Tower Group A/S i likvidation

Report on the first half-year 2012

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.

TOWER GROUP

Company information

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Liquidator
Dr. Christian Eichberger

Auditors
KPMG Statsautoriseret Revisionspartnerselskab

Investor Relations Contact
Dr. Christian Eichberger

Company releases

Company announcements issued in 2012
After publication of the annual report 2011, the Company has issued the following Company releases:

09.05.2012	no. 10/2012	–	Call for Ordinary General Meeting
25.05.2012	no. 11/2012	–	Temporary postponement of Extraordinary General Meeting
25.05.2012	no. 12/2012	–	Results of the Extraordinary General Meeting
31.05.2012	no. 13/2012	–	Minutes of the Annual General Meeting

Statement of Management

The Liquidator has today discussed and approved the condensed consolidated interim financial statements of Tower Group A/S i likvidation for the period from 1 January to 30 June 2012.

The consolidated interim financial statements, which have not been audited or reviewed by the Company's auditors, have been prepared in accordance with International Accounting Standard (IAS) 34 "Presentation of Interim Financial Statements" as adopted by the EU and additional Danish disclosure requirements for listed companies.

It is my opinion that the consolidated interim financial statements give a true and fair view of the Group's financial position at 30 June 2012 and of the results of the Group's operations and cash flows for the period from 1 January to 30 June 2012.

In my opinion, the Management's Report includes a fair review of the development in the Group's operations and financial conditions, the results for the period and the position as a whole for the entities included in the consolidated interim financial statements, as well as a description of the more significant risks and uncertainty factors that the Group face.

Copenhagen, 30 August 2012

Liquidator:

Dr. Christian Eichberger

Management's Report

General

Tower Group A/S i likvidation ("the 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 some of the Company's assets.

After receiving positive indications from a number of stakeholders, the former Management decided to implement the spinout and sale of a number of assets.

With the support of the Company's creditors for this initiative, the ultimate outcome of this process was (1) the liquidation of the insolvent subsidiaries by the insolvency administrator, (2) the sale of Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH, and Tower 1 Immobilien achte GmbH via a direct sale or a trustee solution (an agreement between the Company and BayernLB to hand over management to a designated trustee, who will oversee the liquidation of the assets of the mentioned subsidiaries) supported by BayernLB and the Company, (3) the sale of the remaining portfolio represented by six subsidiaries (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.), and (4) the orderly, solvent liquidation of the Company and - in a further step - its remaining subsidiaries.

By the end of December 2011, the former management started to implement the necessary steps for the spinout and liquidation process.

The sale of the portfolio mentioned above under number 3 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's 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 to file an application for the delisting of the Company's shares from the trading and official listing with NASDAQ OMX Copenhagen A/S. The process is still ongoing.

As already stated in the Company releases in the past as well as in the Annual Report 2011 by the former management, it is still not expected to recover any value for the shareholders. Based on the current liquidation budget, all proceeds of the spinout process have to be used to settle the current claims and liquidation costs. In fact, the Company is still confronted with significant risks which are present and which have the potential to derail the orderly liquidation process, likely resulting in insolvency.

Economic framework

Economic environment in Germany

In the period under review, the economy and the pace of growth came under protracted pressure from the Eurozone debt crisis. However, the German economy was able to buck this trend, expanding moderately in spring 2012. In addition, consumer spending was stimulated by rising wages and more upbeat conditions in the labour market. At the end of June 2012, unemployment numbers were down 46,000 compared with May 2012, with the unemployment rate coming to 6.6 percent.

The German Bundesbank reconfirmed its growth forecast for Germany in June 2012 and continues to project growth of 1 percent in gross domestic product for this year. This is substantially lower than the growth of 3 percent recorded in 2011. Still, compared with many other major Eurozone economies which are afflicted by a serious crisis and heading towards recession, the situation in Germany is considered to be stable.

