

PHOTO:
RESIDENTIAL PROJECT, AMERIKA HAVE,
COPENHAGEN, DENMARK

TK DEVELOPMENT A/S | CVR NO. 24256782 | 15 SEPTEMBER 2017
VESTRE HAVNEPROMENADE 7 | 9000 AALBORG | DENMARK

INTERIM REPORT H1

2017/18

(1 February 2017 - 31 July 2017)

FINANCIAL PERFORMANCE IN H1 2017/18

- The profit before tax for H1 2017/18 was DKK 14.0 million against a loss of DKK 9.3 million in H1 2016/17. The profit after tax was DKK 7.1 million compared with a loss of DKK 9.8 million for H1 2016/17.
- Total assets amounted to DKK 2,902.0 million at 31 July 2017 against DKK 2,852.9 million at 31 January 2017. Consolidated equity stood at DKK 1,304.1 million, up from DKK 1,293.7 million at 31 January 2017, for a solvency ratio of 44.9%.

Breakdown by segment:

DKK m	Property development	Asset management	Unallocated
Profit/loss			
Profit/loss before tax	25.8	-6.0	-5.8
Balance sheet			
Development projects	934.8	-	-
Completed properties	-	1,175.0	-
Other projects	-	111.7	-
Other assets	362.5	247.5	70.5
Total assets	1,297.3	1,534.2	70.5
Tied-up equity	728.3	523.4	52.4

OUTLOOK FOR 2017/18

- Due to extraordinary events in connection with the bankruptcy of a contractor involved in the Strædet project in Køge, including substantial additional costs, combined with the postponed handover of another project, Management at the end of August 2017 lowered the Group's profit guidance for financial year 2017/18 from DKK 100-120 million before tax to DKK 50-60 million before tax.
- The revised profit guidance assumes a return on equity of 7-8% from the Group's development activities, against the previous forecast of about 15%.
- The profit guidance is based on Management's expectations, including timing estimates, for a number of specific projects. The guidance reflects, among other things, that the second phase of Strædet, Køge, is expected to be handed over to Citycon this autumn.

PROPERTY DEVELOPMENT

- In the first half of 2017/18, TK Development handed over a 3,200 sqm retail park in Oskarshamn, Sweden, to the investor, handed over most of the apartments sold in the Ame-

rika Have project in Copenhagen to the buyers and handed over the first phase of the Strædet retail project in Køge to the investor.

Major development projects:

- Construction of BROEN Shopping, the new shopping centre in Esbjerg, Denmark, has been completed, and the centre opened in April 2017. The current occupancy rate is 93% (Q1 2017/18: 91%).
- Construction of Strædet, Køge, Denmark, is currently affected by the bankruptcy of a contractor in August 2017. Despite this bankruptcy and resulting delays, the principal second phase of the project is still expected to be handed over this autumn, while a small part of the project is expected to be completed and handed over in 2018 in line with previous plans. The shop openings are now scheduled for 28 September 2017. The retail project, of which 91% has been let (Q1 2017/18: 88%), and the parking facilities have been sold under a conditional sale agreement to Finnish-based Citycon. The sale to Citycon is still expected to have a positive earnings effect in the 2017/18 financial year upon handover of the second phase to the investor.
- Construction of the Amerika Have residential project in Copenhagen, Denmark, has been completed, and most of the apartments sold were handed over to the buyers in Q2 2017/18. 119 of the 121 apartments have been sold (Q1 2017/18: 114).
- Construction of the third phase of the Bielany residential project in Warsaw, Poland, is progressing according to plan, as is the pre-completion sale. 68% (Q1 2017/18: 54%) of the residential units have been sold.

ASSET MANAGEMENT

- The portfolio of completed properties in this business area, including joint venture projects, makes up 156,700 sqm and represented a value of DKK 1,594.5 million at 31 July 2017. Based on the current occupancy rate, annual net rent corresponds to a return on the carrying amount of 4.4% (Q1 2017/18: 4.4%). Based on full occupancy, the return on the carrying amount is estimated at 6.2% (Q1 2017/18: 6.2%).
- Detailed development and operating plans have been drafted for each property, and overall the plans are progressing as planned.

Any questions regarding this interim report may be directed to Frede Clausen, President and CEO, tel. +45 8896 1010.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKKm	Q2 2017/18	Q2 2016/17	H1 2017/18	H1 2016/17	Full year 2016/17
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FINANCIAL HIGHLIGHTS

Net revenue	124.5	191.4	184.5	237.1	401.5
Gross profit/loss	6.9	25.4	27.9	44.3	83.1
Income from investments in joint ventures	34.9	-0.2	40.7	5.0	48.8
Operating profit/loss (EBIT)	21.1	4.0	29.0	8.7	51.8
Financing, etc.	-7.4	-9.4	-15.4	-18.4	-38.5
Profit/loss before tax and writedowns, etc.	15.5	-5.2	15.9	-7.6	25.5
Profit/loss before tax	13.9	-5.2	14.0	-9.3	13.8
Profit/loss for the period	8.0	-6.1	7.1	-9.8	7.1
Comprehensive income for the period	7.3	-7.5	10.4	-11.8	8.0
Balance sheet total	-	-	2,902.0	2,925.6	2,852.9
Investment properties	-	-	53.1	53.1	53.1
Total project portfolio	-	-	2,168.4	2,021.2	2,155.2
Equity	-	-	1,304.1	1,273.9	1,293.7
Cash flows for the period	7.4	-3.3	0.0	-1.0	4.8
Net interest-bearing debt, end of period	-	-	1,248.7	1,113.9	1,196.2

KEY RATIOS

Return on equity (ROE)*)	-	-	1.1%	-1.5%	0.6%
Solvency ratio (based on equity)	-	-	44.9%	43.5%	45.3%
Equity value in DKK per share	-	-	13.3	13.0	13.2
Price/book value (P/BV)	-	-	0.8	0.6	0.7
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	0.1	-0.1	0.1
Dividend in DKK per share	-	-	0	0	0
Listed price in DKK per share	-	-	10.7	7.6	9.7

*) Annualized.

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

In December 2015, TK Development defined a number of strategic goals and initiatives intended to streamline TK Development into a pure developer business offering attractive shareholder value creation.

ment into a pure developer business offering attractive shareholder value creation.

TK Development today

Property development

- Activities in Denmark, Sweden and Poland.
- Greatest potential in Denmark and Sweden.
- Focus on reducing the risk exposure in Poland.
- A return of 15-20 % p.a. on equity is expected as from 2017/18.

Asset management

- Phasing out the activities in the Czech Republic, Germany, the Baltic States and Russia .
- Maturing and optimizing the operation of completed properties with a view to selling them in the period until 2019-2020.

The equity freed up from the sale is to be distributed to the Company's shareholders.

2020 goal

Streamlined developer company

FOLLOW-UP ON STRATEGIC GOALS DEFINED IN DECEMBER 2015

Strategic goal	Current status
A return on equity of 15-20% p.a. before tax in the property development business as from the 2017/18 financial year.	TK Development initially expected a profit of DKK 100-120 million before tax for financial year 2017/18. Due to extraordinary events in connection with the bankruptcy of a contractor on the Strædet project in Køge, including substantial additional costs, combined with the postponed handover of another project, Management has, as stated in Company announcement no. 6/2017, lowered the Group's profit guidance to DKK 50-60 million before tax. The profit guidance assumes a return on equity of 7-8% for the Group's development activities, against the previous forecast of about 15%. Accordingly, the strategic goal of a return on equity of 15-20% p.a. before tax from the property development business is not expected to be realised until in financial year 2018/19.
Solvency ratio of around 40%.	With the solvency ratio at 44.9% at 31 July 2017, this goal has been achieved. The solvency ratio is expected to exceed 40% also in the years ahead.
Substantial reduction of the land portfolio.	Since the strategy was announced in December 2015, the land portfolio has been significantly reduced to DKK 458 million at 31 July 2017. A further significant reduction of the land portfolio is being pursued.
Phase-out of the Group's activities in the Czech Republic, Germany, the Baltic States and Russia.	Assets worth almost DKK 60 million have been sold since December 2015, and the phase-out continues. The carrying amount of projects totalled DKK 197 million at 31 July 2017. The Company's project in Russia was sold to a private investor after the balance sheet date, and TK Development has thus exited the Russian market altogether.
Maturing and optimisation of the asset management activities with a view to divestment in 2019-2020.	Detailed development and operating plans have been drafted for each property, and the plans are generally progressing as planned. The aim is still for the asset management activities to be sold by 2019-2020.
Gradual reduction of costs in step with strategic goal realisation.	Overheads were down to DKK 79.7 million in 2016/17 from DKK 82.0 million in 2015/16. Costs will be further reduced in step with the divestment of asset management activities and the phase-out of the activities in the Czech Republic, Germany, the Baltic States and Russia.

