



Reykjavík, October 23rd 2019

TM's losses during Q3 amounted to ISK 251m

During the meeting of the Board of Directors on October 23rd 2019, the Board and the CEO approved the company's Q3 financial statements for 2019. The interim financial statements have been reviewed by the auditors of the company.

Sigurður Viðarsson, CEO of TM:

"TM's losses during the third quarter are solely attributable to investment operations. Insurance operations were profitable and combined ratio for the quarter was 94.9%, but return on investments was negative by 1.1%. It is pleasing to see insurance activities improve considerably year on year and now delivering positive technical results. Return on investments tends to fluctuate, as evident from the fact that TM's return on investments during the second quarter of this year was the highest since the company was listed, but was negative during the third quarter.

The acquisition of Lykill fjármögnun, as announced on October 10th, will further strengthen TM's operations, diversify risk and decrease profit volatility. It is estimated that all conditions for the acquisition will be met by the end of the year or early next year and subsequently Lykill will become a part of TM's operations."

The main results of the third quarter of 2019 were as follows:

	Q3 2019	Q3 2018	Δ	Δ%	9M 2019	9M 2018	Δ	Δ%
Premiums f.o.a.	4,222	4,095	126	3.1%	12,028	11,733	294	2.5%
Investment income	(337)	238	(575)	-	2,098	1,310	788	60.2%
Other income	7	6	0	5.7%	22	45	(23)	(50.2%)
Total income	3,891	4,340	(449)	(10.3%)	14,148	13,088	1,060	8.1%
Claims f.o.a.	(3,369)	(3,255)	(114)	3.5%	(9,779)	(9,990)	212	(2.1%)
Operating expenses	(729)	(777)	49	(6.2%)	(2,499)	(2,655)	156	(5.9%)
Interest expenses	(65)	(50)	(14)	28.8%	(180)	(141)	(39)	27.7%
Impairments	(14)	(12)	(2)	18.0%	(80)	7	(87)	-
Total expenses	(4,177)	(4,095)	(82)	2.0%	(12,537)	(12,779)	241	(1.9%)
Profit before income tax	(286)	245	(531)	-	1,610	309	1,301	-
Income tax	34	(38)	72	-	(92)	48	(140)	-
Profit (loss)	(251)	208	(459)	-	1,518	357	1,162	-

All amounts are in ISKm

Combined ratio for the third quarter was 94.9%

TM's results from insurance operations during the third quarter of 2019 were somewhat better than during the same period in the previous year. The combined ratio was 94.9% for the quarter compared to 96.2% in 2018. The company's operating forecast assumed a 97.9% combined ratio during the period. TM's combined ratio over the past 12 months is now 99.7% and the operating forecast projects a combined ratio around 99% for 2019.

Technical results in property insurance, motor insurance and liability insurance improve from the previous year while results in marine insurance and accident insurance deteriorate. Premiums for own account grew by 3.1% year on year while claims for own account grew by 3.5%. TM's losses in the third quarter amounted to ISK 251m, as compared to a profit of ISK 208m in the previous year. Technical results on insurance operations were positive by ISK 217m.

The cost ratio of the company during the second quarter was 15.1%, improving from 16.7% in the previous year. The cost ratio over the last 12 months is 18.7% and the operating forecast projects a combined ratio of around 19% for 2019.

Loss from investment operations

Investment loss totalled ISK 337m in the third quarter of 2019 which equals 1.1% negative return on investments. The investment loss proved to be slightly larger than announced on September 30th 2019, before market opening, when the loss was estimated ISK 225-275m. The difference is explained by a negative market return on September 30th as well as by indirect losses incurred through funds with holdings in Gamma Novus.

The poor performance of investment operations during the quarter is mainly due to the ISK 311m write-off of the real estate fund Gamma Novus but also due to loss from listed equities. Listed equities delivered 5.6% negative return during the period in comparison to the Gamma Equity Index which decreased by 5.7%.

Investment income for the first nine months of 2019 totals ISK 2,098m which equals 7.2% return on investments. Investment income for the fourth quarter is now forecasted ISK 389m and the forecast for the year 2019 is ISK 2,487m which equals 8.5% return. The forecast for the fourth quarter has been lowered from previous forecast given unfavourable market conditions in the quarter to date but also given a more cautious estimate of return from other assets.

Key figures for the third quarter were as follows:

	Q3 2019	Q3 2018	9M 2019	9M 2018
Earnings per share	(0.37)	0.31	2.24	0.53
Return on equity	(6.9%)	6.6%	15.1%	3.6%
Equity ratio	35.6%	35.0%	35.6%	35.0%
Cash from operations	633	645	2,478	1,290
Insurance operations				
Net claims ratio	79.8%	79.5%	81.3%	85.1%
Net cost ratio	15.1%	16.7%	18.2%	19.9%
Net combined ratio	94.9%	96.2%	99.5%	105.1%
Operating profit	347	309	541	(18)
Technical results	217	157	57	(596)
Investments				
Return on investments	(1.1%)	0.8%	7.2%	4.7%

All amounts are in ISKm

Operating forecast

The operating forecast for 2019 projects a profit before income tax of ISK 1,948m and a combined ratio of around 99%. For the next four quarters combined ratio is expected to be around 96%, technical results ISK 631m and return on investments 6.6%.

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Total	F 2019	2018	Δ	Δ%
Premiums f.o.a.	4.034	4.076	4.242	4.458	16.811	16.062	15.648	414	3%
Investments and other income	396	519	669	515	2.100	2.517	1.868	649	35%
Total income	4.431	4.595	4.912	4.974	18.911	18.578	17.516	1.062	6%
Claims f.o.a.	(3.135)	(3.455)	(3.219)	(3.297)	(13.106)	(12.914)	(13.136)	222	(2%)
Operating and other expenses	(966)	(936)	(953)	(897)	(3.751)	(3.716)	(3.680)	(37)	1%
Total expenses	(4.101)	(4.391)	(4.171)	(4.194)	(16.857)	(16.630)	(16.816)	186	(1%)
Profit before income tax	329	204	740	780	2.054	1.948	700	1.248	178%

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Total	F 2019	2018
Insurance operations							
Claims ratio	78%	85%	76%	74%	78%	80%	84%
Cost ratio	19%	16%	19%	16%	18%	18%	20%
Combined ratio	97%	104%	94%	90%	96%	99%	104%
Technical results	115	(149)	233	432	631	171	(609)
Investments							
Return on investments	1.2%	1.6%	2.1%	1.5%	6.6%	8.5%	6.6%

All amounts are in ISKm

Investor meeting

TM holds a meeting for its stakeholders on the company's third quarter results on October 23rd at 16:15. 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 quarterly financial statements 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:

TM.is/fjarfestar

2019 Financial calendar

Fourth quarter: February 13th 2020.

Annual General Meeting: March 12th 2020.

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

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