



Reykjavík, October 25<sup>th</sup> 2018

## TM's profits during Q3 amounted to ISK 208m

During the meeting of the Board of Directors on October 25<sup>th</sup> 2018, the Board and the CEO approved the company's Q3 financial statements for 2018. The interim financial statements have neither been audited nor reviewed by the auditors of the company.

Sigurður Viðarsson, CEO of TM:

*"TM's third quarter results turned out worse than expected. For yet another quarter a large claim affects the outcome. Investment income was also lower than projected due to challenging domestic market conditions. TM's operating forecast has been updated and now projects a combined ratio of 96% for the next 12 months and 8.7% return on investments."*

### The main results of the third quarter of 2018 were as follows:

	Q3 2018	Q3 2017	Δ	Δ%	9M 2018	9M 2017	Δ	Δ%
Premiums f.o.a.	4,095	4,049	46	1.1%	11,733	11,278	455	4.0%
Investment income	238	41	197	482.9%	1,310	2,635	(1,325)	(50.3%)
Other income	6	8	(2)	(22.1%)	45	32	13	42.5%
<b>Total income</b>	<b>4,340</b>	<b>4,098</b>	<b>242</b>	<b>5.9%</b>	<b>13,088</b>	<b>13,944</b>	<b>(856)</b>	<b>(6.1%)</b>
Claims f.o.a.	(3,255)	(3,037)	(218)	7.2%	(9,990)	(9,116)	(874)	9.6%
Operating expenses	(777)	(771)	(6)	0.8%	(2,655)	(2,569)	(85)	3.3%
Interest expenses	(50)	(34)	(16)	46.5%	(141)	(117)	(24)	20.4%
Impairment	(12)	(2)	(10)	549.7%	7	(4)	12	(265.2%)
<b>Total expenses</b>	<b>(4,095)</b>	<b>(3,844)</b>	<b>(250)</b>	<b>6.5%</b>	<b>(12,779)</b>	<b>(11,807)</b>	<b>(972)</b>	<b>8.2%</b>
Profit before income tax	245	254	(9)	(3.4%)	309	2,137	(1,828)	(85.5%)
Income tax	(38)	(37)	(1)	2.3%	48	(45)	93	(206.0%)
<b>Profit for the period</b>	<b>208</b>	<b>217</b>	<b>(9)</b>	<b>(4.3%)</b>	<b>357</b>	<b>2,092</b>	<b>(1,736)</b>	<b>(83.0%)</b>

Amounts are in ISK millions

### Combined ratio for the third quarter was 96.2%

TM's combined ratio during the third quarter 2018 was somewhat higher than during the same period in 2017, or 96.2% compared to 92.0% in 2017. The previously published operating forecast of the company on July 12<sup>th</sup> assumed a 93% combined ratio during the period. TM's average combined ratio over the past 12 months is now 102.5% and the operating forecast assumes a 104% combined ratio for 2018.

The poorer results of insurance activities for the quarter is for the most part attributable to worse technical results in property insurance and motor insurance. A large claim due to water leakage at the beginning of September impacts the results substantially and motor claims are significantly higher than during the same period last year, due to an increase in average claim as well as a negative development of older claims.

Premiums for own account during the first 9 months grew by 4.0% between years while the increase in claims for own account is 9.6%. TM's profits during the first nine months amounted to ISK 357m after taxes, and technical results on insurance operations were negative by ISK 596m.

The cost ratio of the company during the third quarter was 16.7% as compared to 17.0% during the same period in 2017. The cost ratio over the past 12 months is 20.0% and it is assumed that the cost ratio over the next 12 months will be around 18%.

### **Return on investments 0.8% during the third quarter**

Investment income totalled ISK 238m in the third quarter which equals 0.8% return on investments. The domestic Gamma Multi Asset Index decreased by 0.9% during the period. Unlisted equities continued to deliver good returns as well as bonds other than government bonds. Listed equities and equity funds performed poorly for the second quarter in a row, though outperforming its benchmark.

