

Profit guidance lowered due to contractor's bankruptcy

Summary:

- *TK Development has lowered its profit guidance for 2017/18 from DKK 100-120 million before tax to DKK 50-60 million before tax.*
- *Earlier this month, one of the contractors on TK Development's Strædet project in Køge, Denmark, filed a petition in bankruptcy. This bankruptcy will delay the opening of the project's retail section and lead to substantial additional costs to complete the project. The sale of the project to Finnish-based Citycon is expected to be finalised later this autumn.*
- *One of the Group's other projects in progress is expected to be postponed, and earnings from this project are therefore expected to be realised in financial year 2018/19 rather than in financial year 2017/18.*

TK Development lowers its 2017/18 profit guidance

The Management of TK Development has 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 downgrade is due mainly to extraordinary events related to the bankruptcy of one of the contractors involved in the Strædet project in Køge, combined with the postponed hand-over of another project.

Earlier this month, one of the contractors on TK Development's Strædet project in Køge, Denmark, filed a petition in bankruptcy. This bankruptcy will affect a major part of the project as its retail section, including 25-30 leases, was scheduled to open on 1 September 2017. Shop openings will now be postponed until later this autumn. The retail section of the project is still expected to be handed over to Citycon this autumn. Progress status reports are currently being completed and based on talks with the trustee in bankruptcy, valuation experts, sub-contractors and other potential contractors, the expectation is that the bankruptcy will entail repair and completion costs well above the amounts provided for in the budget, and that additional costs will be incurred for the extended construction time and additional construction management. The bankruptcy also means that some of the project's housing units will not be handed over until after 1 February 2018, which means the expected earnings from these units will not be realised until in financial year 2018/19.

One of the Group's other projects in progress is expected to be postponed, and earnings from this project are therefore expected to be realised in financial year 2018/19 rather than in financial year 2017/18.

As a result of the lowered guidance, the return on equity ratio for the Group's 2017/18 development activities is expected to be about 7-8%, against the previous forecast of about 15%.

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