PROFIT/LOSS

The profit before tax for H1 2017/18 was DKK 14.0 million against a loss of DKK 9.3 million in H1 2016/17. The profit after tax was DKK 7.1 million against a loss of DKK 9.8 million for H1 2016/17.

Revenue came to DKK 184.5 million, down from DKK 237.1 million in H1 2016/17. Gross profit was DKK 27.9 million against DKK 44.3 million in the same period of 2016/17. Gross profit primarily reflects the earnings effect of projects handed over in the property development business, the operation of the Group's wholly-owned completed properties and fee income.

The profit from joint ventures was DKK 40.7 million, up from DKK 5.0 million in H1 2016/17. The contribution from the property development business includes a positive value adjustment, DKK 4.5 million, of the Group's ownership interest in BROEN Shopping, the operation of the centre since its opening in April 2017 and profits from the sale and handover of a substantial share of the residential units of the America Have project in Copenhagen. The contribution from asset management includes the operation of the Group's partially owned completed properties.

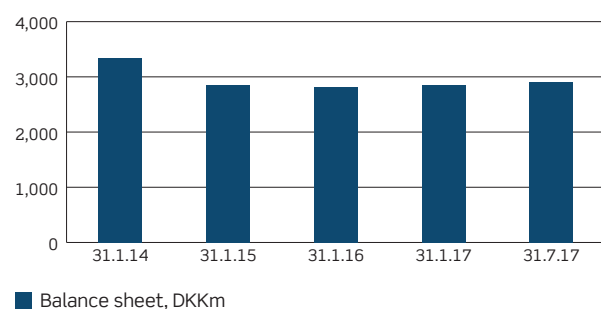
Staff costs and other external expenses amounted to DKK 39.3 million against DKK 40.4 million in H1 2016/17.

Net financing expenses amounted to DKK 15.4 million against DKK 18.4 million in the year-earlier period.

BALANCE SHEET

Total assets amounted to DKK 2,902.0 million at 31 July 2017 against DKK 2,852.9 million at 31 January 2017.

Development in total assets



The carrying amount of the Group's investment property is DKK 53.1 million, unchanged from 31 January 2017. TK Development also has investment properties in joint ventures.

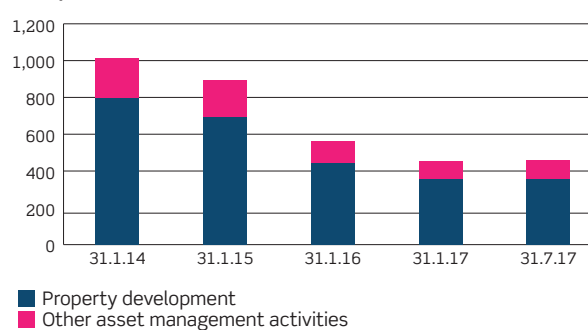
Net investments in and receivables from joint ventures amounted to DKK 502.4 million against DKK 474.1 million at 31 January 2017. The increase primarily relates to investments in BROEN Shopping in connection with the completion of the build and the share of the period's profit of joint ventures less dividend distributions.

Deferred tax assets totalled DKK 68.5 million against DKK 75.4 million at 31 January 2017. The deferred tax assets relate exclusively to the Group's Danish activities, as the Group's foreign tax assets have been written off.

The total project portfolio amounts to DKK 2,168.4 million against DKK 2,155.2 million at 31 January 2017. The increase derives from the investments made in projects in progress, including Strædet in Køge and Domus Vista in Frederiksberg, and the decrease resulting from the handover of projects sold and prepayments from customers. Total prepayments from customers amounted to DKK 105.5 million at 31 July 2017 against DKK 72.5 million at 31 January 2017.

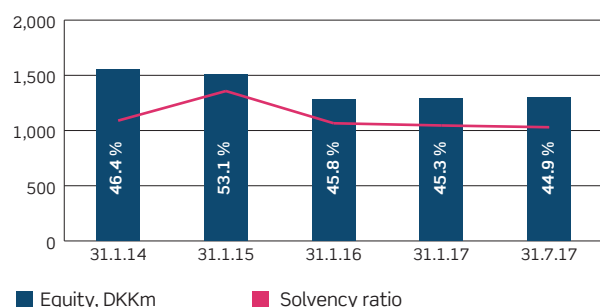
Projects in progress and completed projects also include the Group's land portfolio, which amounted to DKK 458 million at 31 July 2017, slightly up from DKK 453 million at 31 January 2017. When the last phase of the Bielany residential project in Warsaw is commenced, the land portfolio will be reduced by DKK 100 million.

Land portfolio



Consolidated equity stood at DKK 1,304.1 million at 31 July 2017 against DKK 1,293.7 million at 31 January 2017. The solvency ratio was 44.9% at 31 July 2017 as compared with 45.3% at 31 January 2017. A strong solvency ratio is a key priority for Management, and the aim is to maintain a solvency ratio of at least 40%.

Equity and solvency



The Group's liabilities totalled DKK 1,597.9 million at 31 July 2017, slightly up from DKK 1,559.2 million at 31 January 2017. The increase reflects higher payables to credit institutions and lower trade payables.

CASH FLOWS

Cash flows for the period were DKK 0.0 million against a net outflow of DKK 1.0 million for the same period the year before.

Cash flows from operating activities were a net outflow of DKK 54.6 million (Q2 2016/17: net outflow of DKK 141.0 million), reflecting an increase in funds tied up in receivables, a decrease in trade payables, an increase in funds tied up in escrow accounts, as well as interest payments and operations.

Cash flows from investing activities were a net outflow of DKK 5.7 million (Q2 2016/17: net inflow of DKK 0.4 million).

Cash flows from financing activities were a net inflow of DKK 60.3 million, reflecting the raising of project funding for projects in progress and a reduction of other payables to credit institutions (Q2 2016/17: net inflow of DKK 139.6 million).

FINANCIALS

Net interest-bearing debt amounted to DKK 1,248.7 million at 31 July 2017 against DKK 1,196.2 million at 31 January 2017. At 31 July 2017, project funding of DKK 369.3 million was due by the end of January 2018. Most of these facilities are expected to be repaid before maturity upon handover of the relevant projects to investors.

In the first quarter of 2017/18, TK Development extended its operating and project funding agreement with its main banker until 30 April 2018.

TK Development usually finances its projects through traditional bank funding. One of the Group's partly owned companies in

Poland has also raised a mezzanine loan as part of refinancing the property. The loan agreement contains a number of covenants to be met at specific intervals in order for the loan to be upheld. In order for the agreed covenants to be met also going forward, the letting situation needs to improve even further.

OUTLOOK FOR 2017/18

Due to extraordinary events in connection with the bankruptcy of a contractor involved in the Strædet project in Køge, including substantial additional costs, combined with the postponed handover of another project, Management at the end of August 2017 lowered the Group's profit guidance for financial year 2017/18 from DKK 100-120 million before tax to DKK 50-60 million before tax. For additional information, see Company announcement no. 6/2017.