Investment income during the first 9 months totalled ISK 1,310m which equals 4.7% return on investments. The domestic Gamma Multi Asset Index increased by 1.4% during the same period. Most asset classes have delivered good returns but three asset classes in particular have negatively affected the total investment return, i.e. listed equities (-5.4%), other securities (-0.4%) and government bonds (0.4%). Listed equities have decreased by 5.4% which is mostly attributable to Sýn and real estate companies. If TM's indirect stake in Marel through Eyrir would be accounted for the return on listed equities would be around zero. The decrease in other securities is mainly attributable to leveraged equity funds. Government bonds have only delivered 0.4% return as most of the portfolio has been non-indexed and with rather long duration. The indexation of the bond portfolio has been obtained through other bonds where return has been good and above benchmarks.

### **Key figures for the third quarter of 2018 were as follows:**

	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>9M 2018</b>	<b>9M 2017</b>
Earnings per share (ISK)	0.31	0.32	0.53	3.09
Return on equity, annualized	6.6%	6.8%	3.6%	22.8%
Equity ratio	35.0%	37.4%	35.0%	37.4%
Net cash from operating activities	645	646	1,290	1,065
<b>Insurance operations</b>				
Claims ratio	79.5%	75.0%	85.1%	80.8%
Cost ratio	16.7%	17.0%	19.9%	20.2%
Combined ratio	96.2%	92.0%	105.1%	101.0%
Operating results	309	472	(18)	433
Technical results	157	323	(596)	(112)
<b>Investments</b>				
Return on investments	0.8%	0.1%	4.7%	10.4%

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 781m and a combined ratio of 104%. For the next four quarters combined ratio is expected to be 96%, technical results ISK 612m and investment income ISK 2,517m.

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Total	F 2018	2017	Δ	Δ%
Premiums f.o.a.	3,934	3,974	4,083	4,290	16,281	15,667	14,985	682	5%
Investment income	662	523	815	517	2,517	1,972	3,750	(1,778)	(47%)
Other income	8	8	7	7	30	53	37	16	44%
<b>Total income</b>	4,604	4,506	4,905	4,814	18,829	17,692	18,771	(1,080)	(6%)
Claims f.o.a.	(3,142)	(3,320)	(3,084)	(3,189)	(12,735)	(13,132)	(11,873)	(1,259)	11%
Operating expenses	(904)	(891)	(808)	(750)	(3,353)	(3,559)	(3,405)	(154)	5%
Interest expenses	(43)	(44)	(44)	(44)	(175)	(185)	(162)	(23)	14%
Impairments	(43)	(2)	(2)	(2)	(48)	(35)	(126)	91	(72%)
<b>Total expenses</b>	(4,132)	(4,257)	(3,938)	(3,985)	(16,312)	(16,911)	(15,565)	(1,346)	9%
<b>Profit before income tax</b>	472	249	967	829	2,517	781	3,207	(2,426)	(76%)

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Total	F 2018	2017
<b>Insurance operations</b>							
Claims ratio	80%	84%	76%	74%	78%	84%	79%
Cost ratio	20%	20%	17%	15%	18%	20%	20%
Combined ratio	100%	103%	93%	90%	96%	104%	99%
Technical results	(0)	(126)	300	439	612	(597)	102
<b>Investments</b>							
Return on investments	2.3%	1.8%	2.7%	1.7%	8.7%	7.1%	14.9%

Amounts are in ISK millions

## Investor meeting October 26<sup>th</sup> at 08:30

TM holds a meeting for its stakeholders on the company's third quarter results in 2018 on October 26<sup>th</sup> at 08:30. 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](http://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/292858189>

## Financial calendar

Fourth quarter: February 15<sup>th</sup> 2019.  
Annual general meeting: March 14<sup>th</sup> 2019.

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

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