The German real estate market

Demand on the part of institutional investors in particular for low-risk investments is especially evident on the German housing market. In the first half-year of 2012, residential packages comprising 50 residential units or more valued at a total of EUR 7.0 billion were traded; as a result, transactions volumes were up 170 percent over the previous year as of mid-2012. At the same time, the number of residential units traded more than doubled to over 127,000.

Berlin is the preferred investment target. In the first half-year 2012 alone, portfolio sales in this city came to EUR 2.0 billion, compared with the full-year figure of around EUR 2.3 billion for 2011.

The performance of the German real estate market in the first half-year 2012 shows that not only the German economy as a whole but particularly also the German real estate market was able to detach itself from the rest of the Eurozone. With its attractive risk premiums, German real estate is a magnet for investors. Fear of inflation and the absence of any other viable alternative investments are factors in favour of real estate as an asset class.

Development of the spinout and liquidation process

Sales & Purchase Agreement

On 3 April 2012, the Company signed a Sales & Purchase Agreement ("SPA") with FFIRE Investment GmbH ("FFIRE"), a 100% subsidiary of FFIRE Immobilien Verwaltung AG. The SPA had several conditions precedent ("CP") which were fulfilled by the end of May 2012. Based on the SPA, the shares in the following subsidiaries were sold:

- Eranus Real Estate Investment GmbH
- Molinia SP.Z.o.o.
- Tower 1 Immobilien erste GmbH
- Tower 1 Immobilien neunte GmbH
- Tower Pension 1 GmbH
- Tower Pension 2 GmbH

As consideration for the share transfer, FFIRE took over certain liabilities from Tower Group A/S i likvidation and its subsidiaries. Portions of the assumed liabilities are due to the Company. The settlement of these liabilities will lead to a cash inflow of EUR 1.75 million which will be used to fund the liquidation of the Company and certain subsidiaries. This amount has been deposited in an escrow account. With the closing, end of May, EUR 1.0 million were released from the escrow account and were used to fund the current expenditure, to settle the balances with small unsecured creditors as well as to partially pay off the Company's larger creditors as per the various settlement agreements which allowed the Company only to repay a discounted amount. The remaining amount has to be released 90 days after the closing, by the end of August, provided that no insolvency has occurred in any of the subsidiaries.

If there is any insolvency filing in any of the Company's subsidiaries, then there is a possible cure period of an additional 90 days, but if the insolvency filing is not resolved, then the transaction will essentially be unwound, a new EGM will be held with election of new members to the Board of Directors (which may or may not be the current Board members), and the new Board of Directors will decide whether an immediate insolvency of the Group will be inevitable, or if it can pursue a sale. It is currently more likely than not that no insolvency in any of the subsidiaries will be occur until the end of August 2012.

The remaining amount of EUR 0.75 million will be used to pay off the remainder of the Company's creditors and to fund the liquidation process.

Restructuring & Waiver Agreements

On 25 May 2012, the Company and its subsidiaries signed a Restructuring Agreement and a Waiver Agreement with the lenders of the junior loans. Based on these agreements, a portion of the junior loans has been transferred to FFIRE. 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, when certain conditions are fulfilled. The main conditions are that the liquidation accounts of Tower Group A/S i likvidation are finally approved and that the liquidation proceeds do not cover the financial obligations.

The junior lenders have agreed to suspend any of their rights and remedies relating to the financial obligations until the above mentioned conditions are met.

Based on the liquidation budget and the expectations regarding the sale of the remaining assets, it is expected that no funds will be available to settle the residual junior loans. However, since the conditions are not yet met, the expected waivers have not been considered in the consolidated financial statements as of 30 June 2012.

Waiver Agreements with major suppliers

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. It is expected that the conditions precedent will be fulfilled. Therefore, the waived liabilities were released and captured as income.