The revised profit guidance assumes a return on equity of 7-8% for the Group's development activities, against the previous forecast of about 15%.

The profit guidance is based on Management's expectations, including timing estimates, for a number of specific projects. The guidance reflects, among other things, that the second phase of Strædet, Køge, is expected to be handed over to Citycon this autumn.

The expectations stated in this interim report, including earnings forecasts, are inherently subject to risks and uncertainties, and actual results may differ from the guidance provided. Expectations may be impacted by factors generally affecting the sector as well as the factors referred to under Risk management and in note 2 to the consolidated financial statements in the Group's annual report for 2016/17, Accounting estimates and judgments, including the valuation of the Group's project portfolio.

EVENTS AFTER THE BALANCE SHEET DATE

Except as described in the management commentary, including the lowered profit guidance for financial year 2017/18, no significant events have occurred after the balance sheet date that may affect the Company's financial position.

OTHER MATTERS

BOARD OF DIRECTORS

An extraordinary general meeting was held on 6 September 2017. Board elections were the only item on the agenda. Kim Mikkelsen resigned, while Anne Skovbro and Michael Bruhn were elected to the Board of Directors. The Board of Directors elected Peter Thorsen as its Chairman and Henrik Heideby as its Deputy Chairman.

FINANCIAL TARGETS

TK Development pursues group-wide liquidity targets for the purpose of ensuring sufficient future financial resources. In addition, Management has adopted a 40% solvency target for the Group, calculated as the ratio of equity to total assets. Vis-à-vis its main banker, the Group has committed to maintaining a group solvency ratio of at least 30%, as measured at the presentation of interim and annual reports, and to pursuing liquidity targets. Both covenants were satisfied in the period under review.

RISK MANAGEMENT

The Group's principal risk factors are described in the annual report for 2016/17.

MetroBielany, residential project, phase 3, Warsaw, Poland - completion scheduled for spring 2018



In Management's assessment, current property market sentiments are generally positive. Generally brisk investor interest, reasonable opportunities for financing property acquisitions and the historically low level of interest rates and excess liquidity in the market combine with volatile equity markets to make property investments increasingly attractive to investors in terms of risk and return.

Management expects continued satisfactory earnings from the property development business in accordance with the Group's strategic goals.

TK Development focuses on three segments: retail, residential and office. TK Development is looking to tap even deeper into the attractive property development potential in the residential segment. The Group has several attractive residential projects in its portfolio, along with a diversified pool of other small, medium-sized and large, more complex, projects. At the same time, the Group is working to diversify its project portfolio on small and medium-sized projects with relatively short completion times – offering a reasonable earnings potential without the need to tie up large amounts of capital for prolonged periods – and larger, more complex projects, which TK Development also has the skills to execute.

In Denmark, TK Development works within all three segments: retail, residential and office. In Sweden, the Group remains focused on retail or cross-segmental projects, while efforts are also being made to add attractive residential projects to the portfolio. In Poland, TK Development is currently working in the retail and residential segments.

All of the Group's markets are experiencing considerable investor interest in retail, office and residential projects in attractive locations in major cities and towns. Location and quality are key investing parameters. For prime-location properties where the risk of vacancies is relatively limited, return requirements are relatively low and expected to remain stable or to decline slightly over the coming year. Selling prices for properties in secondary locations are under pressure.

The Danish market in particular is attracting strong foreign investor interest with foreign-held investments taking up an even greater share of property investments in Denmark in 2016, primarily in Copenhagen and the capital region. In recent years, foreign investors have shown a particular interest in the retail segment, but in 2016 also increased their focus on the residential and office segments. In the years ahead, investors are

expected to increasingly look beyond major cities and towns for property investment opportunities offering higher returns.

Potential investors in the Group's projects in the three segments mentioned above typically consist of high-net-worth individuals, local or major property companies, institutional investors and foreign investors.

RETAIL

Denmark

Population growth in major Danish cities and towns is spurring demand for new retail shops and development of existing shopping areas. National and international chains, including supermarket chains and retail chains, are still looking to expand at a controlled pace, but their decision-making processes are protracted. Identifying attractive locations is a prerequisite for expansion, and if the location is right, more tenants will also be interested in new small-town locations. Prime-location rent levels are expected to remain more or less flat in the years ahead, whereas secondary location rents will remain under pressure.

Investors, local as well as international, are generally showing considerable interest, primarily in prime locations in major cities and towns. In the years ahead, investors are expected to increasingly look beyond major cities and towns for property investment opportunities offering higher returns.

Sweden

TK Development is focused on developing prime-location superstores and shopping centres in major cities and towns, the main target areas being Stockholm and Gothenburg.

Project location remains key to tenants, and the gap between primary and secondary locations continues to widen. Retail chains seem set on expanding in major cities, particularly Stockholm and Gothenburg, but also in other of Sweden's major cities and towns, while at the same time international chains are entering the Swedish market. The high annual population growth that Stockholm is experiencing these years is spurring demand for new retail shops and development of existing shopping areas, whether they are retail parks or shopping centres. Prime-location rent levels are stable, while secondary location rents are under pressure.

Both local and international investors are showing a high level of interest, primarily in prime-location projects, and return requirements, which are fairly low for these projects, are expected to remain stable in the upcoming period.

MARKETS

Poland

In the retail segment, potent national and international chains are still looking to expand at a controlled pace, their primary focus being on location, as in the Group's other markets. Prime-location retail premises in major cities and towns are generally in high demand, and the Group is also seeing increasing tenant interest in attractive small-town locations.

Property prices have generally trended upwards during the past year, and the current price level is expected to be maintained in the period ahead. Investors mainly have their sights on major cities, particularly Warsaw, but are increasingly diversifying to smaller cities and towns in the chase for higher returns. The Polish market is still dominated by international investors.

RESIDENTIAL

Denmark

The Danish residential market is attractive, particularly in the largest cities. New housing, rented as well as owner-occupied, is needed in cities and towns with significant population growth. The migration towards major cities and towns is expected to continue in the years ahead.

Rental housing rents are currently relatively high and expected to remain stable in the period ahead. Residential rental properties are attracting great investor interest, focused on locations in Copenhagen and other major cities and towns with significant population growth. Prospective investors are typically high-net-worth individuals, local or major property companies, institutional investors and international investors.

The market for the development and sale of owner-occupied housing to private individuals is also attractive. Owner-occupied units are in high demand. Selling prices have trended upwards over the past year and have reached a relatively high level, which is expected to remain stable in the upcoming period. TK Development is currently working on several residential projects, rental as well as owner-occupied, and will continue to do so in the years ahead.

Poland

Poland's relatively rapid urbanisation is boosting demand for new homes. This makes the Polish housing market attractive. The market for development of housing for sale to private owner-occupants is particularly attractive. The Warsaw owner-occupied housing market is driven by stable to slightly rising prices, a low level of interest rates and confidence in sustained economic growth. Owner-occupied housing is in high demand.

In the years ahead, TK Development will focus on developing and finalising the last phases of the Group's residential project in Bielany, Warsaw, and on executing several minor residential projects, also in Warsaw.

Expected to grow significantly in the coming years, the Polish rental housing market holds increasing potential. TK Development is currently working on the development of rental housing in Warsaw and expects to grow its business volume in this segment over the next few years. The Group has sold its first rental housing project to a property fund and is now executing the project on a fee basis. TK Development is working on a range of similar project opportunities and expects to execute several rental housing projects in the years ahead.

OFFICE

Denmark

The Danish office market is seeing a good deal of interest in projects in major cities and towns. Projects in attractive locations appeal to tenants and investors alike, and demand for office space is growing in step with declining unemployment rates. There is a wide gap between vacancy rates for primary and secondary locations. Fair demand for new premises with a good layout is expected in the years ahead. Prime-location rent levels are expected to be relatively stable, while secondary-location rents are expected to remain under pressure. Selling prices for prime-location office properties are expected to ease upwards during the next year.



