

Tower Group A/S i likvidation

Final Liquidation Financial Statements as of 31 December 2013

This is an unofficial translation of an original document in the Danish language.
In the event of disputes or misunderstandings arising from the interpretation of
any part of the translation, the Danish language version shall prevail.

CVR no. 64 13 84 13



Table of contents

Company information.....	2
Statement of Liquidator.....	3
The independent Auditor's Report.....	4
Liquidator's review	6
Accounting Policies	8
Income Statement for the period from 1 January to 31 December 2013.....	11
Liquidation Balance Sheet as of 31 December 2013.....	12
Liquidation Account at 31 December 2013.....	13
Notes to the Liquidation Financial Statements	14

Company information

Company

Tower Group A/S i likvidation
Nørre Voldgade 11, 1st floor
DK-1358 Copenhagen K
Denmark

CVR-no. 64 13 84 13

Domicile: Copenhagen, Denmark

Telephone +45 33 18 60 73
Fax +45 36 30 80 39
Internet www.towergroup.dk
E-mail info@towergroup.dk

Liquidator

Dr. Christian Eichberger

Auditors

KPMG Statsautoriseret Revisionspartnerselskab

Meeting of shareholders

The Company's final meeting of shareholders will be held on 17 March 2014 at Vendersgade 4, 1st floor, 1363, Copenhagen K.

Statement of Liquidator

I have today considered and adopted the final liquidation financial statements as of 31 December 2013 of Tower Group A/S i likvidation.

The final liquidation financial statements have been prepared in accordance with the Danish Financial Statements Act and the provisions of the Danish Companies Act on liquidation financial statements.

In my opinion, the final liquidation financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Company's operations for the period 1 January - 31 December 2013.

Furthermore, in my opinion, the liquidator's review includes a fair view of the matters covered by the review.

I recommend that the final liquidation financial statements shall be approved at the General Meeting on 17 March 2014.

Copenhagen, 28 February 2014

Liquidator:

Dr. Christian Eichberger

The Independent Auditor's Report

To the shareholders of Tower Group A/S i likvidation

Independent auditor's report on the Final Liquidation Financial Statements

We have audited the Final Liquidation Financial Statements of Tower Group A/S i likvidation for the financial year 1 January – 31 December 2013. The Final Liquidation Financial Statements comprise accounting policies, income statement, balance sheet and notes. The Final Liquidation Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Liquidator's responsibility for the Final Liquidation Financial Statements

Liquidator is responsible for the preparation of Final Liquidation Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Liquidator determines is necessary to enable the preparation of Final Liquidation Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Final Liquidation Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Final Liquidation Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Final Liquidation Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Final Liquidation Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of Final Liquidation Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Liquidator, as well as evaluating the overall presentation of the Final Liquidation Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Independent auditor's report, continued

Opinion

In our opinion, the Final Liquidation Financial Statements give a true and fair view of the Company's financial position at 31 December 2013 and of the results of its operations for the financial year 1 January – 31 December 2013 in accordance with the Danish Financial Statements Act.

Emphasis of matter regarding matters in the final liquidation financial statements

Without modifying our opinion, we draw attention to note 2 "Accounting estimates and assessments", in which the risk of bankruptcy and assumptions for a solvent liquidation are described.

Statement on the Liquidator's review

Pursuant to the Danish Financial Statements Act, we have read the Liquidator's review. We have not performed any other procedures in addition to the audit of the Final Liquidation Financial Statements. On this basis, it is our opinion that the information provided in the Liquidator's review is consistent with the Final Liquidation Financial Statements.

Copenhagen, 28 February 2014

KPMG

Statsautoriseret Revisionspartnerselskab

Allan Pedersen
State Authorised
Public Accountant

Michael Tuborg
State Authorised
Public Accountant

Liquidator's review

General

Tower Group A/S i likvidation (“the Company” or “the Parent Company”), as per its Articles of Association, is a company that historically has acquired, through various subsidiaries, residential real estate assets in Germany. The business objective was to hold these assets, extract value through operations, and, in time, dispose at a profit.