Negotiations regarding the spinout of the remaining portfolio

The Company still holds the shares in Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH, and Tower 1 Immobilien achte GmbH through Tower 2 Holding ApS. Currently, the negotiations with the financing senior bank are ongoing whether a trustee solution (an agreement between the Company and senior bank to hand over management to a designated trustee, who will oversee the liquidation of the assets of the mentioned subsidiaries) should be implemented or a disposal of the assets should be done within the current framework. Both alternatives are supported by the Senior Bank. It is expected that all proceeds of the disposal of these assets have to be used to settle the claims of the Senior Bank and no additional fund will be available for the liquidation process of Tower Group A/S i likvidation.

Risk management

As described above, the Company is in the process of unwinding its activities, however, until such a time as this process is completed it must still manage a number of risks.

There are several key risk areas which, at the date of approving this Half-year Report, remain open, including e.g.:

1. Finalizing agreements with unsecured creditors – even though the Company is working at achieving a solvent liquidation as part of the aforementioned sales process, ongoing operational costs and forecasted liquidation costs may require for the Company to secure agreements with some of its larger unsecured creditors in order to complete its solvent liquidation.

2. Reaching a settlement with Curanis (incl. subsidiaries) – the Company is in litigation with Curanis entities with claims and counter-claims exceeding EUR 7.0 million. Without a resolution, the orderly liquidation will not be completed, and insolvency is likely.

3. Reaching a clear carve-out between the Company's insolvent subsidiaries and other of the Company's subsidiaries. If this cannot be achieved then the orderly liquidation is likely to fail.

4. There are several tax issues which the Company is working on resolving. If new tax liabilities occur of a significant nature, then the orderly liquidation is likely to fail.

5. The agreement with FFIRE provides that if FFIRE does not fulfill all conditions, a re-transfer of the sold shares is possible. Since these conditions are not completely met as of today, there is a risk of a possible re-transfer of the shares.

6. Within the 90 day-period after the closing of the transaction with FFIRE, the key risk will be the avoidance of any insolvency application or insolvency decision regarding any of the Company's subsidiaries, other than the entities already insolvent.

7. Completing the liquidation of the remaining subsidiaries of Tower Group A/S i likvidation.

Should all these risks, however, be managed, then the Company expects to be able to achieve an orderly de-listing from the Danish stock exchange, and complete an orderly liquidation of all claims.

For further detailed information regarding the Risk Management please refer to the explanations in the Annual Report 2011.

Financial review

The Group is engaged with a reorganization and disposal process which means that all assets in the Group have been reclassified as Assets Held for Sale. Furthermore, the results of all operating subsidiaries are included under result from discontinuing operations. In line with IFRS 5, the comparative information has been restated.

The former subsidiaries which are under German insolvency proceedings, have already been deconsolidated as per 31 December 2011, since they are no longer under the control of the Company. All values of shares in these companies and any former intercompany receivables have been written off, while former intercompany debt to these companies is recognized with the nominal values until it has been assessed that this debt can be offset against any of the receivables. Since there is yet no formal agreement with the insolvency administrator, and the insolvency proceedings have not yet been finalized, there are some uncertainties related to the values of assets and debt.

The subsidiaries which were sold to FFIRE have been deconsolidated as per the end of May 2012, since they with the closing of the transaction are no longer under the control of the Company. There are no amounts outstanding between these companies and the remaining Tower group.

Liabilities for group companies not affected by insolvency have been measured at nominal debt at 30 June 2012 unless a specific written agreement stipulating that such liability can be settled for less than the nominal value has been entered into. Consequently, the equity of the parent Company and the Group is negative, although the aim is to carry out a solvent liquidation, which prerequisite that a number of creditors accept reduction of their respective receivables.

For the companies, which are expected to be a part of the trustee solution, assets have been measured at fair value, less costs to sell, taking into account the debt the purchaser will take over.

Since there is yet no formal agreement with the financing senior bank, there are some uncertainties related to the values of assets and debt.

The Group's net result for the first half-year 2012 was a profit of DKK 2.9 million, compared to a loss of DKK 68.8 million in in the first half-year 2011.

Result from discontinued operations

Due to the deconsolidation of subsidiaries in second half-year 2011 and the first half-year 2012 as well as due to the impact of the liquidation process, the comparability of the numbers stated in the current period under review with the corresponding prior years' period is limited.