SEGMENT RESULTS

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

FINANCIAL PERFORMANCE H1 2017/18 (DKKM)

Profit/loss	H1 2017/18	Property development	Asset management	Unallocated
Revenue	184.5	154.1	30.4	-
Gross profit/loss	27.9	6.6	21.3	-
Income from investments in joint ventures	40.7	39.6	1.3	-0.2
Costs, including amortisation/depreciation of non-current assets	39.6	24.0	10.0	5.6
Operating profit/loss	29.0	22.2	12.6	-5.8
Income from investments in associates	0.4	0.4	-	-
Financing, net	-15.4	3.2	-18.6	-
Profit/loss before tax	14.0	25.8	-6.0	-5.8
Tax on profit/loss for the period	6.9			
Profit/loss for the period	7.1			

BALANCE SHEET STRUCTURE AT 31 JULY 2017 (DKKM)

Balance sheet	31 July 2017	Property development	Asset management	Unallocated
Assets				
Investment properties	53.1	-	53.1	-
Investments in joint ventures	296.4	189.7	106.7	-
Non-current receivables	203.4	86.8	116.6	-
Other non-current assets	79.7	8.0	1.4	70.3
Projects in progress or completed	2,168.4	934.8	1,233.6	-
Current receivables	55.6	39.0	16.6	-
Cash and cash equivalents, escrow accounts, etc.	45.4	39.0	6.2	0.2
Assets	2,902.0	1,297.3	1,534.2	70.5
Equity and liabilities				
Equity	1,304.1	728.3	523.4	52.4
Credit institutions	1,495.2	515.9	979.3	-
Other payables	102.7	53.1	31.5	18.1
Equity and liabilities	2,902.0	1,297.3	1,534.2	70.5
Solvency ratio	44.9%	56.1%	34.1%	74.3%

PROPERTY DEVELOPMENT

The Group's primary business area is property development. The Group's strategic focus is on property development in Denmark, Sweden and Poland.

Property development - Denmark, Sweden and Poland		
DKKkm	H1 2017/18	H1 2016/17
Revenue	154.1	196.9
Gross profit/loss	6.6	20.2
Profit/loss of joint ventures	39.6	4.2
Profit/loss before tax	25.8	3.0
	31 July 2017	31 Jan. 2017
Total assets	1,297.3	1,240.1
Tied-up equity	728.3	704.0

Projects handed over

Retail park, Oskarshamn, Sweden

In Oskarshamn, TK Development has completed a 3,200 sqm retail park project. The project was handed over to the investor in Q1 2017/18 along with an option to expand the project by 4,700 sqm.

Strædet, development of town centre, Køge, Denmark

The 19,000 sqm retail project along with parking facilities of about 13,000 sqm have been sold under a conditional sale agreement to Finnish-based Citycon. The project will be handed over to Citycon in three phases. The first phase, totalling 4,400 sqm and comprising a cinema and restaurants, was completed in May 2017 and handed over to Citycon in July 2017. The project is described in detail below.

Amerika Have, residential project, Copenhagen, Denmark

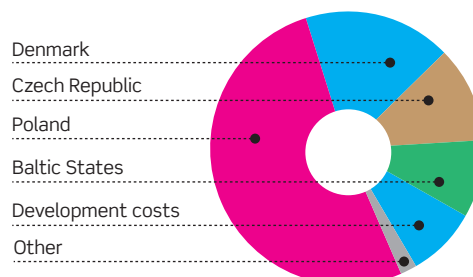
Together with By & Havn I/S and AP Pension, TK Development has developed the Amerika Have project, which comprises owner-occupied housing of about 12,000 sqm and business premises of about 500 sqm targeting the general public. A total of 121 high-quality apartments have been constructed, and most of the units sold were handed over to the respective buyers in Q2 2017/18. The project is described in detail below.

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

Project portfolio

At 31 July 2017, the development potential of the project portfolio represented sold projects of 36,000 sqm and remaining projects of 358,000 sqm, a total of 394,000 sqm as compared with 382,000 sqm at 31 January 2017.

Geographical segmentation of the development potential of the project portfolio (sqm):



Until the opening of BROEN Shopping in April 2017, TK Development was involved in construction projects comprising more than 120,000 sqm and is currently involved in construction projects comprising some 85,000 sqm. These projects are progressing satisfactorily.

Pipeline projects are moving ahead at a good pace on the back of robust tenant and investor interest. With the Group working on a number of major projects, Management expects to meet its strategic goal of a return on equity of 15-20% p.a. before tax in the property development business as from financial year 2018/19.

PROJECT OUTLINE

The outline below lists the key projects of the property development portfolio. The outline includes projects in wholly-owned companies as well as in joint ventures. In addition, TK Develop-

ment's activities include a number of small and medium-sized projects in the Group's primary segments – retail, office and residential – as well as combinations of these segments.

Project	City/town	Country	Segment	TKD's owner- ship share of area (sqm)	TKD's ownership interest	Construction start/ expected construction start	Opening/ expected opening
Completed							
BROEN Shopping	Esbjerg	DK	Retail	10,430	35%	May 2015	April 2017
Amerika Have	Copenhagen	DK	Residential	1,375	25%	September 2015	May 2017
In progress							
Strædet	Køge	DK	Mix	20,900	100%	March 2015	May 2017/ autumn 2017/2018
Domus Vista	Frederiksberg	DK	Residential	5,300	100%	October 2016	Early 2018
Havnehus 1, Østre Havn	Aalborg	DK	Residential	2,450	50%	February 2017	Spring 2018
Beddingen 7A, Østre Havn	Aalborg	DK	Residential	3,500	50%	June 2017	Late 2018
MetroBielany, Bielany, phase 3	Warsaw	PL	Residential/services	15,650	100%	June 2016	Spring 2018
Not initiated							
Aarhus South, phase 2	Aarhus	DK	Retail	2,800	100%	2017	2018
Ejby Industrivej	Copenhagen	DK	Office	6,300	100%	-	-
Vanløse Allé	Vanløse	DK	Residential	1,700	100%	August 2017	Autumn 2018
Østre Havn/Stuhrs Brygge	Aalborg	DK	Mix	13,200	¹⁾ 50%	Continuously	Continuously
Sporbyen	Randers	DK	Mix	70,000	50%	Continuously	Continuously
Kulan commercial district	Gothenburg	SE	Mix	55,000	100%	2019	2021
Arninge Entré commercial district	Stockholm	SE	Mix	60,000	100%	2019	2021
Retail park, Södertälje	Södertälje	SE	Retail	8,000	100%	Autumn 2017	Autumn 2018
MetroBielany, Bielany, phase 4	Warsaw	PL	Residential/services	12,530	100%	Spring 2018	Autumn 2019
Bytom Retail Park	Bytom	PL	Retail	21,400	100%	Continuously	Continuously
Property development, total floor space				approx. 310,000			

¹⁾ Share of profit on development is 70%

COMPLETED PROJECTS

BROEN Shopping, shopping centre, Esbjerg, Denmark

Together with CapMan Real Estate, TK Development has built a new shopping centre in Esbjerg, BROEN Shopping, of about 29,800 sqm at Esbjerg Railway Station. The centre opened on 10 April 2017. TK Development's ownership interest is 35%.

93% of the total space has been let (Q1 2017/18: 91%). Tenants include Kvickly, H&M, Fitness.dk, Bahne, Kings & Queens, Imerco, Sportmaster, Gina Tricot, Café Vivaldi, Nielsens, Deichmann and others.

Plans are afoot to add a cinema to the shopping centre, 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 local planning required for this purpose has been initiated. As construction takes place close to the railway line, Rail Net Denmark during the recent CSM pro-

cess requested a validation process regarding the foundations to be established along the railway. This is expected to delay construction start, and the cinema is therefore now expected to open in spring 2019.