After an intensive phase of restructuring negotiations undertaken with the senior and junior lenders in 2010 and 2011, the majority shareholder, BXR Tower B.V., decided in November 2011 to no longer support the restructuring negotiations with additional bridge financing and also to withdraw its support for the scheduled rights issue.

This loss of financial support compromised the Company's ability to continue operating as a going concern, especially as it was clear that without additional funding to complete the restructuring, there was not time to build positive equity value. Therefore, the former management considered and evaluated a number of scenarios which sought to recover value for the stakeholders. Immediate insolvency proceedings were also considered given the indebted situation of the Company.

Given limited or no equity recovery, the former board considered its wider fiduciary obligations to all the Company's stakeholders, and after consideration decided on an alternative aimed at generating as much value as possible for the Company's stakeholders by selling the Company's assets and winding up the remaining group.

After receiving positive indications from a number of stakeholders, the former management initiated the spinout and liquidation process by the end of December 2011. The process comprises the following steps:

1. Sale of the following subsidiaries to FFIRE Investment GmbH: Tower 1 Immobilien erste GmbH, Tower 1 Immobilien neunte GmbH, Tower Pension 1 GmbH, Tower Pension 2 GmbH, Eranus Real Estate Investment GmbH and Molinia SP.z.o.o.
2. Sale of the following subsidiaries to FFIRE Investment GmbH: Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH, and Tower 1 Immobilien achte GmbH,
3. Conclusion of restructuring and waiver agreements with the junior lenders and the main creditors,
4. Delisting of the shares of Tower Group A/S i likvidation at the NASDAQ OMX Copenhagen, and
5. Orderly, solvent liquidation of the Company and its remaining subsidiaries.

The sale of the portfolio mentioned above under step 1 has been closed in the first half-year 2012. At the Extraordinary General Meeting, held on 25 May 2012, the transaction was approved by the shareholders. Furthermore, the shareholders approved in this meeting the Board of Directors' motion that the Company enters into liquidation proceedings as per 25 May 2012 and appointed Dr. Christian Eichberger as liquidator.

Moreover, the Extraordinary General Meeting approved the proposal of the Board of Directors to file an application for the delisting of the Company's shares from the trading and official listing with NASDAQ OMX Copenhagen A/S. NASDAQ OMX Copenhagen A/S has accepted the Company's request for delisting and the shares in the Company were delisted in November 2012 (step 4).

The sale of the portfolio mentioned above under step 2 has been closed by the end of the second quarter 2013. FFIRE Investment GmbH and Value Development GmbH purchased 100% of the shares in Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH. The agreed purchase price for the share transfer was EUR 1.00.

The Company and its subsidiaries have concluded restructuring and waiver agreement with all junior lenders and all major creditors (step 3). After the Company and its subsidiaries already signed a restructuring agreement and a waiver agreement with the Danish lenders of the junior loans in May 2012, the Company was able to conclude a waiver agreement with the remaining junior lender in September 2013. Based on these agreements, a portion of the junior loans has been transferred to FFIRE Investment GmbH or partly repaid. Furthermore, the waiver and restructuring agreements determine that any right to exercise rights or forward any claim against the Company and its subsidiaries in relation to the residual junior lender claims will be irrevocably waived, if certain conditions are fulfilled.

The remaining conditions for the restructuring and waiver agreement are that the liquidation accounts of Tower Group A/S i likvidation show that there are no proceeds to cover the financial obligations under the junior loans and that the liquidation accounts will be approved at the final meeting of shareholders. Based on the liquidation accounts, no proceeds are available to settle – even partially – the waived junior loans. Furthermore, it is expected that the final liquidation financial statements will be approved by the shareholders. The restructuring and waiver agreement from May 2012 will therefore be finally concluded and all remaining debt under the residual junior loans has been written down to DKK 0 in the final liquidation financial statements.

The Company and its subsidiaries have concluded several waiver agreements with major suppliers. Based on these agreements, the suppliers have agreed to waive a portion of the outstanding amounts, after they have received a certain amount. After all settlement payments have been made in 2012 and thus all conditions were fulfilled, the waiver came into force.