The following table shows the components of the result from discontinued operations:

	Group	
DKK 1,000	**1st half-year 2012**	**1st half-year 2011**
Net Sales	58,973	133,258
Operating Costs	-15,086	-46,952
Other operating expenses, net	-7,838	-57,811
Market value adjustment of investment properties	27,087	-12,055
Market value adjustment of financial instruments	-79,286	0
Financial Result	-34,489	-83,215
Result from De-Consolidation of sold subsidiaries	45,128	0
Extraordinary income	8,451	0
Period's result before tax	**2,940**	**-66,775**
Tax on the period's result	0	-2,025
Period's result after tax	**2,940**	**-68,800**

The significant decrease in net sales, operating costs, other operating costs (net) and the financial result is mainly due to the deconsolidation in the second half-year 2011 of the four German subsidiaries which are under German insolvency proceedings. These subsidiaries represented approximately half of the former portfolio.

The market value adjusted of investment properties in the first half-year 2012 relates to the companies, which are expected to be a part of the trustee solution. The assets have been measured at fair value, less costs to sell, taking into account the debt the purchaser has to take over.

The market value adjustment of financial instruments relates to interest rate swaps. In the prior years' period, the hedge accounting method has been applied and therefore, the changes in the fair values of the financial instruments were captured in other comprehensive income.

The extraordinary income mainly results from the already concluded waiver agreements with major creditors and the shareholder, BXR Tower B.V..

Assets held for sale and liabilities regarding assets held for sale

The decrease in assets held for sale from DKK 1,943.1 million at 31 December 2011 to DKK 939.2 million at 30 June 2012 reflects the deconsolidation of the subsidiaries sold to FFIRE by the end of May 2012. Correspondingly, the liabilities regarding assets held for sale decreased from DKK 2,121.5 million to DKK 1,106.3 million.

Total Equity

The total equity as per 30 June 2012 amounts to DKK -167.1 million. During the period under review, the equity has been positively affected by the current period profit of DKK 2.9 million and the de-consolidation impact on the non-controlling interest of DKK 8.3 million.

Cash Flow Statement

For the first half-year 2012, the cash flows from operating activities amount to DKK -3.9 million compared to DKK -66.1 million in the first half-year 2011. The cash flow of the first half-year 2011 was mainly affected by the four low-performing subsidiaries which are under German insolvency proceedings and which were deconsolidated in the second half-year 2011.

Cash flows from investment activities in the first half-year 2012 amount to DKK 7.4 million. The cash inflow results from the transaction with FFIRE.

There were no cash flows from financing activities in the first half-year 2012 (2011: DKK -49.8 million). In 2011, the Company's bank loans and interest were gradually repaid.

The liquid funds have been decreased in the period under review from DKK 45.0 million to DKK 14.6 million. The decrease mainly results from the deconsolidation of the companies which were sold to FFIRE (DKK 33.9 million). This effect was only partially offset by the cash flow from discontinued operations in the first half-year 2012 (DKK 3.5 million).

Expectations and other forward-looking statements

Based on the market environment, it is expected concerning the assets of the subsidiaries which are intended to be sold or become part of a trustee relationship that a solution will be reached which will fulfill the requirements of the involved senior bank.

Furthermore, should all the risks mentioned in the section 'Risk Management', however, be managed, then the Company expects to be able to achieve an orderly de-listing from the Danish stock exchange, and complete an orderly liquidation of all claims.

Consequently, given these assumptions, the Company expects that the consolidated result for the second half-year of 2012 will be in the level of the negative equity of the Group at 30 June 2012, i.e. DKK 167 million, which will leave the consolidated equity at DKK 0 million at year end 2012. These expectations for the year are still in line with the expectations expressed in the annual report 2011.

However, if one or more of the risks mentioned above occur or if the liquidation process proves to be more time-consuming than anticipated, the Company would expect to incur a further loss.

