of about 2,400 m<sup>2</sup></b>
<b>Occupancy rate</b>	<b>95 % (Q1 2016/17: 94 %)</b>

In Jelenia Góra TK Development has developed and built a shopping centre of about 24,800 m<sup>2</sup>. The project has been executed as a joint venture with Heitman, in which the Group has an ownership interest of 30 %. The shopping centre opened in October 2015 and has a current occupancy rate of 95 %.

Centre operations have so far met expectations. In 2016 the focus will be on replacing weak tenants, letting additional premises and ensuring a good tenant mix – key elements for successfully operating a new centre.

**OTHER ASSET MANAGEMENT ACTIVITIES**

In addition to the Group's completed properties, the asset management activities comprise plots of land and development projects on the markets where the Group wishes to discontinue its activities in the longer term.

At 31 July 2016 these plots of land and development projects totalled DKK 130.2 million, consisting of:

- Czech Republic: a retail project under development and two plots of land in Prague.
- Baltic States: a retail project in Vilnius and two plots of land in Riga.
- Germany: two minor plots of land.
- Russia: a minor project for letting.

**Czech Republic**

In December 2015 Management decided to phase out the Group's activities in the Czech Republic, either by selling all activities combined or by selling individual assets. Management chose to appoint a real estate agent to handle this selling process. In Management's opinion, it is not possible to complete a combined sale on terms that the Group finds satisfactory. Therefore, the phase-out is expected to take place through the sale of individual assets, and discussions are currently being held with potential investors for several of the projects.

The phase-out of the Czech activities will reduce capacity costs by a minimum of DKK 8.0 million p.a., equal to about 10 % of the Group's capacity costs.

**Baltic States**

The Group's Baltic activities comprise the following projects:

Project	City/town	Segment	Floor space (m <sup>2</sup> )
DomusPro Retail Park, phases 2 and 3	Vilnius (LT)	Retail/residential	4,550 m <sup>2</sup>
Milgravja Street	Riga (LV)	Retail	6,000 m <sup>2</sup>
Ulmana Retail Park	Riga (LV)	Retail	12,200 m <sup>2</sup>

In Vilnius, Lithuania, TK Development has completed the second phase (about 3,800 m<sup>2</sup>) of a retail park with total premises of 11,300 m<sup>2</sup>. The second phase has been fully let and handed over to the buyer. TK Development is now developing a third phase comprising retail premises of about 850 m<sup>2</sup> and office premises of about 3,700 m<sup>2</sup>. The third phase has been sold conditionally to BPT Baltic Opportunity Fund, which also bought the two first project phases. Construction of the third phase will start once satisfactory pre-construction letting has been achieved.

The development of a retail project, consisting mainly of superstores, continues on the Group's plot of land in Ulmana, Riga. TK Development is holding discussions with interested tenants and is in dialogue with a potential investor who is interested in buying the project, subject to a satisfactory occupancy rate being achieved. Construction will start once satisfactory pre-construction letting has been achieved.

**Germany**

TK Development has entered into a conditional agreement for the sale of one of the German plots of land, and the sale is expected to be completed in Q3 2016/17.

### THE BOARD OF DIRECTORS

In May 2016 Morten E. Astrup decided to step down from the Company's Board of Directors following Storm Real Estate ASA's sale of its shareholding in TK Development A/S. Morten E. Astrup retired from the Board of Directors with immediate effect. Accordingly, the Board of Directors is composed of five members, and a decision will be made at the Company's Annual General Meeting in spring 2017 as to whether a new member should be elected to the Board.

### 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 given its main banker an undertaking to comply with a solvency ratio covenant of minimum 30 % at group level, measured in connection with the presentation of interim and annual reports; moreover, the Group has undertaken a covenant in the form of liquidity targets. Both covenants were met during the year under review.

### RISKS

In 2006 the Senior Vice President in charge of the Group's Polish branch office was charged, and subsequently indicted, on account of irregularities related to obtaining regulatory approval of a Polish shopping centre project. Throughout the process, TK Development's Management has been unable to find any irregularities in connection with the project, and fails to comprehend that the Senior Vice President could be involved in the alleged practices.

