



1 March 2018

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New Zealand

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BUSINESS PERFORMANCE UPDATE

Tower Limited (NZX/ASX: TWR) advises that its transformation is well underway with strong growth and positive trends being seen in key areas.

With a successful capital raise complete, improving business performance in the four months to 31 January 2018 demonstrates that a focus on improving the business is delivering results.

Focus on customers delivers strong growth

Tower continues to grow, with improvements in digital, combined with simple, award winning product offerings and a continued commitment to customer retention driving results that are above expectations.

In the four months to 31 January 2018, Gross Written Premium (GWP) through digital channels has more than doubled to \$5.9 million, compared to the same period last year.

Policy numbers have increased by more than 5,000 in the four months to 31 January 2018, and combined with improved pricing, has led to GWP for the New Zealand book growing 14.3% compared the same period prior year.

Despite accelerating activity in the business, management expenses remain contained and in line with the same period last year.

Setting it right for natural event claimants

New Zealand experienced an unprecedented number of severe natural disasters in 2017. This trend seems to have continued into 2018 with three large weather events impacting New Zealand and the Pacific Islands.

As previously advised, Tower expects the New Year's storm that hit the North Island to cost between \$1.4 - \$1.8 million after tax. The storms in February resulting from ex-cyclone Fehi are estimated to cost between \$2.2 - \$3.2 million after tax.

Cyclone Gita had a larger impact in the Pacific Islands, with fewer claims received in New Zealand. Tower expects the gross impact of Cyclone Gita to be between \$5 - \$8 million.

Tower has a non-catastrophe reinsurance programme in place to restrict losses of such events. As a result, the total after-tax impact of all above weather activity is estimated to be no more than \$7 million at this time. Following these events, the non-catastrophe reinsurance programme will not have been fully utilised and currently, cover remains available for potential events the second half.

Tower continues to make progress in Canterbury, with the most recent actuarial review in December in line with prior estimates. Tower has fewer than 300 open claims remaining.

Together with the successful resolution of the Peak Re dispute, it is apparent that the legacy risks arising from the Canterbury earthquakes are being removed and providing clear air for Tower to accelerate its transformation.



Information provided in this update is based on Tower's unaudited management accounts as at 31 January 2018. Tower's audited results for the half year ending 31 March 2018 will be released in May 2018.

ENDS

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