Furthermore, it cannot be ruled out, that in such case the funds of the liquidation budget will not be sufficient to ensure an orderly liquidation, which in turn would increase the risk of insolvency.

Tower Group A/S i likvidation

Condensed consolidated interim financial statements as of 30 June 2012

Income statement

DKK 1,000	Note	Group 1st half-year 2012	 1st half-year 2011	 12 months 2011
The period's result of continued operations		0	0	0
The period's result of discontinued operations	4	2,940	-68,800	-1,036,550
The period's result		**2,940**	**-68,800**	**-1,036,550**
Non-controlling interest of the period's result		658	567	-8,350
Parent company shareholders' share of the period's result		2,282	-69,367	-1,028,200
		2,940	**-68,800**	**-1,036,550**

Statement of comprehensive income

DKK 1,000	Group 1st half-year 2012	 1st half-year 2011	 12 months 2011
The period's result	**2,940**	**-68,800**	**-1,036,550**
Other comprehensive income, discontinued operations			
Exchange rate adjustment, foreign subsidiaries	64	-533	618
Value adjustment, financial instruments	0	-715	332,592
Deferred tax of equity movements	0	113	-53,215
Other comprehensive income after tax	**64**	**-1,135**	**279,995**
Total income, total	**3,004**	**-69,935**	**-756,555**
Distributed as follows:			
Shareholders of Tower Group A/S	2,346	-70,502	-748,205
Non-controlling interest	658	567	-8,350
	3,004	**-69,935**	**-756,555**

Balance Sheet

Assets

DKK 1,000	Note	Group 30-06-2012	Group 31-12-2011
Non-current assets			
Intangible and tangible assets		0	0
Other non-current assets		0	0
Total non-current assets		**0**	**0**
Current assets			
Assets held for sale	5	939,209	1,943,139
Total current assets		**939,209**	**1,943,139**
TOTAL ASSETS		**939,209**	**1,943,139**

Liabilities

DKK 1,000	Note	Group 30-06-2012	Group 31-12-2011
Equity			
Share capital		17,259	17,259
Special Reserve fund		309,955	309,955
Reserve for exchange rate adjustment		1,762	1,698
Share premium account		539,570	539,570
Retained earnings		-1,027,842	-1,030,124
Tower Group A/S shareholders' share of equity		**-159,296**	**-161,642**
Non-controlling interests		-7,824	-16,733
Total equity		**-167,120**	**-178,375**
Long-term liabilities		**0**	**0**
Short-term liabilities			
Liabilities regarding assets held for sale	5	1,106,329	2,121,514
Total short-term liabilities		**1,106,329**	**2,121,514**
Total liabilities		**1,106,329**	**2,121,514**
TOTAL EQUITY AND LIABILITIES		**939,209**	**1,943,139**

Equity statement

As per 30 June 2012

DKK 1,000	Group						
	Share capital	Special fund	Reserve for exchange rate adjustment	Share premium account	Retained earnings	Minority interests	**Total equity**
Equity at 1 January 2012	**17,259**	**309,955**	**1,698**	**539,570**	**-1,030,124**	**-16,733**	**-178,375**
Net result for the year					2,282	658	2,940
Exchange rate adjustment foreign subsidiaries			64				64
Total income	**0**	**0**	**64**	**0**	**2,282**	**658**	**3,004**
De-Consolidation of subsidiaries						8,251	8,251
Total shareholders	**0**	**0**	**0**	**0**	**0**	**8,251**	**8,251**
Total movements in equity	**0**	**0**	**64**	**0**	**2,282**	**8,909**	**11,255**
Equity at 30 June 2012	**17,259**	**309,955**	**1,762**	**539,570**	**-1,027,842**	**-7,824**	**-167,120**

Cash flow statement

DKK 1,000	Group 1st half-year 2012	1st half-year 2011	12 months 2011
Cash flow from operating activity	-3,941	-66,055	1,976
Cash flow from investment activity	7,432	23,854	31,365
Cash flow from financing activity	0	-26,825	-49,779
The period's cash flows	**3,491**	**-69,026**	**-16,439**

