

TK Development concludes a conditional agreement with Heitman concerning the sale of two Polish projects at a total project value of EUR 95 million. The sale concerns the Group's shopping centre, Galeria Tarnovia, in Tarnów and a new development project in Jelenia Góra.

Summary:

TK Development has concluded a conditional agreement with Heitman to the effect that Heitman assumes a 70 % shareholding in two Polish projects, i.e. the completed shopping centre in Tarnów, Galeria Tarnovia, and the planned shopping centre project in Jelenia Góra. TK Development will realize a small profit upon completion of the transaction, free up cash resources and obtain an additional, future profit from fee income from the jointly owned company in respect of development, letting and construction management services.

Heitman takes over 70 % of the projects via investment in a holding company. Heitman, founded in 1966 and headquartered in Chicago, manages approximately EUR 21 billion in assets invested directly and indirectly in real estate in North America, Europe and Asia-Pacific. The firm's clients include institutions, pension plans, endowments and foundations, and individual investors. European private equity investments span 15 countries with approximately EUR 4 billion currently under management. A leading investor in the region, Heitman has over 50 people across Europe in its offices in London, Warsaw, Luxembourg and Moscow.

Galeria Tarnovia, shopping centre, Tarnów, Poland

The Galeria Tarnovia shopping centre is one of TK Development's major completed projects. The project comprises a 16,500 m² shopping centre, consisting of a supermarket of about 2,000 m² and specialty stores of about 14,500 m². The centre opened in November 2009 and has basically been fully let since then, with satisfactory operations and customer influx.

The sales price is in the region of EUR 40 million. The current external financing in the project is continued, and Heitman makes financing available for the company pro rata to their ownership interest. TK Development will realize a small profit on the project and will free up liquidity.

Shopping centre, Jelenia Góra, Poland

TK Development has bought a plot of land in Jelenia Góra, Poland, and has an option on additional land for the development of a shopping centre of approx. 24,000 m². The project will comprise a supermarket of about 3,500 m² and retail, restaurant and service premises of about 20,500 m². The local plan for the area is in place, and the letting of premises has started. Construction is expected to start in 2013 and opening is scheduled for 2015.

Heitman joins the project with a 70 % ownership interest at the current development stage, and the future development of the project, including the construction of the project, will take place in partnership with Heitman. The total project value is expected to be around EUR 55 million. The partnership will allow for a more optimal exploitation of the Group's resources, including equity allocation, as Heitman will make financing available pro rata to their ownership interest.

The agreement involves further maturing of Galeria Tarnovia, Tarnów, as well as startup and maturing of the shopping centre in Jelenia Góra after the expected opening in 2015. After this, the projects are intended to be resold. It has been agreed that resale can be realized after a period of three years from the conclusion of the agreement.

The agreement provides a preference return for Heitman, while TK Development has access to a performance-related share of any additional proceeds from reselling the projects. In addition, TK Development will receive fees from the jointly owned company for development, letting and construction management of the development project.

The overall agreement with Heitman is in line with the Group's adjusted business model under which TK Development wishes to enter into partnerships concerning completed properties and new development projects for the purpose of securing a more optimal allocation of the company's equity, greater diversification of risk and improved utilization of the Group's development expertise.

TK Development's ownership interest in the projects will be classified as investment properties.

The transaction is expected to be finally effected in August 2012.

Profit expectations for 2012/13

The agreement does not change the Group's expectations for 2012/13.

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

The expectations mentioned in this announcement, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Expectations may be affected by various factors, as mentioned in the section "Risk issues" in the Group's 2011/12 Annual Report.

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