

INTERIM ANNOUNCEMENT no. 3 of 8 March 2007

CVR No. 64138413

Interim report at 31 December 2006 for the first half of the financial year ending 30 June 2007

On 8 March 2007, the Board of Directors of Tower Group A/S ('the Company') approved the interim report for the 6-month period ended 31 December 2006.

- Following Hebojama ApS' purchase of 75.6% of the shares in the Company, significant changes were made to the Company's articles of association and operations.
- The Company's new activities comprise investment in and management of real property, primarily in Germany and, eventually, Eastern Europe.
- The Company's share capital was reduced by DKK 56.3 million at 5 January 2007 and increased by DKK 46.5 million at 5 March 2007, giving the Company a total share capital of DKK 52.7 million.
- The development within operations and results of operations is in line with the Company's expectations as communicated at 31 December 2006. The Company did not engage in real property management during the first six months of the financial year.
- At 31 December 2006, the Company had invested approx. DKK 1.2 billion, including cost of purchase. The management of real property was taken over at 1 January 2007 and is therefore not included in the balance sheet.
- The Group posted a net loss of DKK 0.6 million for the first six months of the financial year ending 30 June 2007, while the parent realised a net profit of DKK 1.8 million for the same period.
- A net profit of DKK 0.6 million before value adjustments of properties and tax is expected for the financial year ending 30 June 2007. Expectations for the current activity are affected by extraordinary expenses of DKK 2 million incurred in connection with the capital increase.
- At 31 December 2006, there was a deficit on shareholders' equity of DKK 10.2 million, and after the capital increase at 5 March 2007, shareholders' equity increased to DKK 244.7 million.
- Planned investments in real property during 2006/07 amount to DKK 1.65 billion, including cost of purchase.

For further information, please contact Mads Richardt, CEO, on tel.: +45 39452600 or +45 40178506.

Financial highlights for the Group

Key figures in DKK thousands, except per share data		1 st half	1 st half	2 nd half	
		2006/07	2005/06	2005/06	2005/06
Income statement	Revenue	0	0	0	0
	Operating loss (EBIT)	-611	0	0	0
	Net financials	-172	0	0	0
	Loss before tax	-783	0	0	0
	Discontinued activity	195	-11,590	621	-10,969
	Net profit/loss for the period	-588	-8,276	-9,168	-17,444
Balance sheet items	Non-current assets	0	57,404	0	0
	Current assets	217,467	174,082	103,876	103,876
	Operating assets	73,673	222,371	91,884	91,884
	Total assets	217,467	231,486	103,876	103,876
	Share capital	62,557	62,557	62,557	62,557
	Shareholders' equity	-10,220	440	-9,641	-9,641
	Liabilities	227,687	231,046	113,517	113,517
	Total equity and liabilities	217,467	231,486	103,876	103,876
Key figures	Return on assets	-	-		
	Current ratio	96%	144%		
	Dividend in DKK per share	0	0		
	Net asset value per share	0	1		
	Earnings per share	-1	-13		
	Average number of shares	625,571	625,571		
	Market price at the end of the period	300	71		
Changes in shareholders' equity	DKK'000				
	Opening balance	-9,641	8,305	440	8,305
	Net profit/loss for the year	-588	-8,276	-9,153	-17,429
	Exchange adjustments of subsidiaries	0	411	-913	-502
	Minorities	9	0	-15	-15
	Closing shareholders' equity	-10,220	440	-9,641	-9,641

Ratios are computed in accordance with 'Guidelines and Financial Ratios', issued by the Danish Society of Financial Analysts in 2005.

The interim report has been prepared in accordance with the Danish disclosure requirements for listed companies. The interim report has neither been reviewed nor audited.

Operations relating to the former activity are classified as 'Discontinued activity'.

The subsidiary SIS International (UK) plc is not included in the consolidated financial statements, as the subsidiary is in the process of being wound up and is immaterial.

The interim report is presented in accordance with the recognition and measurement provisions of the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies, cf. the financial reporting requirements issued by OMX Copenhagen Stock Exchange for listed companies and the IFRS order issued in accordance with the Danish Financial Statements Act. IFRS have been implemented so that the interim report also complies with the accounting standards issued by IASB (International Accounting Standards Board).

The interim report has been prepared on the basis of the accounting policies applied in the Annual Report for 2005/06, to which we refer, except for the following accounting policies which are not described in the Annual Report for 2005/06:

Investment properties

Investment properties comprise investments in real property for purposes of gaining a return on the invested capital in the form of current returns on operations in connection with lease and/or capital gains on resale.

Investment properties are recognised as assets at the date of acquisition.

On initial recognition, investment properties are measured at cost, which for an acquired investment property comprises purchase price, expenses directly related to the acquisition and other expenses attributable to the acquisition plus subsequent improvements. Expenses incurred providing new or improved qualities to the investment properties are added to the cost as an improvement. Repair and maintenance costs are recognised in the financial year in which they are incurred.