Legal proceedings have been ongoing for a prolonged period, and in May 2015 a first-instance court acquitted the Senior Vice President. The Prosecution chose to appeal the decision, and the appeal was decided in June 2016 by a second-instance court, which also acquitted the Senior Vice President. The Prosecution has subsequently chosen to submit a cassation case (for reversal of the decision) to the Polish Supreme Court.

The most important risks otherwise faced by the Group are described in the Annual Report for 2015/16.

Residential Park, Bielany, phases 1 and 2, Warsaw, Poland - phase 2 completed in May 2016



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 2016 to 31 July 2016.

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 the interim reports of listed companies.

In our opinion, the Interim Report gives a true and fair view of the Group's financial position at 31 July 2016 and of the results of the Group's operations and cash flows for the period from 1 February 2016 to 31 July 2016.

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

Aalborg, 15 September 2016

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**EXECUTIVE BOARD**

**Frede Clausen**  
President and CEO

**Robert Andersen**  
Executive Vice President

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**BOARD OF DIRECTORS**

**Niels Roth**  
Chairman of the Board of Directors

**Peter Thorsen**  
Deputy Chairman of the Board of Directors

**Arne Gerlyng-Hansen**

**Kim Mikkelsen**

**Henrik Heideby**



## CONSOLIDATED FINANCIAL STATEMENTS

### INCOME STATEMENT

DKKm	Note	H1 2016/17	H1 2015/16	Q2 2016/17	Q2 2015/16	Full year 2015/16
Net revenue		237.1	168.1	191.4	127.4	327.8
Project costs	4	-192.8	-137.3	-166.0	-112.2	-370.1
Value adjustment of investment properties, net		0.0	0.0	0.0	0.0	-25.0
<b>Gross profit/loss</b>		<b>44.3</b>	<b>30.8</b>	<b>25.4</b>	<b>15.2</b>	<b>-67.3</b>
Other external expenses		10.7	11.3	5.5	5.7	23.1
Staff costs		29.7	28.9	15.6	15.0	58.9
<b>Total</b>		<b>40.4</b>	<b>40.2</b>	<b>21.1</b>	<b>20.7</b>	<b>82.0</b>
<b>Profit/loss before financing and depreciation</b>		<b>3.9</b>	<b>-9.4</b>	<b>4.3</b>	<b>-5.5</b>	<b>-149.3</b>
Depreciation and impairment of non-current assets		0.2	0.3	0.1	0.2	33.7
<b>Operating profit/loss</b>		<b>3.7</b>	<b>-9.7</b>	<b>4.2</b>	<b>-5.7</b>	<b>-183.0</b>
Income from investments in joint ventures		5.0	27.2	-0.2	19.2	30.4
Income from investments in associates		0.4	0.5	0.2	0.2	1.1
Financial income		6.3	3.9	4.3	1.4	11.3
Financial expenses		-24.7	-25.1	-13.7	-12.4	-50.8
<b>Total</b>		<b>-13.0</b>	<b>6.5</b>	<b>-9.4</b>	<b>8.4</b>	<b>-8.0</b>
<b>Profit/loss before tax</b>		<b>-9.3</b>	<b>-3.2</b>	<b>-5.2</b>	<b>2.7</b>	<b>-191.0</b>
Tax on profit/loss for the period		0.5	4.0	0.9	3.2	31.3
<b>Profit/loss for the period</b>		<b>-9.8</b>	<b>-7.2</b>	<b>-6.1</b>	<b>-0.5</b>	<b>-222.3</b>

### EARNINGS PER SHARE IN DKK

Earnings per share (EPS)	-0.1	-0.1	-0.1	0.0	-2.3
Diluted earnings per share (EPS-D)	n/a	-0.1	n/a	0.0	n/a

