



Reykjavík, August 23rd 2018

TM's loss during Q2 amounted to ISK 140m

During the meeting of the Board of Directors on August 23rd 2018, the Board and the CEO approved the company's Q2 financial statements for 2018. The interim financial statements have been examined by the auditors of the company.

Sigurður Viðarsson, CEO of TM:

"TM's second quarter results turned out worse than projected at the beginning of the year. Large claims as well as an increase in claims overall during the quarter result in a combined ratio of 109.9%. The combined ratio for the last 12 months is now 101.4%. In addition, the domestic market has been difficult and listed shares delivered a negative return in the quarter. TM's return on investments in the second quarter was 1.2% which is acceptable given challenging market conditions. Operating forecast for the next four quarters has been revised and now assumes a combined ratio of 97% for the next 12 months and 8.3% return on investments."

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

	Q2 2018	Q2 2017	Δ	Δ%	1H 2018	1H 2017	Δ	Δ%
Premiums f.o.a.	3,851	3,754	97	3%	7,638	7,228	409	6%
Investment income	334	1,268	(934)	(74%)	1,071	2,594	(1,523)	(59%)
Other income	31	11	20	173%	39	24	15	65%
Total income	4,216	5,033	(817)	(16%)	8,748	9,846	(1,098)	(11%)
Claims f.o.a.	(3,442)	(3,227)	(215)	7%	(6,735)	(6,079)	(656)	11%
Operating expenses	(901)	(832)	(69)	8%	(1,877)	(1,798)	(80)	4%
Interest expenses	(41)	(48)	7	(15%)	(91)	(83)	(8)	10%
Impairment of fin. assets	(29)	(26)	(4)	15%	19	(3)	22	(837%)
Total expenses	(4,413)	(4,132)	(281)	7%	(8,684)	(7,962)	(722)	9%
Profit before income tax	(197)	901	(1,099)	(122%)	64	1,883	(1,820)	(97%)
Income tax	57	8	50	631%	85	(8)	93	(1,159%)
Profit after tax	(140)	909	(1,049)	(115%)	149	1,875	(1,726)	(92%)

Amounts are in ISK millions.

Combined ratio for the second quarter was 109.9%

TM's combined ratio for the second quarter 2018 was slightly higher than during the same period in 2017, 109.9% compared to 105.6% in 2017. The previously published operating forecast of the company assumed a combined ratio of 100% during the period but on July 12th the company announced that due to an increase in claims the projected combined ratio for the quarter would be around 109%. TM's combined ratio for the last 12 months is now 101.4%.

The poorer results of insurance activities in the quarter, as well as in the first half of the year, are mostly attributable to worse technical results in marine insurance, liability insurance and property insurance. Premiums for own account during the first half of 2018 grew by 5.7% between years while the increase in claims for own account is 10.8%. TM's profits during the first half amounted to ISK 149m after tax, and technical results on insurance operations was negative by ISK 753m.

TM's cost ratio for the quarter was 20.6%, as compared to 19.6% for the same period in 2017. The cost ratio for the last 12 months is 20.1%. It is assumed that the cost ratio over the next 12 months will be 19%.

Acceptable results from investments given challenging market conditions

Investment income totalled ISK 334m in the second quarter which equals to 1.2% return on investments. TM continues to deliver good returns from unlisted equities but listed equities and equity funds performed poorly. Return on investments was good considering that the domestic market delivered a negative return for the quarter but the domestic Gamma Multi Asset Index decreased by 0.3% during the period.

Investment income during the second quarter was significantly lower than in previous forecast, which assumed an investment income of ISK 620m. The difference is mostly attributable to the performance of listed equities and equity funds, which income was negative by ISK 218m during the quarter.

Investment income during the first half of the year totalled ISK 1.071m, which equals to 3.9% return on investments. In comparison, the domestic Gamma Multi Asset Index increased by 2.3% during the period. The projected investment income for the second half of the year is ISK 1.069m but the forecast for the third and the fourth quarter has been lowered. The forecast for the third quarter has been lowered by ISK 130m due to anticipated poorer performance of listed equities and equity funds given the recent decline in the domestic market. The forecast for the fourth quarter has been lowered by ISK 90m due to anticipated worse performance of unlisted equities. TM's two largest unlisted equity stakes, which account for 44% of the unlisted equities portfolio, have gone through considerable changes lately. The Icelandic Competition Authority has approved N1's purchase of SF V and S121 main asset is now cash. Hence we do not expect the same return on unlisted equities, which explains why the forecasted investment income for the fourth quarter has been lowered.

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

	Q2 2018	Q2 2017	1H 2018	1H 2017
Earnings per share (ISK)	(0.21)	1.35	0.22	2.77
Return on equity (over 12 mths)	(4.3%)	32.8%	2.3%	32.8%
Equity ratio	33.7%	35.9%	33.7%	35.9%
Net cash from operating activities	(116)	273	645	419
Insurance operations				
Claims ratio	89.4%	85.9%	88.2%	84.1%
Cost ratio	20.6%	19.6%	21.7%	21.9%
Combined ratio	109.9%	105.6%	109.9%	106.0%
Operating results	(213)	35	(327)	(38)
Technical results	(383)	(210)	(753)	(435)
Investments				
Return on investments	1.2%	4.9%	3.9%	10.2%

Amounts are in ISK millions.

Operating forecast

The operating forecast for 2018 has been revised and now projects a profit before income tax of ISK 1,086m and a combined ratio of 103%. Return on investments for 2018 is expected to be 7.8%.

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Total	T 2018	2017	Δ	Δ%
Premiums f.o.a.	4,122	3,876	4,068	4,240	16,307	15,636	14,985	652	4%
Investment income	324	745	388	872	2,330	2,141	3,750	(1,609)	(43%)
Other income	8	8	8	7	31	54	37	18	48%
Total income	4,455	4,629	4,464	5,119	18,667	17,832	18,771	(940)	(5%)
Claims f.o.a.	(3,080)	(3,105)	(3,333)	(3,216)	(12,734)	(12,920)	(11,873)	(1,048)	9%
Operating expenses	(845)	(899)	(936)	(890)	(3,570)	(3,620)	(3,405)	(216)	6%
Interest expenses	(43)	(44)	(43)	(43)	(174)	(178)	(162)	(17)	10%
Impairments	(3)	(43)	(0)	(2)	(48)	(27)	(126)	99	(79%)
Total expenses	(3,971)	(4,090)	(4,313)	(4,152)	(16,526)	(16,746)	(15,565)	(1,181)	8%
Profit before income tax	483	539	152	968	2,142	1,086	3,207	(2,121)	(66%)

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Total	T 2018	2017
Insurance operations							
Claims ratio	75%	80%	82%	76%	78%	83%	79%
Cost ratio	18%	20%	20%	18%	19%	20%	20%
Combined ratio	93%	100%	102%	94%	97%	103%	99%
Technical results	300	(11)	(80)	243	453	(464)	102
Investments							
Return on investments	1.2%	2.6%	1.3%	3.0%	8.3%	7.8%	14.9%

Amounts are in ISK millions.

Investor meeting August 24th at 08:30 am

TM holds a meeting for its stakeholders on the company's 2018 second quarter results on August 24th at 08:30 am. 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/711521557>

2018 Financial calendar

Third quarter: October 25th 2018

Fourth quarter: February 15th 2019

Further information can be provided by Sigurður Viðarsson, CEO of TM:

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