Amerika Have, residential project, Copenhagen, Denmark

Kommanditaktieselskabet Danlink Udvikling (DLU), owned 50/50 by Udviklingselskabet By & Havn I/S and TK Development, has developed a project at Amerika Plads in a 50/50 joint venture with AP Pension. The project – Amerika Have – comprises residential units of about 12,000 sqm and business premises of about 500 sqm targeting the general public. A total of 121 high-quality apartments have been constructed, 119 of which have been sold (Q1 2017/18: 114). The process of developing, constructing and selling the project has progressed satisfactorily. Construction has been completed, and most of the units sold were handed over to the respective buyers in Q2 2017/18. Profits from the sale of the project are recognised

as the apartments are handed over. Accordingly, a significant share of the profit was realised and recognised in Q2 2017/18.

PROJECTS IN PROGRESS

Strædet, development of town centre, Køge, Denmark

Adjacent to Køge Station and the town centre shopping area, TK Development is building a 34,300 sqm project comprising a retail project of about 19,000 sqm, public service facilities of just under 9,000 sqm, including a town hall and a rehabilitation centre, and residential units of about 6,300 sqm. In addition, the project comprises parking facilities of about 13,000 sqm. The building rights for the town hall and the rehabilitation centre have been sold to Køge Municipality.

The 19,000 sqm retail project has been sold under a conditional sale agreement to Finnish-based Citycon together with parking facilities of about 13,000 sqm. The project will be handed over to Citycon in three phases. The first phase, comprising a cinema and restaurants, was completed in May 2017 and handed over to the buyer in July 2017.

In August 2017, one of the contractors on the project filed a petition in bankruptcy. This bankruptcy will delay the opening of the project's retail section (second phase) and lead to substantial additional costs to complete the project and late delivery of some of the housing units. The shops included in the second phase are now scheduled to open on 28 September 2017.

While delayed, delivery of the second phase to Citycon is still expected to take place this autumn. The sale to Citycon is still expected to have a positive, if substantially reduced, impact on results for the 2017/18 financial year. A minor part of the project is scheduled for completion in 2018.

The current occupancy rate for the total retail project is 91% (Q1 2017/18: 88%). Tenants include Irma, Fakta, H&M, Bones, Kings & Queens, Sportigan, Wagner, Gina Tricot, Deichmann and a six-screen Nordisk Film cinema.

In the context of the 6,300 sqm residential project, TK Development is currently working on the development of about 3,000 sqm of housing units in Rådhusstrædet. A total of 28 residential units will be constructed, consisting of both owner-occupied units and two-storey town houses. The pre-completion sale has begun. Construction will be carried out in connection with the rest of the project, and the first residential units are expected to be ready for handover at the end of 2017.

Domus Vista, youth housing units, Frederiksberg, Copenhagen, Denmark

In Frederiksberg, TK Development has sold a 5,300 sqm youth housing project under a conditional sale agreement to Koncenton, which has taken over the letting process as part of the deal. Construction started in October 2016, and the completed project is expected to be handed over to the investor in early 2018.

Østre Havn/Stuhrs Brygge, Aalborg, Denmark

In the area previously occupied by Aalborg Shipyard at Stuhrs Brygge, TK Development is developing a retail and residential park through a company owned 50/50 with Frederikshavn Maritime Erhvervspark. A number of projects are currently being planned, including 7,000 sqm of youth housing units, for which the building rights have been sold to a housing association, 12,000 sqm of rental housing units, 13,000 sqm of owner-occupied units and 13,000 sqm of offices plus parking facilities.

One of the planned projects comprises about 7,000 sqm of owner-occupied prime-location units at Beddingen. The pre-completion sale of the apartments has begun. Construction commenced in mid-2017, and the apartments are expected to be ready for occupation in late 2018.

The rental units will be constructed in three phases, the first phase consisting of a 4,900 sqm rental property. This project has been sold to a private investor, who will also handle the letting process. The sale will be executed on a forward funding basis, meaning that the investor will pay for the project in step with project completion. Construction began in early 2017 and is scheduled to be completed and handed over to the buyer in spring 2018.

MetroBielany, residential project, Bielany, Warsaw, Poland

In Warsaw, TK Development is developing a residential project of owner-occupied units totalling about 51,000 sqm. The project is being built in four phases, and the first two phases, totalling 22,700 sqm, have been completed and for the most part sold and handed over to private users.

The third phase will comprise about 15,650 sqm and consist of 263 residential units and service facilities. Construction commenced in June 2016 with completion of the residential units scheduled for spring 2018. The construction and the pre-completion sale are progressing satisfactorily with 68% (Q1 2017/18: 54%) of the units sold.

SELECTED PROJECTS NOT INITIATED**Østre Havn/Stuhls Brygge, Aalborg, Denmark**

For a description of this project, reference is made to Projects in progress above.

Youth housing units, Vanløse, Denmark

In Vanløse, TK Development has sold a 1,700 sqm youth housing project under a conditional sale agreement to Koncenton, which took over the letting process as part of the deal. Construction started in August 2017, after the balance sheet date, and the completed project is expected to be handed over to the investor in autumn 2018. In addition to the Vanløse project, TK Development signed a conditional sale agreement with Koncenton concerning a 1,200 sqm youth housing project in Englandsvej, Amager, Copenhagen. This project was abandoned after the balance sheet date as project profitability was being eroded by additional regulatory requirements.

Sporbyen, Randers, Denmark

In a joint venture with private investors, TK Development is working on an area previously occupied by Bombardier, the train manufacturers, in Randers, where the plan is to develop some 140,000 sqm of retail shops, housing units, offices, etc. Having been submitted for consultation, the local development plan for the area is expected to be finally adopted at the end of 2017, following which the joint venture is expected to take over

the area. The project is attracting a good deal of interest from investors and users, and work is currently ongoing to sell the building rights for a few of the area's building plots.

Arninge Entré, commercial district, Stockholm, Sweden

In Arninge in Stockholm, the municipal authorities have chosen TK Development as their preferred partner for the development of an area that is to serve as the entry point to the town centre of Arninge. TK Development is currently engaged in the planning process together with the municipal authorities. The project is expected to comprise about 60,000 sqm, primarily retail stores, with a possibility for including office premises as well. Both tenants and investors have shown considerable interest in the project, and work on the planning, letting and sale will proceed during the months ahead. The local development plan for the area is expected in autumn 2019, and construction is expected to commence in late 2019 with completion scheduled for 2021.

Retail park, Södertälje, Sweden

TK Development is currently developing an 8,000 sqm retail park in Södertälje. Leases for about 70% of the total space (Q1 2017/18: 70%) have been signed, including with a supermarket, and tenants are showing a good amount of interest in the remaining premises. Construction is expected to commence in autumn 2017 with completion scheduled for autumn 2018.

BROEN Shopping, Esbjerg, Denmark - opened on 10 April 2017



ASSET MANAGEMENT

The Group's asset management activities comprise the operation of the Group's completed properties and investment properties as well as land and development projects in markets where the Group wishes to eventually discontinue its activities.

As announced in December 2015, the Group aims to sell its asset management activities within three to five years counting from December 2015 and to distribute the tied-up equity thus released to its shareholders.

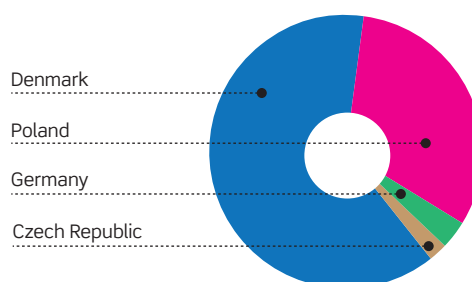
The timing of the sale of assets under management is continuously assessed taking into account the best interests of the Company's shareholders. This assessment balances factors such as the risk and potential of prolonged maturing of an asset against the time of dividend distribution and the possibility of reducing overheads.

Asset management		
DKKm	H1 2017/18	H1 2016/17
Revenue	30.4	40.2
Gross profit/loss	21.3	24.1
Profit/loss of joint ventures	1.3	0.5
Profit/loss before tax	-6.0	-7.2
	31 July 2017	31 Jan. 2017
Total assets	1,534.2	1,535.9
Tied-up equity	523.4	529.5
Number of centre employees	14	16

The Group's asset management activities generated a loss before tax of DKK 6.0 million for H1 2017/18 against a loss of DKK 7.2 million for H1 2016/17.

