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Tower Group A/S hereby publishes the interim release for the 3rd quarter covering material events during the period of 1 July 2011 to 30 September 2011 according to §27 (8) of the Danish Securities Trading Act.

Financial restructuring

Tower Group A/S continued its financial restructuring in the 3rd quarter of 2011, a restructuring that was marked by the insolvencies in its German subsidiaries, Tower 1 Immobilien dritte GmbH and Tower 1 Immobilien fünfte GmbH in July and Tower 1 Immobilien zweite GmbH and Tower 1 Immobilien vierte GmbH in August.

Under standstill agreements with the Company's senior lenders during the first half of 2011, Tower Group A/S was actively negotiating a restructuring arrangement with its senior and junior lenders.

As of the beginning of the 3rd quarter 2011, the senior lender Landesbank Hessen Thüringen (HeLaBa) decided to discontinue restructuring discussions regarding Tower 1 Immobilien dritte GmbH and Tower 1 Immobilien fünfte GmbH effectively rendering them insolvent. Tower 1 Immobilien dritte GmbH and Tower 1 Immobilien fünfte GmbH were financed not only by HeLaBa, but also by Berliner Hypothekbank and Landesbank Berlin (Berlin Hyp/LBB). As a result of Tower 1 Immobilien dritte and fünfte GmbH jointly and severally guaranteeing obligations towards Berlin Hyp and LBB (under a "GbR" structure, *Gesellschaft bürgerlichen Rechts*) together with Tower 1 Immobilien zweite GmbH and Tower 1 Immobilien vierte GmbH, Berlin Hyp and LBB decided to terminate the standstill agreement and a swap agreement crystallizing an additional mark-to-market loss of more than EUR 15 million, thereby also rendering Tower 1 Immobilien zweite GmbH and Tower 1 Immobilien vierte GmbH insolvent. The situation was announced in company releases no. 28, 18 August 2011.

As described in the half-year report, the Company is continuing its restructuring negotiations with its other senior lenders, Bayerische Landesbank (Bayern LB), Deutsche Genossenschafts Hypothekbank AG (DG Hyp), and Eurohypo in order for the Company to reach long-term agreements regarding a sustainable capital and repayment structure.

The Company still owes DG Hyp deferred amortisation from the beginning of 2011, but has an agreement regarding this in place. With DG Hyp and Eurohypo the Company is current on payments and, except for CAPEX and maintenance spending, not in breach with the covenants of the existing standstill agreement of January 2010. The Company is currently negotiating an amendment to this agreement with the two lenders.

With Bayern LB the Company's German subsidiaries, Tower 1 Immobilien sechste, siebte and achte GmbH, agreed on a second extension to the standstill agreement, initially signed in July of 2011, until the end of October 2011. This is in order to allow time to finalize the long-term restructuring negotiations, including an update of the below mentioned IDW S6 statement.

As a part of the restructuring process, the Company's majority shareholder, BXR Tower B.V., has supported the Company with four bridge loans, granted in December of 2010, March of 2011, May of 2011, and September of 2011, to cover operational and restructuring costs, including interest to senior banks, for a total of EUR 5.6 million.

In June 2011, a restructuring opinion, in the format of an IDW S6 statement, a German standard for reconstruction, was drafted by a 3rd party and presented to the lenders confirming that a restructuring of the Company was viable. The IDW S6 restructuring statement and the underlying budget have to be reviewed and updated, however, to reflect the modified structure of the Company post the insolvencies. The Company expects this process to be completed during the 4th quarter 2011 and that this statement will provide the basis for a final, long-term agreement between the Company and its remaining lenders.

The final step in this restructuring process will be a capital increase of approx. EUR 10 million through the execution of a rights issue, which BXR Tower B.V. has indicated its willingness to conditionally underwrite, and which is expected to be carried out by the end of the 4th quarter 2011.