### COMPREHENSIVE INCOME STATEMENT

Profit/loss for the period	-9.8	-7.2	-6.1	-0.5	-222.3
<b>Items that may be re-classified to profit/loss:</b>					
Foreign-exchange adjustments, foreign operations	1.8	9.7	1.3	-7.5	-9.4
Value adjustment of hedging instruments	-1.1	0.5	-0.4	0.3	1.2
Tax on other comprehensive income	-1.2	-3.2	-1.4	3.4	4.4
Other comprehensive income after tax from joint ventures	-1.5	0.8	-0.9	0.5	2.4
<b>Other comprehensive income for the period</b>	<b>-2.0</b>	<b>7.8</b>	<b>-1.4</b>	<b>-3.3</b>	<b>-1.4</b>
<b>Comprehensive income for the period</b>	<b>-11.8</b>	<b>0.6</b>	<b>-7.5</b>	<b>-3.8</b>	<b>-223.7</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### BALANCE SHEET

DKKm	Note	31 July 2016	31 Jan 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other fixtures and fittings, tools and equipment		0.9	0.9
<b>Property, plant and equipment</b>		<b>0.9</b>	<b>0.9</b>
Investment properties		53.1	53.3
<b>Investment properties</b>		<b>53.1</b>	<b>53.3</b>
Investments in joint ventures		240.8	260.7
Investments in associates		4.8	4.4
Receivables from joint ventures		193.2	195.7
Receivables from associates		8.9	4.6
Other securities and investments		11.9	13.4
<b>Financial assets</b>		<b>459.6</b>	<b>478.8</b>
Deferred tax assets		80.9	81.6
<b>Other non-current assets</b>		<b>80.9</b>	<b>81.6</b>
<b>Non-current assets</b>		<b>594.5</b>	<b>614.6</b>
<b>Current assets</b>			
<b>Projects in progress or completed</b>		<b>2,021.2</b>	<b>2,013.6</b>
Trade receivables		65.3	54.1
Receivables from joint ventures		2.9	0.0
Other receivables		2.7	10.6
Prepayments		11.0	12.1
<b>Receivables</b>		<b>81.9</b>	<b>76.8</b>
Other securities and investments		4.0	4.1
Deposits in blocked and escrow accounts	5	219.4	94.1
Cash and cash equivalents	5	4.6	5.6
<b>Current assets</b>		<b>2,331.1</b>	<b>2,194.2</b>
<b>ASSETS</b>		<b>2,925.6</b>	<b>2,808.8</b>



## CONSOLIDATED FINANCIAL STATEMENTS

### BALANCE SHEET

DKKm	Note	31 July 2016	31 Jan 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		98.2	98.2
Other reserves	6	-11.3	-9.3
Retained earnings		1,187.0	1,196.8
<b>Equity</b>		<b>1,273.9</b>	<b>1,285.7</b>
<b>Liabilities</b>			
Credit institutions		34.0	34.1
Provisions		0.9	0.4
Deferred tax liabilities		14.3	14.1
<b>Non-current liabilities</b>		<b>49.2</b>	<b>48.6</b>
Credit institutions		1,498.7	1,358.7
Trade payables		52.7	70.4
Corporate income tax		1.2	6.6
Provisions		3.4	5.7
Other debt		39.6	27.6
Deferred income		6.9	5.5
<b>Current liabilities</b>		<b>1,602.5</b>	<b>1,474.5</b>
<b>Liabilities</b>		<b>1,651.7</b>	<b>1,523.1</b>
<b>EQUITY AND LIABILITIES</b>		<b>2,925.6</b>	<b>2,808.8</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 February 2015	98.2	-7.9	1,419.1	1,509.4
Profit/loss for the period	0.0	0.0	-7.2	-7.2
Other comprehensive income for the period	0.0	7.8	0.0	7.8
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>7.8</b>	<b>-7.2</b>	<b>0.6</b>
<b>Equity at 31 July 2015</b>	<b>98.2</b>	<b>-0.1</b>	<b>1,411.9</b>	<b>1,510.0</b>
<b>Equity at 1 February 2016</b>	<b>98.2</b>	<b>-9.3</b>	<b>1,196.8</b>	<b>1,285.7</b>
Profit/loss for the period	0.0	0.0	-9.8	-9.8
Other comprehensive income for the period	0.0	-2.0	0.0	-2.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>-2.0</b>	<b>-9.8</b>	<b>-11.8</b>
<b>Equity at 31 July 2016</b>	<b>98.2</b>	<b>-11.3</b>	<b>1,187.0</b>	<b>1,273.9</b>