The total portfolio of completed properties under asset management, including joint venture properties, amounted to DKK 1,594.5 million at 31 July 2017 against DKK 1,591.5 million at 31 January 2017.

Total portfolio of properties in operation, including joint venture properties, broken down by country (DKK):



Based on the current occupancy rate, annual net rent from the total portfolio corresponds to a return on the carrying amount of 4.4%^{*)} (Q1 2017/18: 4.4%), which conceals some variation in the returns on individual centres. Rental income is still affected by vacancies, short-term rent discount agreements with tenants and improvement initiatives that have not yet materialised in full. Based on full occupancy, the return on the carrying amount is expected to be 6.2%^{*)} (Q1 2017/18: 6.2%).

^{*)} Before preferred return for a joint venture partner in Polish projects.

The Group's completed properties under asset management at 31 July 2017:

	Country	Type	TKD's ownership interest	Project area sqm	Current occupancy rate
Projects in wholly-owned companies					
Completed projects					
Sillebroen Shopping, Frederikssund	Denmark	Shopping centre	100%	26,400	91%
Galeria Sandecja, Nowy Sącz	Poland	Shopping centre	100%	17,500	96%
Most Retail Park	Czech Republic	Retail park	100%	6,400	69%
Aabenraa	Denmark	Retail park	100%	4,200	81%
Brønderslev	Denmark	Retail property	100%	1,200	100%
Investment properties					
Lüdenscheid	Germany	Mix	100%	14,000	50%
Joint venture projects					
Galeria Nowy Rynek, Jelenia Góra	Poland	Shopping centre	30%	24,800	93%
Galeria Tarnovia, Tarnów	Poland	Shopping centre	30%	17,000	93%
Ringsted Outlet	Denmark	Outlet centre	50%	13,200	94%
Amerika Plads, underground car park	Denmark	Car park	50%	32,000	n/a
Total				156,700	

In addition to completed properties, the Group's asset management activities comprise land and development projects in markets

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

Opening	March 2010
Leasable area	26,400 sqm, including about 4,000 sqm of supermarket units
Occupancy rate	91% (Q1 2017/18: 93%)
Footfall 2016	3.4 million

Planned operational measures:

- Assess spillover effects of cinema opening and on this basis proactively optimise the tenant mix.
- Carry on additional marketing and image building campaigns after cinema opening.
- Boost the occupancy rate by signing agreements with new tenants to further strengthen Sillebroen's position as a preferred shopping destination.

As an important step towards increasing customer flows and growing Sillebroen's revenue, an agreement was made with Nordisk Film Cinemas on the establishment of a 1,400 sqm cinema in the centre, and the new cinema opened in August 2016. The positive effect of the cinema opening is an important contribution to the continued optimisation of the tenant mix.

Overall, the centre's tenant mix improved considerably in 2016 despite the closing of the Fona store. In addition to the new Nordisk Film cinema, Imerco, Søstre Grene and Normal also opened new retail stores in the centre. Fakta closed its supermarket at the beginning of 2017. The footfall index for 2017 to date is 98 relative to the same period of 2016, and the revenue index is 91, reflecting the shutdown of the Fona and Fakta stores.

A lease has been signed with Fitness.dk, which will open a fitness centre in October 2017 when the premises have been refurbished. Management believes this addition will help attract more customers and strengthen the centre's position as a preferred shopping destination for the area's consumers.

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

Opening	November 2009
Leasable area	17,000 sqm, including a 2,000 sqm supermarket
Occupancy rate	93% (Q1 2017/18: 94%)
Footfall 2016	1.8 million

Planned operational measures:

- Relocate tenants to create a better customer flow in the centre.
- Assess spillover effects of cinema opening and on this basis proactively optimise the tenant mix.
- Change temporary leases to ordinary leases on terms and conditions that are satisfactory to the Group.
- Carry on additional marketing and image building campaigns after cinema opening.
- Boost the occupancy rate.

Galeria Tarnovia is owned through a joint venture with Heitman, and TK Development's ownership interest is 30%. Galeria Tarnovia is faced with a strong competitive environment in Tarnów. In an effort to upgrade the centre and bolster its competitive position, the tenant composition has been changed, which has helped increase the customer flow. In addition, a cinema opened in December 2016, and several new tenants have moved in, significantly improving the centre's overall occupancy rate.

The effects of these measures are beginning to filter through. The revenue index for 2016 was 105 relative to 2015, and the footfall index was 101. December 2016 saw the highest revenue and the largest number of visitors in any one month since the centre opened. The positive trend has continued into 2017, and the revenue index for 2017 to date is 119 relative to the same period of 2016, while the footfall index is 116.

In connection with a refinancing of the centre in 2016, the joint venture raised a mezzanine loan. The loan agreement contains a number of covenants to be met at specific intervals in order for the loan to be upheld. In order for the agreed covenants to be met also going forward, the letting situation needs to improve even further.

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

Opening	October 2015
Leasable area	24,800 sqm, including a 2,400 sqm supermarket
Occupancy rate	93% (Q1 2017/18: 93%)
Footfall 2016	3.7 million

Planned operational measures:

- Replace weak tenants.
- Let vacant premises.
- Optimise the tenant mix.
- Launch strong marketing and image building campaigns.

In Jelenia Góra, TK Development has developed and built a 24,800 sqm shopping centre in a joint venture with Heitman. The Group's ownership interest is 30%. The shopping centre opened in October 2015 and currently has an occupancy rate of 93%. Since the centre opened, efforts have been ongoing to optimise the tenant mix by replacing weak tenants with more robust tenants/concepts.

The main focus in 2017 is on growing revenue by strengthening the centre's appeal. This can be achieved by means of strong marketing and image building campaigns to raise customer awareness of the centre and by further improving the tenant mix and attracting other and new concepts. The revenue index for 2017 to date is 114 relative to the same period of 2016, and

ASSET MANAGEMENT

the footfall index is 103.

The above initiatives are essential elements of the long-term plan for the centre, which sets out to achieve satisfactory operational results within the next few years.

GALERIA SANDECJA, SHOPPING CENTRE, NOWY SĄCZ, POLAND

Opening	October 2009
Leasable area	17,500 sqm, including a 5,000 sqm hypermarket
Occupancy rate	96% (Q1 2017/18: 95%)
Footfall 2016	2.1 million

Planned operational measures:

- Retain a high occupancy rate.
- Change temporary leases to ordinary leases on terms and conditions that are satisfactory to the Group.
- Optimise the tenant mix by placing traditional tenants on the ground floor.
- Upgrade the first floor with, i.a., discount stores offering a wide range of low-price products.

Having been strongly affected for a while by a competing centre that opened in autumn 2013, Galeria Sandecja is once again rallying. Various initiatives implemented in 2015, including efforts to create a strong mix of tenants on the ground floor and upgrade the first floor, helped stop the negative trend in revenue and footfall in early 2016. The revenue index for 2016 was 114 relative to 2015, and the footfall index was 101. The revenue index for 2017 to date is 112 relative to the same period of 2016, and the footfall index is 102.

In light of the improved situation, a clear letting strategy for the next year has been defined with initial focus on converting short-term leases into ordinary leases with long non-cancelable periods. The process is ongoing, and several short-term leases have already been converted into ordinary leases. At the same time, the centre's food court has been upgraded, and there are plans to move a few tenants around and expand a number of units. The occupancy rate has increased to 96%.

These measures are essential elements of the long-term plan for the centre, which sets out to restore satisfactory operational results within the next few years and thus enable the centre to fetch a satisfactory price in a potential sale.