Financial position

The loss of the German subsidiaries Tower 1 Immobilien zweite, dritte, vierte and fünfte GmbH, has had a material impact on the Company's financial structure. As a result of these insolvencies, the Company lost control over 353 buildings, 4,579 apartments and 480 commercial units — a total of 349,786 m² representing 52% of the portfolio together with corresponding debts. Receivables of Tower Group A/S against these four subsidiaries in the total amount of DKK 182 million will be written off in the second half of 2011 at 100%.

The remaining German portfolio, comprises of eight subsidiaries (Tower 1 Immobilien erste, sechste, siebte, achte and neunte GmbH, Tower Pension 1 GmbH, Tower Pension 2 GmbH and Eranus Investment GmbH), 231 buildings, 4,627 residential units, 300 commercial units (excl. parking units) for a total of 320,599 m², producing a yearly rent in the magnitude of EUR 17,5 million.

Company organisation

As a result of the insolvencies, the Company no longer found it viable to continue the insourcing strategy implemented from the beginning of 2010 and through 2011. As a result, the Company has chosen to shift its strategic focus towards outsourcing the asset and property management as announced in company release no 31, 5 October 2011. The negotiations regarding the asset management and the progress of the hand-over process regarding the property management are in line with this announcement.

Company activities

The June and July activities of the Company focused on negotiating restructuring agreements with the Company's lenders. The Management's main focus was to secure these restructuring agreements while continuing the Company's operations.

The unexpected insolvency situations (as described above) have had a deep impact on the operations of the Company. At this point in time, most of the Company's focus – besides dunning, collections and evictions – is focussed on ensuring a successful transition to the external property manager. Despite these disruptions, in the 3rd quarter, the Company was able to maintain normal letting and apartment turnovers, and thus thereby minimising the financial impact of these disruptions. The Company also successfully implemented a rent increase program in Berlin and Wuppertal, with the first positive results expected to be recorded in October 2011.

In August and September, after completing a selection process, the Company concluded the process by appointing a new external property and asset manager, alt+kelber Immobilienverwaltung GmbH, a subsidiary of the Conwert group. The Company consequently started the outsourcing process of the property management functions. As a result of the downsizing of Tower Management GmbH, Tower initiated the outsourcing of the property management tasks.

The hand-over process for Tower 1 Immobilien dritte and fünfte GmbH to the insolvency administrator was completed in September 2011. The hand-over process for Tower 1 Immobilien zweite and vierte GmbH is expected to be completed during October 2011.

Other aspects

As mentioned in Company release no. 32, 5 October 2011, the in Company release no. 37, 16 June 2010, mentioned charge against the Company relating to possible price manipulation, c.f. the Securities Trading Act § 39, paragraph 1, pursuant to § 38, paragraph 1, no. 2 and 4 and paragraph 2, no. 3, was 5 October 2011 formally extended, in relation to charges raised against two named individuals, who are not and have not at any point been employed by the Company, and whom the Company's current management are unfamiliar with.

The charge relates to these two individuals' trading in the Company's shares during the period from early February 2008 to 23 May 2008.

The Company will, to the extent possible, assist the police investigation unit for Serious Economic Crime to solve the case and will grant the police full access to the Company's archives.

The Company has not set aside any amounts for possible legal proceedings or fines in case of judgement passed against the Company, as the Company is of the opinion that it has not committed any criminal actions.

Expectations for the future

As the fiscal year 2011 will be impacted by the insolvencies in the German subsidiaries, Tower 1 Immobilien dritte GmbH, Tower 1 Immobilien fünfte GmbH, Tower 1 Immobilien zweite GmbH, and Tower 1 Immobilien vierte GmbH, and will likely be further impacted by the result of the financial restructuring, the management is still not in a position to elaborate on the expectations of the year-end result of the Company.

Kind regards
Tower Group A/S

Martin Coté
CEO

For questions regarding this announcement, please contact Martin Coté, tel. +420 725 716 755