DKK 1,000	Group 1st half-year 2012	1st half-year 2011	12 months 2011
Liquid funds at the start of the period	45,023	104,103	104,103
Liquid funds in de-consolidated entities	-33,950	0	-42,641
Cash flow for the period, discontinued operations	3,491	-69,026	-16,439
Liquid funds at the end of the period, classified as assets held for sale	**14,564**	**35,077**	**45,023**

Split-up of the liquid funds:

DKK 1,000	Group 1st half-year 2012	1st half-year 2011	12 months 2011
Bank deposits - available	4,250	1,023	485
Bank deposits – tied up	10,314	32,859	41,445
Deposit, attorney's client account – tied up	0	1,195	3,093
Liquid funds at the end of the period, classified as assets held for sale	**14,564**	**35,077**	**45,023**

Notes on the condensed consolidated interim financial statements as of 30 June 2012

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's 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 to file an application for the delisting of the Company's shares from the trading and official listing with NASDAQ OMX Copenhagen A/S. The decision on the delisting application has not yet been made by the authorities.

The consolidated interim financial statements have not been audited or reviewed by the Company's auditors.

This Interim Report was approved by the Liquidator and authorized for issue effective on 30 August 2012.

Note 2 – Accounting policies and basis for the preparation

The Interim Report for the first half-year 2012 has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Danish disclosure requirements regarding interim reports for listed companies, cf. the requirements issued by NASDAQ OMX Copenhagen A/S for the preparation of financial statements for listed companies and the IFRS order issued according to the Financial Statements Act.

The consolidated interim financial statements have been prepared on a consolidated basis in accordance with the International Accounting Standard (IAS) 34 – Interim Reporting. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements as of December 31, 2011.

Except for the amendments and new regulations specified below, Tower Group A/S i likvidation has applied the same accounting policies in preparing the interim financial statements as in the consolidated financial statements for the 2011 financial year. For further information, please refer to the consolidated financial statements for the year ended December 31, 2011.

The following new or amended standards and interpretations were adopted for the first time from January 1, 2012:

- Changes to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – provisions on hyperinflation
- Changes to IFRS 7 “Financial Instruments: Disclosures” – transfers of financial assets
- Changes to IAS 12 “Income Taxes” – deferred taxes: recovery of underlying assets

The provisions applied for the first time from January 1, 2012 had no significant effect on the interim financial statements as of June 30, 2012.

The interim financial statements are presented in DKK, which is also a functional currency of the Company, rounded to the nearest thousand. Functional currency of all Company’s Danish subsidiaries is the Danish Crown, of all German subsidiaries is Euro (EUR) and of all Polish subsidiaries is Polish Zloty (PLN). Financial statements of operations with functional currency other than DKK were translated to presentation currency (DKK).

Due to the reorganization and disposal process of assets and liabilities of the complete Group, the Group's assets and liabilities have been reclassified to assets and liabilities held for sale.

The assets and liabilities have been re-measured based on their expected net realization values and liquidation values.

Note 3 – Significant transactions in the reporting period

Sales & Purchase Agreement

On 3 April 2012, the Company signed a Sales & Purchase Agreement (“SPA”) with FFIRE Investment GmbH (“FFIRE”), a 100% subsidiary of FFIRE Immobilien Verwaltung AG. The SPA had several conditions precedent (“CP”) which were fulfilled by the end of May 2012. Based on the SPA, the shares in the following subsidiaries were sold:

- Eranus Real Estate Investment GmbH
- Molinia SP.Z.o.o.
- Tower 1 Immobilien erste GmbH
- Tower 1 Immobilien neunte GmbH
- Tower Pension 1 GmbH
- Tower Pension 2 GmbH

As consideration for the share transfer, FFIRE took over liabilities from Tower Group A/S i likvidation and its subsidiaries in the amount of EUR 16.2 million. Portions of the assumed liabilities are due to Tower Group A/S i likvidation. The settlement of these liabilities will lead to a cash inflow of EUR 1.75 million which will be used to fund the liquidation of Tower Group A/S i likvidation and certain subsidiaries.

