



Reykjavík, 8 May 2018

TM's profits during Q1 amounted to ISK 289m

During the meeting of the Board of Directors on 8 May 2018, the Board and the CEO approved the company's Q1 financial statements for 2018. The interim financial statements have neither been audited nor examined by the auditors of the company.

Sigurður Viðarsson, CEO of TM:

"The first quarter proved to be unusually claim heavy, which explains the poorer results from insurance activities than the company's projections assumed. The heaviest items can be attributed to three relatively large losses in marine and property insurances that occurred during the period. Investment operations, however, exceeded expectations and returns during the quarter were 2.6%. Overall, therefore, the results are better than we expected. The company has updated its performance forecast for the second quarter due to the major fire that occurred in Miðhraun in Garðabær at the beginning of April and other known losses and damages at the present time. Expected investment income in second quarter has been lowered due to proportion of them being realised during first quarter. In addition, premiums for the present year have been revised due to changes in the customer base of the company".

The main results of the first quarter of 2018 were as follows:

	Q1 2018	Q1 2017	Δ	Δ%
Premiums f.o.a.	3,786,611	3,473,948	312,663	9%
Investment income	737,608	1,326,340	(588,732)	(44%)
Other income	7,795	12,218	(4,423)	(36%)
Total income	4,532,014	4,812,506	(280,492)	(6%)
Claims f.o.a.	(3,293,639)	(2,852,326)	(441,313)	15%
Operating expenses	(975,907)	(965,755)	(10,152)	1%
Interest expenses	(50,121)	(35,104)	(15,017)	43%
Impairment of financial assets	48,849	22,861	25,988	114%
Total expenses	(4,270,818)	(3,830,324)	(440,494)	12%
Profit before income tax	261,196	982,182	(720,986)	(73%)
Income tax	27,956	(15,910)	43,866	(276%)
Profit after tax	289,152	966,272	(677,120)	(70%)

Amounts are in ISK thousands.

Combined ratio for the first quarter was 109.8%

TM's combined ratio during the first quarter 2018 was somewhat higher than during the same period in 2017, or 109.8% as opposed to 106.5% in 2017. The previously published operating forecast of the company assumed a 106% ratio during the period. TM's combined ratio over the past 12 months is 100.3%.

The poorer results of insurance activities is for the most part attributable to worse technical results in marine insurance, liability insurance and property insurance. Premiums for own account grew by 9.0% between years but did not keep up with the increase in claims for own account, which were 15.5%. TM's profits during the first quarter amounted to ISK 289m after taxes, and technical results on insurance operations was negative by approximately ISK 371m.

The cost ratio of the company during the quarter was 22.8%, as compared to 24.4% during the same period in 2017. The cost ratio over the past 12 months is 19.8%. It is assumed that the cost ratio over the next 12 months will be 19.6%.

Reasonable results from investments during the first quarter

Investment income amounted to ISK 738m during the first quarter, or the equivalent of a 2.6% return. Good returns from shares and share funds primarily explain these good returns during the quarter. Domestic securities markets were advantageous during the first quarter, and the domestic Gamma Multi Asset Index rose by approximately 2.6%.

Investment income during the first quarter was significantly higher than forecasts, which anticipated that investment income would amount to ISK 419m. The outperformance during the first quarter is mostly attributable to income from unlisted shares which were expected to be realised during the second quarter in the company's performance forecast. As a result, the forecast for investment income during the second quarter has been decreased by ISK 210m. Nevertheless, the investment income forecast for the year has been increased by just more than ISK 100m, or 4.3%.

Key figures for the first quarter of 2018 were as follows:

	Q1 2018	Q1 2017
Earnings per share (ISK)	0.43	1.42
Return on equity (over 12 mths)	9%	36%
Equity ratio	33%	33%
Net cash from operating activities	761	146
Insurance operations		
Claims ratio	87.0%	82.1%
Cost ratio	22.8%	24.4%
Combined ratio	109.8%	106.5%
Operating results	(114)	(74)
Technical results	(371)	(225)
Investments		
Return on investments	2.6%	5.2%

Amounts are in ISK millions.

Operating forecast

It is projected that the performance during the second quarter will be challenging. Big losses during the quarter, e.g. a large fire in Miðhraun, Garðabær, as well as changes in the customer base have led to a revision of the previously published forecast. The forecast assumes that the year will end in a slightly higher than 96% combined ratio and that the cost ratio will be just over 20%.

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Total	T 2018	2017	Δ	Δ%
Premiums f.o.a.	3,939	4,124	3,920	4,012	15,995	15,770	14,985	785	5%
Investment income	620	454	833	384	2,291	2,645	3,750	(1,105)	(29%)
Other income	32	8	8	8	55	55	37	18	49%
Total income	4,591	4,585	4,761	4,404	18,341	18,470	18,771	(302)	(2%)
Claims f.o.a.	(3,156)	(2,799)	(2,785)	(3,145)	(11,886)	(12,034)	(11,873)	(162)	1%
Operating expenses	(889)	(844)	(893)	(965)	(3,592)	(3,602)	(3,405)	(198)	6%
Interest expenses	(42)	(43)	(44)	(43)	(173)	(180)	(162)	(18)	11%
Impairments	(3)	(3)	(43)	(0)	(49)	(0)	(126)	126	(100%)
Total expenses	(4,091)	(3,689)	(3,766)	(4,154)	(15,700)	(15,817)	(15,565)	(252)	2%
Profit before income tax	500	896	995	250	2,642	2,653	3,207	(554)	(17%)

Amounts are in ISK millions.

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Total	T 2018	2017
Insurance operations							
Claims ratio	80%	68%	71%	78%	74%	76%	79%
Cost ratio	20%	18%	20%	21%	20%	20%	20%
Combined ratio	100%	86%	91%	99%	94%	96%	99%
Technical results	(1)	584	358	41	982	570	97
Investments							
Return on investments	2,2%	1,5%	2,7%	1,3%	8,1%	9,6%	14,9%

Investor meeting 8 May at 16:00

TM holds a meeting for its stakeholders on the company's first quarter results in 2018 on 8 May at 16:00. The meeting will be held at the TM head office at Síðumúli 24, fourth floor, where the company's CEO, Sigurður Viðarsson, will present the results and answer questions.

The interim statement and announcement of results will be made available on the company's website, www.tm.is. A presentation of the results will also be made available on the website when the investor meeting commences. The meeting can be viewed online at:

<https://global.gotomeeting.com/join/660031645>

2018 Financial calendar

Second quarter: 23 August 2018
 Third quarter: 25 October 2018
 Fourth quarter: 15 February 2019

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