



Tower Limited Renounceable Rights Offer

24 September 2019

This is an important document. You should read the whole document before deciding whether to subscribe for New Shares. If you have any doubts about what to do, please consult your broker, financial, investment or other professional advisor. If you do not take any action, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights. The Tower Board encourages you to either take up your Rights in full or sell your Rights on market.



Important Information

General Information

This Offer Document has been prepared by Tower Limited in connection with a pro rata 1 for 4 renounceable rights offer of ordinary Shares. The Offer is made to Eligible Shareholders in New Zealand under the exclusion in clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 and to Eligible Australian Shareholders pursuant to the provisions of section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84 and ASIC Instrument 16-0218) and to Selected Institutional Shareholders.

This Offer Document is not a product disclosure statement or prospectus for the purposes of the FMCA or the Corporations Act or any other law and does not contain all of the information that an investor would find in such a document or which may be required in order to make an informed investment decision about the Offer or Tower.

Additional information available under continuous disclosure obligations

This Offer Document is intended for use only in connection with the Offer to Eligible Shareholders. Tower is subject to continuous disclosure obligations under the NZX Listing Rules. The ASX Listing Rules also require that Tower immediately provide to ASX all the information which it provides to NZX that is, or is to be, made public. Market releases by Tower and the Investor Presentation are available at www.nzx.com and www.asx.com.au under the code TWR.

Tower may, during the Offer, make additional releases to NZX and ASX. No release by Tower to NZX or ASX will permit an applicant to withdraw any previously submitted acceptance without Tower's prior consent whether or not there has been any permissible variation of the Offer.

The market price of Shares may increase or decrease between the date of this Offer Document and the date of allotment of New Shares. Any changes in the market price of Shares will not affect the Issue Price, and the market price of New Shares following allotment may be higher or lower than the Issue Price.

Offering Restrictions

No action has been taken to permit a public offering of the New Shares in any jurisdiction outside New Zealand or Australia. The distribution of this document (including an electronic copy) in a jurisdiction outside New Zealand or Australia may be restricted by law and persons who come into possession of it (including nominees, trustees or custodians) should seek advice on and observe any such restrictions.

This Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

No person may subscribe for, purchase, offer, sell, distribute or deliver New Shares, or be in possession of, or distribute (including electronically) to any other person, any offering material or any documents in connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations. Without limitation, this document may not be sent into or distributed in the United States.

No Guarantee

No person named in this document (nor any other person) guarantees the New Shares to be issued pursuant to the Offer or warrants the future performance of Tower or any return on any investment made pursuant to this document.

Decision to participate in the Offer

The information in this Offer Document does not constitute a recommendation to acquire New Shares nor does it amount to financial product advice. This Offer Document has been prepared without taking into account the particular needs or circumstances of any applicant or investor, including their investment objectives, financial and/or tax position.

The Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Privacy

Any personal information provided by Eligible Shareholders online or on the Acceptance Form will be held by Tower and/or the Registrar at the addresses set out in the Directory. This information will be used for the purposes of administering your investment in Tower. This information will only be disclosed to third parties with your consent or if otherwise required by law. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

Enquiries

Enquiries about the Offer can be directed to an NZX Firm, ASX Broker or your solicitor, accountant or other professional adviser. If you have any questions about the number of New Shares shown on the Acceptance Form that accompanies this document, or how to apply online or to complete the Acceptance Form, please contact the Registrar.

Defined terms

Capitalised terms used in this document have the specific meanings set out in the Glossary at the end of this document.

Chairman's Letter

24 September 2019

Dear Tower shareholder

Pro rata renounceable rights offer

On behalf of the directors of Tower, I am pleased to present you with the opportunity to participate in this renounceable rights issue to raise approximately NZ\$47.2 million to fund the purchase of the Youi NZ portfolio and associated capital requirements for new policies, and strengthen Tower Insurance Limited's capital position.

The capital raising is in the form of an underwritten pro rata renounceable rights offer to Eligible Shareholders. Under the Offer, Eligible Shareholders may subscribe for 1 New Share for every 4 existing Shares held as at 7.00 p.m. (NZ time) on 2 October 2019, at a price of NZ\$0.56 per New Share (or A\$0.54 per New Share for Eligible Australian Shareholders). This price represents an ~23% discount to the TERP¹.

Your Rights to subscribe for New Shares under the Offer are renounceable. This means that if you are an Eligible Shareholder you may take the following actions:

- take up all or some of your Rights; OR
- sell all or some of your Rights; OR
- take up some of your Rights and sell all or some of the balance; OR
- do nothing with all or some of your Rights.