The above-mentioned companies have been de-consolidated by the end of May 2012. Net assets of these subsidiaries have been reversed through Profit and Loss.

Waiver Agreements with major suppliers

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. It is expected that the conditions precedent will be fulfilled. Therefore, the waived liabilities were released and captured as income.

Note 4 – Result from discontinued operations

The following table shows the components of the result from discontinued operations:

DKK 1,000	Group	
	1st half-year 2012	1st half-year 2011
Net Sales	58,973	133,258
Operating Costs	-15,086	-46,952
Other operating expenses, net	-7,838	-57,811
Market value adjustment of investment properties	27,087	-12,055
Market value adjustment of financial instruments	-79,286	0
Financial Result	-34,489	-83,215
Result from De-Consolidation of sold subsidiaries	45,128	0
Extraordinary income	8,451	0
Period's result before tax	**2,940**	**-66,775**
Tax on the period's result	0	-2,025
Period's result after tax	**2,940**	**-68,800**

The extraordinary income mainly results from the waiver agreements with the major suppliers and the shareholder, BXR Tower B.V..

The subsidiaries which were deconsolidated during the reporting period are included in the numbers mentioned-above as follows:

DKK 1,000	1st half-year 2012
Net Sales	32,475
Operating Costs	-7,122
Other operating expenses, net	-2,602
Market value adjustment of investment properties	0
Market value adjustment of financial instruments	-58,729
Financial Result	-13,963
Result from De-Consolidation of sold subsidiaries	45,128
Extraordinary income	0
Period's result before tax	**-4,813**
Tax on the period's result	0
Period's result after tax	**-4,813**

Note 5 – Assets held for sale and Liabilities regarding assets held for sale

The following table shows the components of the assets held for sale and the liabilities regarding assets held for sale:

DKK 1,000	Group	
	30-06-2012	**31-12-2011**
Investment Properties	871,058	1,816,613
Other plant and equipment	295	1,674
Accounts Receivable	15,459	9,399
Other receivable	37,833	70,429
Cash	14,564	45,023
Assets held for sale, total	**939,209**	**1,943,138**
Liabilities due to banks	898,063	1,844,901
Trade payables	11,413	45,737
Other debts	196,853	230,876
Liabilities relating to assets held for sale	**1,106,329**	**2,121,514**

The other debt contains derivative financial instruments in the amount of DKK 140.4 million (31-12-2011: DKK 117.9 million).

Note 6 – Earnings per Share

DKK 1,000	Group		
	1st half-year 2012	**1st half-year 2011**	**12 months 2011**
The period's result	2,940	-68,800	-1,036,551
Minority shareholders' share of the period's result	658	567	8,350
Parent company shareholders' share of the period's result	2,282	-69,367	-1,028,201
Average number of shares	172,595,011	172,595,011	172,595,011
average number of shares outstanding	**172,595,011**	**172,595,011**	**172,595,011**
average dilutive effect of share options outstanding	0	0	0
Diluted average number of shares outstanding	172,595,011	172,595,011	172,595,011
Earnings per share (EPS), DKK	0.01	-0.4	-6.0
Earnings per share, diluted (EPS-D), DKK	**0.01**	**-0.4**	**-6.0**

Note 7 – Related parties

BXR Tower B.V and RPG RE Management, s.r.o. (a member of the BXR Group) have a controlling influence in the Company. During the period, the Tower group has had the following transactions with these related parties:

DKK 1,000	Group		
	1st half-year 2012	**1st half-year 2011**	**12 months 2011**
Interest on the bridging loan	1,187	1,149	3,286
Advisory and consulting services	604	7,374	15,425
Total	**1,791**	**8,523**	**18,711**
Bridge loan balance at the end of the period	**0**	**37,277**	**49,843**

As part of the SPA between the Company and FFIRE, a portion of the bridge financing received from BXR in the past was transferred to FFIRE. The remaining portion of the bridge financing in the amount of DKK 2.1 million was waived by BXR and correspondently captured as income during the reporting period.