The liquidation has proceeded according to plan and all claims against the Company have been examined, clarified or settled. Furthermore, the Company has requested a quittance by the Danish tax authorities. The quittance is expected to be received before 17 March 2014. If this is not the case, the Extraordinary General Meeting will be postponed. The Company will be deregistered from the Danish Business Authority after the shareholders' approval of the final liquidation financial statements at the general meeting.

Financial review

In fiscal year 2013, the Company generated a net profit of DKK 144.6 million. This profit mainly relates to the waived junior loans (DKK 144.1 million).

Costs expected to be occurred until the liquidation of the Company amounts to DDK 1.3 million and have been accrued in the final liquidation financial statement. As the current cash balance of the

Company does not provide sufficient funds to cover the expected liquidation costs, a receivable against FFIRE Investment GmbH has been considered in the liquidation financial statements. FFIRE Investment GmbH has committed to fund the liquidation of the Company up to a certain amount.

The Company holds shares of four subsidiaries and has also receivables against these subsidiaries. The financial assets as well as the receivables have been measured based on their expected net realization values and liquidation values, which are DKK 0. The subsidiaries are insolvent, in liquidation or have a huge negative equity. In case the subsidiaries are not liquidated before the Company is liquidated, the shares and the receivables will be sold for no consideration.

The liquidation account amounts to DKK 0. Consequently, there will be no liquidation proceeds to the junior lenders or the Company's shareholders.

The costs expected to be incurred until the liquidation of the Company are based on the experience of the last months, discussions with the service providers and on the assumption that the liquidation process will be completed by the end of March 2014. If circumstances arise that require additional external services or extend the liquidation process significantly, there is the risk that the available funds are not sufficient then and bankruptcy is likely.

Accounting Policies

The liquidation financial statements are presented in accordance with the Danish Financial Statements Act conditions for class B companies and the Danish Companies Act with the adjustments necessary as the result of the fact that the Company is in liquidation and that the financial statements are presented as liquidation financial statements. As a result, all items in the liquidation balance sheet are consequently measured at the expected realisable values and liquidations costs are recognised in the final liquidation financial statements.

The prior year's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and the IFRS order issued according to the Danish Financial Statements Act. As the Company has entered into liquidation in 2012, the assets and liabilities in the financial statements as of 31 December 2012 have been already measured based on their expected net realization values and liquidation values. Therefore, the change of the accounting basis from IFRS to Danish GAAP did not lead to any differences in the equity as of 31 December 2012. The presentation of the different items has been changed and comparative figures have been restated accordingly.

Due to reasons of materiality no consolidated financial statements have been prepared.

The liquidation account includes share capital and reserves, costs and reimbursements incurred in connection with the completion of the liquidation.

Other income includes the funding of the liquidation by FFIRE Investment GmbH, the reimbursement of costs and fees in connection with the sale of subsidiaries.

Other expenses mainly include administration expenses, advisor fees, management fees, and audit fees.

Financial expenses include interest.

Financial income includes income from waiver agreements and write-offs of intercompany balances.

The Parent Company is taxed jointly with all Danish subsidiaries. The current Danish company tax is divided among the jointly taxed companies in proportion to their taxable income. Companies using tax deficits in other companies pay joint taxation contribution to the Parent Company corresponding to the tax value of the deficits used, whereas companies whose tax deficits are used by other companies receive joint taxation contribution from the Parent Company corresponding to the tax value of the deficits used (full absorption). The jointly taxed companies are included in the on account tax scheme. The current year's calculated tax of the Company amounted to DKK 0.2 million and has been set-off against tax deficits of other Group companies. However, for the period 1 January – 31 December 2013, the joint taxation contribution has been set off against the amount of debt forgiveness to the jointly taxed companies.