I am able to confirm that Tower directors intend to take up their full entitlements in support of the Offer.

This document sets out important information about the Offer. Before making your investment decision, I encourage you to read this document in full and also to consider the information disclosed by Tower to NZX and ASX (in particular the Investor Presentation) and other information available at www.nzx.com and www.asx.com.au under the ticker code "TWR". If you are in doubt as to what you should do, you should consult your financial/professional adviser, an NZX Primary Market Participant or ASX Broker.

Thank you for your continued support.

Yours sincerely



Michael Stiassny
Chairman
Tower Limited

¹ TERP is the theoretical ex rights price of NZ\$0.73 which is equal to the average price of 1 New Share at the Issue Price of NZ\$0.56 and 4 Existing Shares at NZ\$0.77 being the last traded price as at 23 September 2019.

Important elements of the Offer

Issuer

Tower Limited

The Offer

An underwritten pro rata renounceable rights offer of 1 New Share for every 4 existing Shares.

Eligible Shareholder

A Shareholder, as at 7.00 p.m. (NZ time) on the Record Date (2 October 2019), with a registered address in New Zealand or Australia or who is a Selected Institutional Shareholder, who is not in the United States and not acting for the account or benefit of a person in the United States. Fractional entitlements will be rounded down.

Rights

The right to subscribe for New Shares under the Offer. Eligible Shareholders have an entitlement to subscribe for 1 New Share for every 4 existing Shares held on the Record Date (7.00 p.m. (NZ time), 2 October 2019). Eligible Shareholders do not pay for the Rights themselves. Eligible Shareholders will pay only for the New Shares issued to them if they choose to take up some or all of their Rights.

Eligible Shareholders may take up **all** or **some** or **none** of their Rights. Alternatively, Eligible Shareholders may sell some or all of their Rights on the NZX Main Board between 1 October 2019 and 9 October 2019. Rights will not be quoted on ASX and cannot be traded on ASX.

Your Rights may have value. If you do nothing, your Rights will lapse and you will not be able to subscribe for any New Shares and may not realise any value for your Rights.

The Offer is a pro rata offer. If you take up all of your Rights your percentage holding in Tower will not reduce. However, if you do not take up all your Rights, your percentage holding in Tower will reduce following completion of the Offer.

Issue Price

NZ\$0.56 per New Share, or A\$0.54 per New Share for Eligible Australian Shareholders.

Offer size

The amount to be raised under the Offer is approximately NZ\$47.2 million.

No Oversubscriptions

There is no oversubscription facility for this Offer.

New Shares

Shares of the same class as, and that rank equally with, Existing Shares on the Issue Date. The Shares will not have an entitlement to dividends prior to the Issue Date.

Existing Shares currently on issue

337,324,300 Existing Shares quoted on the NZX Main Board and ASX.

Maximum number of New Shares being offered

84,331,075 New Shares.

How to apply

Applications to take up any of your Rights must be made online at www.shareoffer.co.nz/tower or by completing the enclosed Acceptance Form and returning it to the Registrar together with payment in New Zealand dollars (or Australian dollars for Eligible Australian Shareholders) by 7.00 p.m. (NZ time) on 15 October 2019. If a postal application is made please allow plenty of time for it to be received by the Registrar.

If, before the Closing Date of the Offer, Tower receives both an Acceptance Form and a renunciation in respect of the same Rights, Tower will give priority to the renunciation and the Acceptance Form will not be accepted in respect of those Rights.

Offer underwritten

The Offer is underwritten by Goldman Sachs New Zealand Limited, subject to the terms and conditions of the Underwriting Agreement.

New Shares attributable to unexercised Rights will be taken up by the Underwriter.

Important dates

(NZ time)

Announcement of the Offer	24 September 2019
Rights trading commences on the NZX Main Board	1 October 2019
Record Date for determining Entitlements	7.00 p.m., 2 October 2019
Offer Document, Acceptance Forms sent to Eligible Shareholders and Offer opens for acceptance	12.00 p.m., 3 October 2019
Rights trading ends on the NZX Main Board	7.00 p.m., 9 October 2019
Closing Date of the Offer (last day for online applications, or for receipt of the Acceptance Form, with payment)	7.00 p.m., 15 October 2019
Allotment of New Shares under the Offer (Issue Date)	23 October 2019
Expected date for quotation of New Shares issued under the Offer and commencement of trading of New Shares	23 October 2019
Mailing of holding statements	29 October 2019

These dates are subject to change and are indicative only. Tower reserves the right to amend this timetable (including by extending the Closing Date of the Offer) subject to applicable laws, the NZX Listing Rules and the ASX Listing Rules. Tower reserves the right to withdraw the Offer and the issue of New Shares at any time before the Issue Date at its absolute discretion.