Investment properties are subsequently measured for each property portfolio at the estimated fair value. The measurement is based on the estimated value in use of the expected future cash flows.

Fair value adjustments are recognised in the income statement in the financial year in which the adjustment took place.

Financial liabilities

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Debt in properties is subsequently measured at fair value. Accordingly, the difference between the loan proceeds and the amount to be repaid is recognised in the income statement over the loan period as a financial expense.

Other payables are measured at amortised cost.

Business review for the first half of the financial year ending 30 June 2007

Business review

The Company's Annual Reports prepared for the period up to and including 30 June 2006 show results of operations for the furniture production activities that were finally wound up at 30 September 2006, whereas certain assets and liabilities relating to this activity remain to be finally transferred to Ejendomsselskabet af 30. 9. 2006 ApS. The first half of the financial year ending 30 June 2007 was affected by this, and the accounts relating to the former activity are classified in the income statement under 'Discontinued activity'.

The Group posted a net loss of DKK 0.6 million for the first six months of the financial year, of which DKK 0.2 million relates to 'Discontinued activity'. The parent realised a net profit of DKK 1.8 million for the same period, of which DKK 2.6 million relates to 'Discontinued activity'. The divergence between the results of discontinued activity in the Group and the parent is explained by differing profits from the sale of subsidiaries, as subsidiaries are recognised at net asset value in the Group and at cost in the parent.

Events

Following Hebojama ApS' purchase of 75.6% of the shares in the Company, significant changes were made to the Company's articles of association and operations. The Company's new activities comprise investment in and management of real property, primarily in Germany and, eventually, Eastern Europe. At 31 December 2006, some assets and liabilities relating to the former furniture activity remained to be finally transferred to Ejendomsselskabet af 30. 9. 2006 ApS.

Investments

The Company has signed contracts of sale on real property, which were, however, not acquired until after 31 December 2006. The final takeover is based on the condition that the management of the real property is taken over.

The acquired real property can be broken down as follows:

	Number			Sqm		
	Business	Residence	Total	Business	Residence	Total
Berlin	36	2,133	2,169	6,249	126,562	132,811
Wuppertal	45	715	760	7,510	46,779	54,289
Kassel	0	215	215	0	16,013	16,013
Other*	0	384	384	0	22,317	22,317
Total	81	3,447	3,528	13,759	211,671	225,430

* Marburg, Giessen, Hannover and Duisburg

	EUR			DKK*	
	Purchase price	Cost of purchase	Total	Total	Per sqm
Berlin	82,505,000	8,100,500	90,605,500	675,917,030	5,089
Wuppertal	38,247,498	3,824,750	42,072,248	313,858,969	5,781
Kassel	8,530,000	853,000	9,383,000	69,997,180	4,371
Other	15,910,000	1,591,000	17,501,000	130,557,460	5,850
Total	145,192,498	14,369,250	159,561,748	1,190,330,639	5,280
Shares held outside the Group	-4,584,800	-458,480	-5,043,280	-37,622,869	
Own proportion held	140,607,698	13,910,770	154,518,468	1,152,707,770	

* The EUR/DKK exchange rate is 7.46

Investment properties are not included in the interim report. Expenses incurred are recognised under 'Prepaid purchases of real property'.

Borrowings

At 31 December 2006, the Group had obtained loans totalling DKK 143.8 million for the financing of investments in real property in early 2007.

Contingent liabilities

In connection with the winding-up of former activities in the form of furniture production, etc., some disputes arose. The former owners have agreed to indemnify Tower Group A/S for any claims raised, without setting any maximum amount or time limit. It is thus assumed that the former owners have the ability and will to perform this agreement.

We assess that the disputes will not materially affect the Company's financial position.

Net profit compared with previously expressed expectations

In its Annual Report for 2005/06, SIS International A/S (now Tower Group A/S) expressed expectations of a consolidated break-even result for the financial year ending 30 June 2007. The discontinued activity shows a net profit of DKK 0.2 million, primarily resulting from the disposal of assets. The current activity shows a net loss of DKK 0.8 million. The net profit from the discontinued activity for the first six months thus exceeded the expectations expressed in the Annual Report for 2005/06 by DKK 0.2 million.

The net loss incurred on the current activity at 31 December 2006 primarily results from expenses incurred in connection with the share issue and from the fact that the management of investment properties was not taken over until 1 January 2007.

Changes in accounting policies

The accounting policies are consistent with those applied in the most recently prepared Annual Report for 2005/06, to which reference is made.

Reference is, however, also made to the description of accounting policies on p. 3 of this interim report.

Outlook

Results of operations

In its Annual Report for 2005/06, SIS International A/S announced that they expected a break-even result for the Group for 2006/07. Subsequently, a number of activities and companies have been divested, and the remaining activities have undergone significant changes. As a consequence, the results of operations for 2006/07 are expected to deviate from the previously expressed expectations.