Tower Group A/S i likvidation

Final Liquidation financial statements as of 31 December 2013

Income statement

DKK 1,000

	Note	2013	2012
Other income	3	4,775	3,102
Other external expenses	4	-3,986	-4,693
Depreciation		-189	-288
Result before financial items		600	-1,879
Financial income	5	144,131	31,732
Financial expenses	6	-143	-1,231
Result before tax		144,588	28,622
Tax on profit/loss of the period	7	0	-2,154
Result of the period		144,588	26,468

Liquidation Balance Sheet

Assets

DKK 1,000	Note	31-12-2013	31-12-2012
Fixed assets			
Other plant and equipment		0	190
Investments in subsidiaries		0	0
Total fixed assets		0	190
Current assets			
Receivable due to affiliated companies		0	0
Other receivables	8	1,359	1,523
Cash		104	3,079
Total current assets		1,463	4,602
TOTAL ASSETS		1,463	4,792

Liabilities and Liquidation Account

DKK 1,000	Note	31-12-2013	31-12-2012
Liquidation account/Equity			
Share capital		17,259	17,259
Special reserve fund		309,955	309,955
Share premium account		539,570	539,570
Retained earnings		-866,784	-1,011,372
Liquidation account/Equity		0	-144,588
Short-term liabilities			
Liabilities due to banks		0	147,113
Trade payables		43	878
Liabilities due to affiliated companies		77	478
Other liabilities	9	1,343	911
Total short-term liabilities		1,463	149,380
TOTAL LIABILITIES		1,463	4,792

Liquidation Account at 31 December 2013

DKK 1,000

Liquidation account

Share capital	17,259
Special reserve fund	309,955
Share premium account	539,570
Reserves at 31 December 2012	-1,011,372
Profit for the period 2013	144,588
Liquidation account	0

Liquidation proceeds per share:

0

Notes to the liquidation financial statements as of 31 December 2013

Note 1 – General information

Tower Group A/S i likvidation (“the Company”) is a public company incorporated under the laws of Denmark. The registered office of the Company is at Nørre Voldgade 11, 1st floor DK-1358 Copenhagen K, Denmark.

Tower Group A/S i likvidation, as per its Articles of Association, is a company that historically has acquired, through various subsidiaries, residential real estate assets in Germany. The business objective was to hold these assets, extract value through operations, and, in time, dispose at a profit.

On an Extraordinary General Meeting, held on the 25 May 2012, the shareholders approved the Board of Directors’ motion that the Company enters into liquidation proceedings as per 25 May 2012 and appointed Dr. Christian Eichberger as liquidator.

This final liquidation financial statements were approved by the Liquidator and authorized for issue effective on 28 February 2014.

Note 2 - Accounting estimates and assessments

The costs expected to be occurred until the liquidation of the Company are based on the experience of the last months, discussions with the service providers and on the assumption that the liquidation process will be completed by the end of March 2014. If circumstances arise that require additional external services or extend the liquidation process significantly, there is the risk that the available funds are not sufficient then and bankruptcy is likely.

Note 3 – Other income

The other income mainly consists of income from the funding of the liquidations process by FFIRE Investment GmbH and the reimbursement of costs by FFIRE Investment GmbH.

Note 4 – Other external expenses

The other expenses mainly consists of consulting fees, legal fees, audit fees and administrative expenses.

Note 5 – Financial income

The financial income relates to the waived junior loans.

Note 6 – Financial expenses

The financial expenses mainly consists of write-offs of intercompany balances.

Note 7 – Tax on profit/loss of the period

DKK 1,000	2013	2012
Prior-year adjustments	0	-2,162
Calculated income tax	-170	8
Off-set against loss on Intercompany receivables	170	0
	0	-2,154

Note 8 – Other receivables

DKK 1,000	31-12-2013	31-12-2012
Receivable due from FFIRE Investment GmbH	1,211	1,237
VAT	148	217
Other	0	69
	1,359	1,523

The receivable due from FFIRE Investment GmbH relates to the funding of the liquidation process and the reimbursement of costs.

Note 9 – Other liabilities

The other liabilities contain all expected costs until the final liquidation and deregistration of the Company. These accrued expenses are mainly consulting fees, audit fees, legal fees and administrative expenses.