Dividend Policy

Given the acquisition of the Youi NZ insurance portfolio, and this Offer, no dividend will be paid in 2019. Tower's intention is to resume dividends at 50-70% of underlying net profit after tax, where prudent to do so.

Details of the Offer

The Offer

The Offer is for New Shares in Tower to Eligible Shareholders in a pro rata renounceable rights offer. Under the Offer, Eligible Shareholders can subscribe for 1 New Share for every 4 existing Shares held on the Record Date.

The New Shares will be of the same class as, and will rank equally with, the Existing Shares quoted on the NZX Main Board and the ASX. It is a term of the Offer that Tower will take any necessary steps to ensure that the New Shares are, immediately after the issue, quoted on the NZX Main Board and ASX.

The maximum number of New Shares under the Offer is 84,331,075. The Rights will be quoted on the NZX Main Board and can be traded. The Rights will not be quoted on ASX and cannot be traded on ASX. Applications once made cannot be withdrawn.

Issue Price

The Issue Price is NZ\$0.56 per New Share (or A\$0.54 per New Share for Eligible Australian Shareholders) and must be paid in full in New Zealand dollars (or Australian dollars for Eligible Australian Shareholders) on application online or with a completed Acceptance Form, which must be delivered to the Registrar in accordance with the instructions set out in the Acceptance Form.

The Underwriter may choose to accept late applications and application payments but has no obligation to do so. Where any Acceptance Form or online application is not completed correctly, Tower must provide reasonable assistance to the Registrar to correct any errors or omissions so that the online application or Acceptance Form is valid.

Application monies will be held in a trust account with the Registrar until the New Shares are allotted or the application monies are refunded. Interest earned on the application monies will be retained by Tower whether or not the issue and allotment of New Shares takes place.

Any refunds of application monies will be made within five Business Days of allotment or of any decision not to proceed with the Offer.

Eligibility

The Offer is only open to Eligible Shareholders and persons that Tower is satisfied can otherwise participate in compliance with all applicable laws.

Tower considers that offering it wider would be unreasonable and too onerous given the costs of complying with the legal requirements in other jurisdictions and the small number of Shareholders the Offer would likely attract in those jurisdictions.

The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. Any failure to comply with such restrictions may contravene applicable securities law. Tower disclaims all liability to such persons.

The Rights of all Ineligible Shareholders will be transferred to a nominee who will endeavour to sell those Rights. Any proceeds, less transaction costs of 0.5%, will be paid to those Ineligible Shareholders on a pro rata basis.

Opening and Closing Dates

The Offer will open for acceptances from 12.00 p.m. (NZ time) on 3 October 2019 and close (for both acceptances made online, or by the Acceptance Form) at 7.00 p.m. (NZ time) on 15 October 2019, subject to Tower varying those dates in accordance with the NZX Listing Rules.

No oversubscription facility

There is no oversubscription facility. Shareholders who wish to acquire more New Shares than their Entitlement may do so by acquiring Rights on NZX from Shareholders who have renounced such Rights.

Effect of the Offer

The Offer is not expected to have a material impact on the control of Tower. Specifically, Tower does not expect any shareholder to hold more than 20% of Tower Shares after completion of the Offer.

Details of the Offer

CONTINUED

Underwriting Agreement

The Underwriter has underwritten the Offer. This means that the Underwriter will subscribe at the NZ\$ Issue Price for those New Shares which are not taken up by Eligible Shareholders in accordance with the terms of the Underwriting Agreement on customary terms.

The principal terms of the Underwriting Agreement are as follows:

- The Underwriter will be paid an agreed fee for its services in connection with the Offer.
- The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of a number of events, those events being usual for an offer of renounceable rights.
- Tower has agreed to indemnify the Underwriter and its affiliates against certain losses.
- Tower is restricted from offering further Shares or securities (subject to the consent of the Underwriter and other usual exclusions) for 180 days after the Issue Date, or otherwise enter into any agreement whereby any person may be entitled to the allotment and issue of any Shares or other equity securities by Tower, or make any announcement of an intention to do any of the foregoing, other than pursuant to the Offer.

Allotment and Issue of New Shares

New Shares issued pursuant to the exercise of Rights are expected to be allotted and issued on 23 October 2019. Holding statements confirming the allotment of your New Shares will be issued and mailed in accordance with the NZX Listing Rules and the ASX Listing Rules.