**CASH FLOW STATEMENT**

DKKm	H1 2016/17	H1 2015/16
Operating profit/loss	3.7	-9.7
Adjustments for non-cash items:		
Depreciation and impairment	1.8	2.2
Provisions	-1.8	-7.9
Foreign-exchange adjustment	-0.4	-3.1
Increase/decrease in investments in projects, etc.	5.9	117.8
Increase/decrease in receivables	-6.5	63.9
Changes in deposits on blocked and escrow accounts	-124.1	-16.7
Increase/decrease in payables and other debt	-4.2	-30.0
<b>Cash flows from operations</b>	<b>-125.6</b>	<b>116.5</b>
Interest paid, etc.	-37.8	-30.1
Interest received, etc.	3.5	3.3
Corporate income tax paid	-6.2	0.2
<b>Cash flows from operating activities</b>	<b>-166.1</b>	<b>89.9</b>
Investments in equipment, fixtures and fittings	-0.2	0.0
Sale of joint ventures	0.0	10.0
Investments in joint ventures	-5.7	-52.0
Dividend from joint ventures	29.2	7.0
Increase/decrease in receivables from joint ventures	-0.4	-89.1
Sale of securities and investments	2.6	1.2
<b>Cash flows from investing activities</b>	<b>25.5</b>	<b>-122.9</b>
Raising of project financing	185.2	70.1
Reduction of project financing/repayments, credit institutions	-45.6	-51.6
<b>Cash flows from financing activities</b>	<b>139.6</b>	<b>18.5</b>
<b>Cash flows for the period</b>	<b>-1.0</b>	<b>-14.5</b>
Cash and cash equivalents, beginning of period	5.6	23.6
Foreign-exchange adjustment of cash and cash equivalents	0.0	0.3
<b>Cash and cash equivalents, end of period</b>	<b>4.6</b>	<b>9.4</b>

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



## CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING POLICIES

The Interim Report 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 2016.

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 2016, a number of new and amended financial reporting standards and interpretations have been implemented. These have not resulted in any changes as compared to the accounting policies applied by the Group in the 2015/16 Annual Report, thus their implementation has not impacted earnings per share.

### NOTE 2. UNCERTAINTY IN RECOGNITION AND MEASUREMENT

In connection with the preparation of the Interim Report, Management makes a number of accounting estimates and judgments that materially affect the interim financial statements, particularly as concerns the measurement of the Group's ongoing and completed projects and the Group's deferred tax assets. The most significant uncertainties are the same as those prevailing at the time of preparing the Annual Report for 2015/16.

### NOTE 3. SEGMENT INFORMATION

Internal reporting in TK Development is based on the business areas property development and asset management. With effect from 31 October 2015, TK Development stopped reporting on the business area previously defined as discontinuing activities, now included under asset management. Consequently, property development activities now comprise the development of real property in Denmark, Sweden and Poland. Moreover, with effect from 1 February 2016 Management has chosen to allocate a share of the fixed costs to the individual business areas. Segment information has been disclosed accordingly, and the comparative figures for H1 2015/16 have also been restated accordingly.

DKKm	Property development	Asset management	Unallocated	Total
<b>31 July 2016</b>				
Net revenue, external customers	196.9	40.2	0.0	237.1
Profit/loss before tax	3.0	-7.2	-5.1	-9.3
Segment assets	1,244.1	1,599.6	81.9	2,925.6
Segment liabilities	606.4	1,029.8	15.5	1,651.7
<b>31 July 2015</b>				
Net revenue, external customers	126.9	41.2	0.0	168.1
Profit/loss before tax	16.3	-14.3	-5.2	-3.2
Segment assets	1,031.5	1,655.9	147.9	2,835.3
Segment liabilities	258.9	1,034.4	32.0	1,325.3

### NOTE 4. PROJECT COSTS

	H1 2016/17	H1 2015/16	Full year 2015/16
Project costs	191.1	135.3	233.8
Impairment losses on projects in progress or completed projects	1.7	2.0	136.3
<b>Project costs, total</b>	<b>192.8</b>	<b>137.3</b>	<b>370.1</b>