The overall results of operations for Tower Group A/S for 2006/07 are expected to amount to a profit of DKK 0.6 million. It should be noted that the results of operations for the current financial year and current activities will be affected by extraordinary expenses of DKK 2 million relating to the issue of new shares.

Investments

Tower Group engages in long-term investments in growth markets. Germany is one such market. The Eastern European market is being cultivated.

The Company's investments generate a positive cash flow. 75-80% of the investments are financed by 7-10-year fixed-interest loans in an effort to reduce vulnerability to movements in interest rates that could affect current cash flows. Investments are concentrated in residential property and retail and office premises in attractive locations.

Tower Group A/S' real property investments are long-term. Investment properties are subject to regular value adjustments, positive as well as negative. Over a long-term investment horizon, the Company is confident that the value adjustments of its investment property will be positive, as its investments are confined to growth markets.

When investing in real property, location is of major importance to Tower Group A/S. The general assumption is that properties in attractive locations are easy to rent as long as they are satisfactorily maintained and managed. Based on market analysis, investments are concentrated in areas for which renting prospects are favourable.

Tower Group A/S' investments generate a positive cash flow right from the start, which makes the Company less vulnerable to fluctuations in the real property market. The Company targets to:

- Maintain or improve rental ratios
- Control costs according to budgets

The Company works towards achieving these goals in co-operation with its local administrators. Tower Group A/S currently co-operates with two administration companies, of which one is located in Berlin and covers properties located in this area, and the other covers properties in other parts of Germany.

The Company expects to invest a total of DKK 1.65 billion, including cost of purchase, in real property during the financial year 2006/07. The portfolio may deviate from this target though, which - together with the timing of the investments - may affect the result for the year favourably or adversely.

Shares

As appears from the above, Tower Group A/S' business model is based on a long-term investment strategy focused on security. Hence, purchases of shares in OMX-listed Tower Group A/S should also be seen as a long-term investment.

Decisions by the Board of Directors

Annual general meeting on 26 October 2006 – New Board of Directors

As announced in stock exchange release no. 10 of 1 October 2006, SIS International A/S has signed an agreement with Ejendomsselskabet af 30.9.2006 ApS (owned by SIS Holding ApS) on the transfer of assets/activities and liabilities. A conditional share purchase agreement was concluded between SIS Holding ApS (Seller) and Hebojama ApS (Buyer) on the acquisition of 75.61% of the share capital in SIS International A/S.

The Board of Directors' proposal to elect Mads Richardt, Bo Holm Hansen, Henrik Nissen and Jan Procida to the Board of Directors in replacement of Peter Scheuer Jensen, Bent K. Mouritsen and Anders M. Hansen was carried unanimously. After the general meeting, the Board of Directors elected Bo Holm Hansen as chairman of the Board of Directors and appointed Mads Richardt as CEO of the Company.

All proposals to amend the articles of association, as described in full in the notice convening the annual general meeting, were carried unanimously, including the proposal to rename the Company Tower Group A/S.

Capital increase

At the Company's extraordinary general meeting on 5 January 2007, a resolution was carried to reduce the share capital from DKK 62,557,100 to DKK 6,255,710 through a reduction of the denomination of the shares from DKK 100 each to DKK 10 each. At the same general meeting, the Board of Directors was authorised to raise the Company's share capital by up to DKK 51,000,000 through an issue of up to 5,100,000 new shares of a nominal value of DKK 10.00 in cash or other payment in whole or in part, in one or more issues.

The share issue was completed on 5 March 2007, when a total of 4,646,406 new shares of a nominal value of DKK 10.00 each were subscribed, generating gross proceeds of DKK 254,913,449 net of underwriting commission. Prior to the capital increase, the Company's share capital amounted to DKK 6,255,710, distributed on 625,571 shares of a nominal value of DKK 10.00 each, which capital was increased to DKK 52,719,770, distributed on 5,271,977 shares of a nominal value of DKK 10.00 each, at 5 March 2007.

Non-executive Board of Directors in the making

Tower Group A/S has taken steps to set up a non-executive Board of Directors. It is expected that the new Board of Directors will consist of five members, three of whom, including the chairman, will be non-executives.

Statement by the Board of Directors and the Executive Board on the interim report

The Board of Directors and the Executive Board have presented the interim report for the six months ended 31 December 2006. The interim report was discussed and adopted on today's date.

The interim report is presented in accordance with the recognition and measurement provisions of the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies.

We consider the accounting policies used appropriate and the accounting estimates made reasonable. To the best of our belief, the interim report includes the information which is relevant for an assessment of the Group's financial position. Against this background, it is our opinion that the interim report gives a true and fair view of the Group's assets and liabilities, financial position and results of operations for the six months ended 31 December 2006.

The interim report is unaudited.

Hellerup, 8 March 2007

Executive Board:



Mads Richarddt
CEO

Board of Directors:



Bo Holm Hansen
Chairman



Jan Procida



Mads Richarddt



Henrik Nissen