Terms and Ranking of New Shares

New Shares will be the same class as, and rank equally in all respects with, Existing Shares on the NZX Main Board and the ASX on the Issue Date. They will give the holder the right to one vote on a resolution at a meeting of Shareholders (subject to any restrictions in Tower's constitution, the NZX Listing Rules or the ASX Listing Rules), the rights to dividends authorised by the Tower board and the right to a proportionate share in any distribution of surplus assets of Tower on any liquidation.

Rights

If you are an Eligible Shareholder you may subscribe for all or some of your New Shares, sell some or all of your Entitlement or allow your Entitlement to lapse.

Eligible Shareholders who sell some or all of their Entitlement prior to receiving confirmation of their Entitlement do so at their own risk. None of Tower, the Underwriter or its affiliates, the Registrar nor any of their respective directors, officers, employees, agents or advisers accepts any liability or responsibility should any person attempt to sell or otherwise deal with their Entitlement before receiving confirmation of their Entitlement.

Minimum Amount to be Raised

There is no minimum amount that must be raised for the Offer to proceed.

NZX Main Board Quotation

Application has been made for permission to quote the Rights on the NZX Main Board and all NZX requirements have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. The NZX Main Board is a financial product market operated by NZX, a licensed market operator under the FMCA.

ASX Quotation

An application will be made to ASX for quotation of the New Shares issued under the Offer and Tower expects that the New Shares will be quoted upon completion of allotment procedures. It is expected that trading on ASX of the New Shares issued under the Offer will commence on 23 October 2019 on a normal settlement basis.

ASX accepts no responsibility for any statement in this Offer Document. The fact that ASX may approve the New Shares for quotation is not to be taken in any way as an indication of the merits of Tower or an investment in Tower.

Details of the Offer

CONTINUED

Holding statements

Holding statements for New Shares allotted under the Offer will be issued and mailed as soon as practicable after allotment. Applicants under the Offer should ascertain their allocation before trading in the New Shares. Applicants can do so by contacting the Registrar, whose contact details are set out in the Directory.

Applicants selling New Shares prior to receiving a holding statement do so at their own risk. None of Tower, the Underwriter or its affiliates, the Registrar nor any of their respective directors, officers, employees, agents or advisers accepts any liability or responsibility should any person attempt to sell or otherwise deal with New Shares before the holding statement showing the number of New Shares allotted to the applicant is received by the applicant for those New Shares.

Key risks in taking up Entitlements

Tower is subject to risk factors that are specific to its business activities and those of a more general nature. Any, or a combination, of these risk factors may have a material impact on Tower's business, operating and financial performance. These impacts can be negative or positive. This page describes some of the potential risks associated with Tower's business and an investment in its Shares. It does not purport to list every risk that may be associated with an investment in Shares now or in the future. The occurrence of consequences of some of the risks described on this page are partially or completely outside the control of Tower, its Directors and management team.

The selection of risks has been based on an assessment of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this document, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and taxation issues). If you do not understand any part of this document or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your accountant, share broker, financial adviser, lawyer or other professional adviser before deciding whether to invest.

EQC Recoveries

Tower has an on-going dispute with the Earthquake Commission (EQC) in relation to a net receivable of \$53.1m. While Tower is currently seeking to settle the dispute using an alternative dispute resolution process, there remains a prospect of continued (land recoveries) and new (building recoveries) litigation against the EQC which would take time and may not result in full recovery of the receivable.

Regulatory environment

The New Zealand insurance industry is operating in an environment of heightened regulatory scrutiny with potential changes to the capital regime. The RBNZ has signalled to the market that New Zealand is in a capital strengthening environment. There is potential for substantial regulatory change and an intense focus on good customer outcomes.

This is being addressed through regulatory change projects, enhancement of governance and compliance processes, as well as a strategy and culture with a strong focus on good customer outcomes.

An industry-wide conduct and culture review has been initiated by the RBNZ and FMA, which includes review of prior periods.

The additional costs and implications arising from this environment are difficult to predict.

Canterbury earthquake claims

While the number of Canterbury earthquake claims continues to reduce steadily, new over-cap claims from the EQC continue to be a source of upward pressure on valuation.

Business transformation

Tower is continuing to implement an IT simplification plan which, if unsuccessful, may result in increased costs, failure or delay to achieve desired operational performance improvements and medium term financial targets.

Insurance industry environment

The insurance industry that Tower operates within involves the assumption of risk. Changes in frequency and severity of customer claims, which may result from inflation, natural disasters or other events, can affect Tower's capital position, consistency of earnings and the achievement of targets.