Note 8 - Contingent assets, liabilities and guarantees

As mentioned in the annual report 2011, the Company had on 18 April 2012 received a statement from SKAT regarding the income tax reports for 2008 and 2009.

SKAT has now concluded its tax assessment review, requiring a reduction of DKK 14.9 million in the tax losses to be brought forward from the 2009 tax year. Management is confident that by making corrections to the tax return for 2010, the Company can avoid the reduced tax losses resulting in additional tax payments in 2010 or in subsequent years. It is the Management believes that it is more unlikely than likely that the proposed changes will lead to a change in tax payments in 2010 or in subsequent years. Based on this assessment, no provision has been made in relation to the changed tax losses.

The tax losses has not be recognised with any value in the Financial Statements.

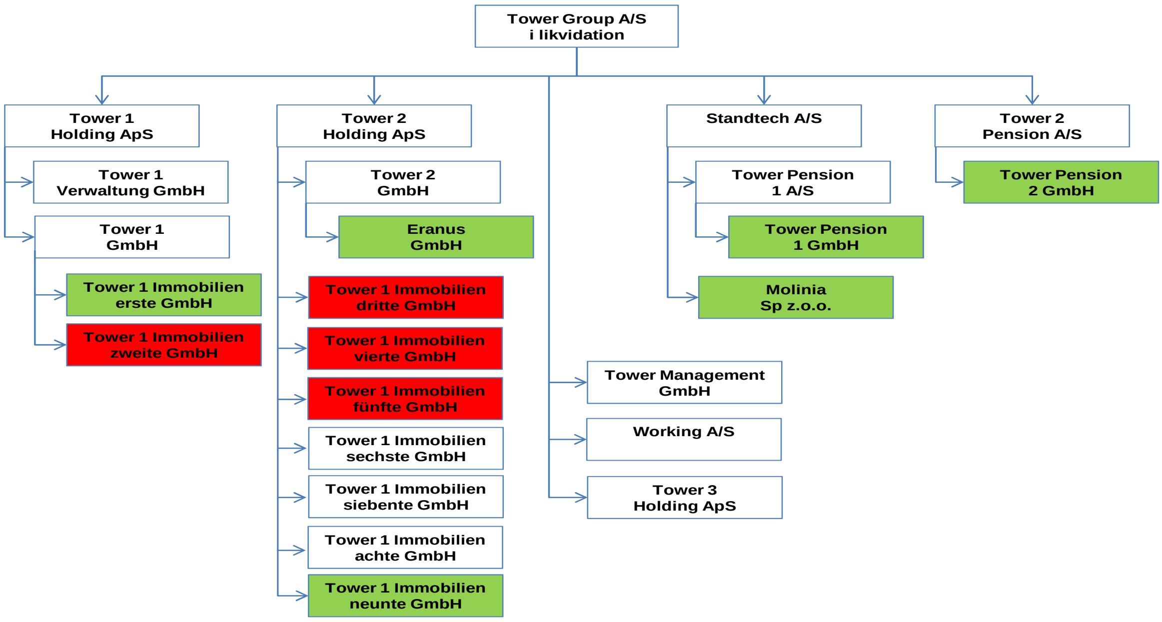
Management is considering whether to appeal the revised assessment for 2009 to the National Tax Tribunal.

The risk of a contingent liability resulting from RETT tax which was mentioned in the annual report 2011 concerns the deconsolidated companies. Therefore, it is no longer a contingent liability of the remaining Tower group.

Note 9 – Subsequent events

There have been no material subsequent events.

Note 10 – Group chart



Note: Subsidiaries marked with red are insolvent and were deconsolidated in 2011. Subsidiaries marked with green are sold to FFIRE and were deconsolidated by the end of May 2012.