RINGSTED OUTLET, DENMARK

Opening	March 2008
Leasable area	13,200 sqm
Occupancy rate	94% (Q1 2017/18: 89%)
Footfall 2016	1.6 million

Planned operational measures:

- Optimise the tenant mix through proactive dialogue with tenants.
- Boost the occupancy rate (dialogue is ongoing with several potential tenants).
- Make preparations for contemplated expansion of the centre with a second phase.

The favourable trend of the past few years has continued into 2017, and the centre continues to grow both revenue and footfall. The footfall index for 2017 to date is 113 relative to the same period of 2016, and the revenue index is 109.

Continuous efforts are being made to optimise the tenant mix, and a number of new tenants opened outlets in the centre in 2016. An additional number of new outlets have opened in 2017. Schiesser and Lindt both opened outlets in spring 2017, Ecco and Betty Barclay both opened in June 2017, Kappa opened in July 2017, and Skechers and H&M opened in August 2017. In addition, leases have been signed with, among others, Lacoste and Moss Copenhagen, which have both opened outlets in September 2017. As a result, the occupancy rate has gone up to 94%. At the same time, constructive dialogue is ongoing with several potential tenants, and it is expected that an even stronger outlet centre will emerge in the course of the next year.

Ringsted Outlet is a 50/50 joint venture. The other 50% stake is owned by CapMan Real Estate. In the next few years, TK Development and CapMan Real Estate will continue to develop Ringsted Outlet and further explore the possibilities for expanding the centre.

where the Group wishes to eventually discontinue its activities. Amounting to DKK 111.7 million at 31 July 2017, these plots of land and development projects consist of:

- Czech Republic: an outlet project under development and a plot of land in Prague (DKK 44.4 million).
- Baltic States: a retail project in Vilnius and two plots of land in Riga (DKK 59.9 million).
- Germany: a plot of land (DKK 6.7 million).
- Russia: a minor project for letting purposes (DKK 0.7 million).

Czech Republic

The Group is phasing out its activities in the Czech Republic. In connection with this phase-out and with a view to optimising values, the Board of Directors has decided to develop and execute the Outlet Arena Moravia development project in Ostrava. The outlet centre will comprise about 17,000 sqm to be built in two phases, with the first phase covering about 11,600 sqm. Lease agreements have been concluded for 69% of the first-phase premises, two-thirds of which are binding. Negotiations on the sale of the project are currently ongoing with prospective investors. Construction is expected to commence in 2017 once a conditional agreement regarding the sale of the project has been concluded. Execution and sale of the project is expected to land the Group robust profits and is therefore deemed a better alternative than selling the project at its current stage.

An agreement has been made for the sale of the completed retail park in Most. The sale is expected to take place in late September 2017.

Baltic States

In Vilnius, Lithuania, TK Development has previously completed and handed over about 6,750 sqm of an 11,300 sqm retail park. TK Development is now developing the third phase, comprising retail premises of about 850 sqm and office premises of about 3,700 sqm. The third phase has been sold to a fund managed by Baltic Horizon Fund, which also bought the first two project phases. Construction of the third phase is progressing satisfactorily, and the completed project is scheduled for handover to the investor at the end of 2017.

A 12,000 sqm retail project is being developed on the Group's land in Ulmana, Riga. The letting process will be handled by a real estate agent. The project layout has been determined, and discussions have been initiated with several interested tenants. Several investors have shown an interest in the project subject to a satisfactory occupancy rate. The valuation of the land assumes that the planned project will be executed.

Russia

The Company's project in Russia was sold to a private investor after the balance sheet date, and TK Development has thus exited the Russian market altogether.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today considered and approved the interim report of TK Development A/S for the six months ended 31 July 2017.

The interim report, which has not been audited or reviewed by the Company's auditors, has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the Group's financial position at 31 July 2017 and of the results of the Group's operations and cash flows for the six months ended 31 July 2017.

Furthermore, in our opinion, the management commentary includes a fair review of the development in the Group's operations and financial matters, the results for the period and the Group's financial position in general as well as a description of the principal risks and uncertainties facing the Group.

Aalborg, 15 September 2017

EXECUTIVE BOARD

Frede Clausen
President and CEO

Robert Andersen
Executive Vice President

BOARD OF DIRECTORS

Peter Thorsen
Chairman

Henrik Tonsgaard Heideby
Deputy Chairman

Arne Gerlyng-Hansen

Anne Skovbro Andersen

Michael Bruhn

INCOME STATEMENT

DKKm	Note	H1 2017/18	H1 2016/17	Q2 2017/18	Q2 2016/17	Full year 2016/17
Net revenue		184.5	237.1	124.5	191.4	401.5
Project costs	4	-156.6	-192.8	-117.6	-166.0	-318.4
Gross profit/loss		27.9	44.3	6.9	25.4	83.1
Income from investments in joint ventures		40.7	5.0	34.9	-0.2	48.8
Gross profit/loss including income from investments in joint ventures		68.6	49.3	41.8	25.2	131.9
Other external expenses		9.9	10.7	5.3	5.5	21.2
Staff costs		29.4	29.7	15.3	15.6	58.5
Total		39.3	40.4	20.6	21.1	79.7
Profit/loss before financing and depreciation		29.3	8.9	21.2	4.1	52.2
Depreciation and impairment of non-current assets		0.3	0.2	0.1	0.1	0.4
Operating profit/loss		29.0	8.7	21.1	4.0	51.8
Income from investments in associates		0.4	0.4	0.2	0.2	0.5
Financial income		5.5	6.3	3.2	4.3	9.9
Financial expenses		-20.9	-24.7	-10.6	-13.7	-48.4
Total		-15.0	-18.0	-7.2	-9.2	-38.0
Profit/loss before tax		14.0	-9.3	13.9	-5.2	13.8
Tax on profit/loss for the period		6.9	0.5	5.9	0.9	6.7
Profit/loss for the period		7.1	-9.8	8.0	-6.1	7.1

EARNINGS PER SHARE IN DKK

Earnings per share (EPS)	0.1	-0.1	0.1	-0.1	0.1
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COMPREHENSIVE INCOME STATEMENT

Profit/loss for the period	7.1	-9.8	8.0	-6.1	7.1
Items that may be re-classified to profit/loss:					
Foreign-exchange adjustments, foreign operations	4.2	1.8	-1.1	1.3	3.4
Value adjustment of available-for-sale financial assets	0.0	0.0	0.0	0.0	0.1
Value adjustment of hedging instruments	0.1	-1.1	0.0	-0.4	-0.3
Tax on other comprehensive income	-1.1	-1.2	0.3	-1.4	-1.4
Other comprehensive income after tax from joint ventures	0.1	-1.5	0.1	-0.9	-0.9
Other comprehensive income for the period	3.3	-2.0	-0.7	-1.4	0.9
Comprehensive income for the period	10.4	-11.8	7.3	-7.5	8.0

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

DKKm	Note	31 July 2017	31 Jan 2017
ASSETS			
Non-current assets			
Other fixtures and fittings, tools and equipment		1.8	1.3
Property, plant and equipment		1.8	1.3
Investment properties		53.1	53.1
Investment properties		53.1	53.1
Investments in joint ventures		296.4	277.2
Investments in associates		4.7	4.9
Receivables from joint ventures		194.4	185.3
Receivables from associates		9.0	8.9
Other securities and investments		4.7	5.0
Financial assets		509.2	481.3
Deferred tax assets		68.5	75.4
Other non-current assets		68.5	75.4
Non-current assets		632.6	611.1
Current assets			
Projects in progress or completed		2,168.4	2,155.2
Trade receivables		11.9	10.7
Receivables from joint ventures		11.6	11.6
Other receivables		7.9	13.4
Prepayments		24.2	12.9
Receivables		55.6	48.6
Other securities and investments		4.1	4.1
Deposits in blocked and escrow accounts	5	30.6	23.4
Cash and cash equivalents	5	10.7	10.5
Current assets		2,269.4	2,241.8
ASSETS		2,902.0	2,852.9



CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

DKKm	Note	31 July 2017	31 Jan 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		98.2	98.2
Other reserves	6	-5.1	-8.4
Retained earnings		1,211.0	1,203.9
Equity		1,304.1	1,293.7
Liabilities			
Provisions		0.2	0.9
Deferred tax liabilities		14.2	13.8
Non-current liabilities		14.4	14.7
Credit institutions		1,495.2	1,433.3
Trade payables		48.0	72.7
Corporate income tax		3.9	2.9
Provisions		1.9	1.9
Other debt		29.7	28.4
Deferred income		4.8	5.3
Current liabilities		1,583.5	1,544.5
Liabilities		1,597.9	1,559.2
EQUITY AND LIABILITIES		2,902.0	2,852.9

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 February 2016	98.2	-9.3	1,196.8	1,285.7
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
Total comprehensive income for the period	0.0	-2.0	-9.8	-11.8
Equity at 31 July 2016	98.2	-11.3	1,187.0	1,273.9
Equity at 1 February 2017	98.2	-8.4	1,203.9	1,293.7
Profit/(loss) for the period	0.0	0.0	7.1	7.1
Other comprehensive income for the period	0.0	3.3	0.0	3.3
Total comprehensive income for the period	0.0	3.3	7.1	10.4
Equity at 31 July 2017	98.2	-5.1	1,211.0	1,304.1

CASH FLOW STATEMENT

DKKm	H1 2017/18	H1 2016/17	Full year 2016/17
Operating profit/loss	29.0	8.7	51.8
Adjustments for non-cash items:			
Income from investments in joint ventures	-40.7	-5.0	-48.8
Depreciation and impairment	2.1	1.8	12.6
Provisions	-0.8	-1.8	-3.3
Foreign-exchange adjustment	-0.7	-0.4	-1.9
Increase/decrease in investments in projects, etc.	4.2	5.9	-130.8
Increase/decrease in receivables	-7.1	-6.5	35.6
Dividend from joint ventures	25.0	29.2	40.3
Increase/decrease in receivables from joint ventures	-6.7	-0.6	-1.6
Sale of joint ventures	0.0	0.0	4.6
Investments in joint ventures	0.0	-3.5	-5.4
Changes in deposits on blocked and escrow accounts	-7.0	-124.1	72.8
Increase/decrease in payables and other debt	-24.3	-4.2	2.2
Cash flows from operations	-27.0	-100.5	28.1
Interest paid, etc.	-32.1	-37.8	-63.4
Interest received, etc.	4.6	3.5	8.6
Corporate income tax paid	-0.1	-6.2	-5.8
Cash flows from operating activities	-54.6	-141.0	-32.5
Investments in equipment, fixtures and fittings	-0.7	-0.2	-0.8
Sale of equipment, fixtures and fittings	0.0	0.0	0.1
Dividend from associates	0.6	0.0	0.0
Increase/decrease in receivables from joint ventures	-3.0	0.2	-1.0
Investments in joint ventures	-2.9	-2.2	-6.6
Purchase of securities and investments	0.0	0.0	-5.9
Sale of securities and investments	0.3	2.6	13.2
Cash flows from investing activities	-5.7	0.4	-1.0
Raising of project financing	100.6	185.2	210.9
Reduction of project financing/repayments, credit institutions	-40.3	-45.6	-172.6
Cash flows from financing activities	60.3	139.6	38.3
Cash flows for the period	0.0	-1.0	4.8
Cash and cash equivalents, beginning of year	10.5	5.6	5.6
Foreign-exchange adjustment of cash and cash equivalents	0.2	0.0	0.1
Cash and cash equivalents, end of period	10.7	4.6	10.5

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.

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 2017, TK Development has implemented the new and amended standards that are effective for financial years starting on or after 1 February 2017. The implementation of new and amended standards has not resulted in any changes in accounting policies.

The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2016/17, which are in accordance with International Financial Reporting Standards as adopted by the EU. For a detailed description of the accounting policies applied, reference is made to TK Development's annual report for 2016/17.

In connection with the annual report for 2016/17, income from investments in joint ventures was reclassified to operating profit or loss. As a consequence, the presentation of cash flows concerning joint ventures was changed. Such cash flows are now included in cash flows from operating activities or cash flows from investing activities based on a specific assessment of the actual circumstances in each joint venture. Comparative figures for H1 2016/17 in both the income statement and the cash flow statement have been restated accordingly.

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 2016/17.

NOTE 3. SEGMENT INFORMATION

Internal reporting in TK Development is based on the business areas property development and asset management. Property development activities comprise the development of real property in Denmark, Sweden and Poland. Asset management activities comprise the Group's completed, operating properties and investment properties in all the Group's markets, with the exception of BROEN Shopping which is placed under property development, as well as plots of land and development projects in the markets where the Group wishes to discontinue its activities in the longer term, viz. the Czech Republic, Germany, Finland, The Baltic States and Russia.

DKKkm	Property development	Asset management	Unallocated	Total
31 July 2017				
Net revenue, external customers	154.1	30.4	0.0	184.5
Profit/loss before tax	25.8	-6.0	-5.8	14.0
Segment assets	1,297.3	1,534.2	70.5	2,902.0
Segment liabilities	569.0	1,010.8	18.1	1,597.9
31 July 2016				
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

NOTE 4. PROJECT COSTS

DKKm	H1 2017/18	H1 2016/17	Full year 2016/17
Project costs	154.7	191.1	306.7
Impairment losses on projects in progress or completed projects	1.9	1.7	11.7
Project costs, total	156.6	192.8	318.4

NOTE 5. LIQUIDITY RESERVES

DKKm	31 July 2017	31 Jan 2017
The liquidity reserves break down as follows:		
Cash and cash equivalents	10.7	10.5
Unutilized operating credit facilities	39.4	16.6
Total	50.1	27.1
Deposited funds for later release	30.6	23.4
Total liquidity reserve	80.7	50.5

NOTE 6. OTHER RESERVES

DKKm	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 2016	-0.1	-1.5	-7.7	-9.3
Other comprehensive income:				
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
Other comprehensive income, total	0.0	-1.6	-0.4	-2.0
Other reserves at 31 July 2016	-0.1	-3.1	-8.1	-11.3
Other reserves at 1 February 2017	0.0	-1.7	-6.7	-8.4
Other comprehensive income:				
Other comprehensive income after tax in joint ventures	0.0	0.1	0.0	0.1
Exchange-rate adjustment, foreign operations	0.0	0.0	4.2	4.2
Value adjustment of hedging instruments	0.0	0.1	0.0	0.1
Deferred tax on other comprehensive income	0.0	0.0	-1.1	-1.1
Other comprehensive income, total	0.0	0.2	3.1	3.3
Other reserves at 31 July 2017	0.0	-1.5	-3.6	-5.1

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.

CONSOLIDATED FINANCIAL STATEMENTS

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.

DKKm	31 July 2017	31 Jan 2017	31 July 2016
Board of Directors and Executive Board (and their related parties):			
Fees for Board of Directors	0.7	1.3	0.7
Salaries, etc., Executive Board	3.8	7.4	3.7
Joint ventures:			
Fees	1.3	2.2	1.5
Interest income	4.5	7.5	3.7
Receivables (balance)	206.0	196.9	196.1
Associates:			
Fees	1.1	0.9	0.1
Interest income	1.0	0.1	0.1
Receivables (balance)	9.0	8.9	8.9

No security or guarantees had been furnished for balances owing to or by related parties at the reporting date or at 31 January 2017. Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. No impairment was made in H1 2017/18 to provide for any probable losses on such receivables (H1 2016/17: DKK 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.

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 2016/17.



COMPANY INFORMATION

TK Development A/S

CVR no.:

24256782

ISIN code:

DK0010258995 (TKDV)

Municipality of registered office:

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Website:

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Executive Board:

Frede Clausen

Robert Andersen

Board of Directors:

Peter Thorsen

Henrik Heideby

Arne Gerlyng-Hansen

Anne Skovbro

Michael Bruhn

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.