Glossary

A\$ means the lawful currency of Australia.

ASX means ASX Limited or the market it operates as the context requires.

ASX Broker means any ASX participating organisation.

ASX Listing Rules means the listing rules of the ASX as they apply to Tower as a foreign exempt listed issuer, as amended from time to time and for so long as Tower is admitted to the official list of ASX.

Business Day has the meaning given to that term in the NZX Listing Rules.

Closing Date of the Offer means 7.00 p.m. (NZ time) on 15 October 2019.

Corporations Act means the Australian *Corporations Act 2001* (Cth).

Eligible Australian Shareholder means an Eligible Shareholder with a registered address in Australia as at 7.00 p.m. (NZ time) on the Record Date.

Eligible Shareholder means a Shareholder, as at 7.00 p.m. (NZ time) on the Record Date, with a registered address in New Zealand or Australia or who is a Selected Institutional Shareholder, who is not in the United States and not acting for the account or benefit of a person in the United States. Fractional entitlements will be rounded down.

Entitlement means the number of Rights to which Eligible Shareholders are entitled.

Existing Shares means Shares on issue on the Record Date.

FMCA means the Financial Markets Conduct Act 2013.

Ineligible Shareholders means Shareholders who are not Eligible Shareholders.

Investor Presentation means the investor presentation prepared by Tower and released to NZX and ASX on 24 September 2019.

Issue Date means the date of allotment of the New Shares (expected to be 23 October 2019).

Issue Price means NZ\$0.56 per New Share, or A\$0.54 per New Share for Eligible Australian Shareholders.

New Share means one Share in Tower offered under the Offer of the same class as, and ranking equally in all respects with, Tower's quoted Existing Shares at the Issue Date.

NZ\$ or \$ the lawful currency of New Zealand.

NZX means NZX Limited.

NZX Listing Rules means the NZX Listing Rules, as amended from time to time and for so long as Tower is listed by NZX.

NZX Main Board means the main board equity security market operated by NZX.

NZX Firm means any company, firm, organisation, or corporation designated or approved as a primary market participant from time to time by NZX.

Offer means the offer to subscribe for New Shares to Eligible Shareholders as at the Record Date, under the renounceable rights offer set out in this Offer Document.

Offer Document means this document.

Record Date means 7.00 p.m. (NZ time) on 2 October 2019.

Registrar means Computershare Investor Services Limited.

Right means the renounceable right to subscribe for 1 New Share for every 4 existing Shares held on the Record Date at the Issue Price, issued pursuant to the Offer.

Selected Institutional Shareholder means a shareholder where Tower, in its sole discretion, invites that person to participate in the Offer on the basis that Tower is satisfied that person is an institutional investor under applicable law and the Offer and any resulting allotment may lawfully be made under all applicable laws without the need for any registration, lodgement or other formality (other than a formality with which Tower is willing to comply).

Share means one ordinary fully paid share in Tower.

Shareholder means a registered holder of Shares on the Record Date.

Tower means Tower Limited.

Underwriter means Goldman Sachs New Zealand Limited.

Underwriting Agreement means the agreement entered into between Tower and the Underwriter dated 23 September 2019.

NOTES:

- All references to time are to New Zealand time unless stated or defined otherwise.
- All references to currency are to New Zealand dollars unless stated or defined otherwise.
- All references to legislation are references to New Zealand legislation unless stated or defined otherwise.

Directory

Directors of Tower Limited

Michael Stiasny (Independent Chairman)

Warren Lee

Marcus Nagel

Steve Smith

Graham Stuart

Wendy Thorpe

Issuer

Tower Limited

Level 14

Tower Centre

45 Queen Street

Auckland 1010

Phone: +64 9 369 2000

www.tower.co.nz

Underwriter

Goldman Sachs New Zealand Limited

Level 39

Vero Centre

48 Shortland Street

Auckland 1010

Registrar

New Zealand

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna

Auckland 0622

Private Bag 92119

Victoria Street West

Auckland 1142

Freephone within New Zealand: 0800 222 065

Phone: +64 9 488 8777

tower@computershare.co.nz

www.investorcentre.com/nz

New Zealand Legal Advisors

Chapman Tripp

Level 35, ANZ Centre

23 Albert Street

Auckland 1010

Australia

Computershare Investor Services Pty Limited

GPO Box 3329

Melbourne

VIC 3001

Australia

Freephone within Australia: 1800 501 366

Phone: +61 3 9415 4083