**NOTE 5. LIQUIDITY RESERVES**

	31 July 2016	31 Jan 2016
<b>The liquidity reserves break down as follows:</b>		
Cash and cash equivalents	4.6	5.6
Unutilized operating credit facilities	6.8	31.8
<b>Total</b>	<b>11.4</b>	<b>37.4</b>
Deposited funds for later release	219.4	94.1
<b>Total liquidity reserve</b>	<b>230.8</b>	<b>131.5</b>

**NOTE 6. OTHER RESERVES**

	Reserve for value adjust- ment of avail- able-for-sale financial assets	Reserve for value adjustment of hedging instruments	Reserve for foreign exchange adjustments	Total
Other reserves at 1 February 2015	-0.1	-2.0	-5.8	-7.9
<b>Other comprehensive income:</b>				
Other comprehensive income after tax in joint ventures	0.0	0.1	0.7	0.8
Exchange-rate adjustment, foreign operations	0.0	0.0	9.7	9.7
Value adjustment of hedging instruments	0.0	0.5	0.0	0.5
Deferred tax on other comprehensive income	0.0	-0.1	-3.1	-3.2
<b>Other comprehensive income, total</b>	<b>0.0</b>	<b>0.5</b>	<b>7.3</b>	<b>7.8</b>
<b>Other reserves at 31 July 2015</b>	<b>-0.1</b>	<b>-1.5</b>	<b>1.5</b>	<b>-0.1</b>
Other reserves at 1 February 2016	-0.1	-1.5	-7.7	-9.3
<b>Other comprehensive income:</b>				
Other comprehensive income after tax in joint ventures	0.0	-0.7	-0.8	-1.5
Exchange-rate adjustment, foreign operations	0.0	0.0	1.8	1.8
Value adjustment of hedging instruments	0.0	-1.1	0.0	-1.1
Deferred tax on other comprehensive income	0.0	0.2	-1.4	-1.2
<b>Other comprehensive income, total</b>	<b>0.0</b>	<b>-1.6</b>	<b>-0.4</b>	<b>-2.0</b>
<b>Other reserves at 31 July 2016</b>	<b>-0.1</b>	<b>-3.1</b>	<b>-8.1</b>	<b>-11.3</b>

**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 July 2016	31 Jan 2016	31 July 2015
<b>Board of Directors and Executive Board (and their related parties):</b>			
Fees for Board of Directors	0.7	1.4	0.7
Salaries, etc., Executive Board	3.7	6.8	3.1
Sale of projects (revenue)	0.0	8.1	0.0
<b>Joint ventures:</b>			
Fees	1.5	9.4	5.5
Interest income	3.7	6.6	3.5
Guarantee commission	0.1	0.2	0.0
Receivables (balance)	196.1	195.7	213.3
<b>Associates:</b>			
Fees	0.1	0.0	0.0
Interest income	0.1	0.2	0.0
Receivables (balance)	8.9	4.6	4.6

No security or guarantees had been furnished for balances owing to or by related parties at the reporting date or at 31 January 2016. Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. No impairment was made in H1 2016/17 to provide for any probable losses on such receivables (H1 2015/16: DKK 0.0 million).

**NOTE 9. FINANCIAL INSTRUMENTS**

TK Development has no significant financial instruments that are measured at fair value. The carrying amount of the Group's financial instruments is generally equal to the fair value.

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 2015/16. However, changes have been made to the classification within the fair-value hierarchy, as a significant portion of the Group's unlisted shares became officially listed in the accounting period under review. The transfer between the fair-value hierarchies was made on the date when the shares were listed. Subsequent measurement of the shares is based on the prices listed on Nasdaq Tallinn.

The transfer from level 3 in the fair-value hierarchy represents an amount of DKK 10.0 million. The transfer is made to level 1.



## COMPANY INFORMATION

### TK Development A/S

**CVR no.:**  
24256782

**ISIN code:**  
DK0010258995 (TKDV)

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

**Website:**  
[www.tk-development.com](http://www.tk-development.com)

**e-mail:**  
[tk@tk.dk](mailto:tk@tk.dk)

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

**Board of Directors:**  
Niels Roth, Peter Thorsen, Arne Gerlyng-Hansen,  
Kim Mikkelsen and Henrik Heideby.

### 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.

