

2Q20 Results Webcast

Date: Wednesday, July 22nd 2020

Time: 9:00 am Central time (México) / 10:00 am Eastern time

Qualitas Controladora cordially invites you to its second quarter 2020 earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer

Mr. Bernardo Risoul, Chief Financial Officer

Dial-in:

» Mexico: 1-800-514-8660

» US & Canada: 1-800-319-4610

» International Dial-In: +1-604-638-5340

No passcode needed

To join us online click on the following button:

<http://services.choruscall.ca/links/qualitas20200722.html>

The report and presentation will also be available at:

<http://qinversionistas.qualitas.com.mx/portal/reporte-trimestral/>

Earnings Results

Second Quarter

2020



Qualitas reports second quarter 2020 results


Mexico City, July 21st 2020- Qualitas Controladora, S.A.B. de C.V. ("Qualitas", "Q", or "the company") (BMV: Q*), announces its unaudited financial results for the second quarter ended June 30th, 2020.

Figures in this document are stated in millions of Mexican pesos except when otherwise specified and may vary due to rounding.


Highlights


- In spite of the pandemic, Qualitas has operated without interruption, fulfilling the obligations with the policyholders, and exceeding recommendations to safeguard the health of our employees, clients, and business partners.
- As a result of the economic and health crisis, our written premiums decreased 14.1% compared to 2Q19, remaining year to date practically at the same level as last year, with an increase of 0.3%. Earned premiums had a marginal growth of 0.7% during the quarter and 8.2% in cumulative terms.
- Since late March, a 10% discount in renewals has been given to our clients, implementing easy payment terms like 3, 6, and up to 12 months without interests, as well as extending our grace period for some of our fleets.
- Loss ratio during the quarter and YTD closed at 43.4% and 47.8% respectively. The lockdown measures drastically reduced the number of vehicles in the streets, and thus the number of accidents, benefiting the loss ratio of the quarter.
- Underwriting result reached \$2,565 million, up 122.3% or \$1,411 million vs same period year ago. The comprehensive financial income delivered \$659 million during the quarter, presenting a 6.3% growth vs 2Q19, although 44.8% or \$583 million less in accumulative terms.
- Quarterly net income amounted to \$2,237 million, \$937 million more than the same period of the previous year, reaching \$3,677 million during the first 6 months of the year, and the highest ever reported in the history of the company.
- EPS stand at \$15.82 that compares to \$8.69 at the end of June 2019. Net margin for the quarter was 31.5% and the 12 months Return on Equity stood at 46.7%, well above our long term objectives. P/E stand at 5.71 and P/BV stands at 2.22.
- During the second quarter of the year, Q* formally became part of the S&P/IPC, and was included in the S&P/BMV Dividend Index and the S&P/BMV Total México ESG Index, as a result of the ESG (Environment, Social, and Governance) actions taken by the company, as well as the increase in the stock's liquidity.
- During the complicated economic situation, Qualitas continued supporting 25 nonprofit organizations and doctors that are fighting against COVID19.

Qualitas in figures


 **365 days/24 hours**
national cabin attention


 **+ \$31,500 (MM MXN)**
invested assets, *float*


 **28.1%**
market share in Mexico
Leaders since 2007


 **Q***
S&P/BMV IPC,
Dividend & ESG
addition


 **468**
offices
201 Service offices
267 Quálitas Development
Offices (ODQs)


 **+ 16,300**
agents


 **1,213**
claims officers

 **5,227**
employees

 **572,928**
attended calls

 **Subsidiaries**
Geographical
operation in 4 countries: 8%
*Based on written premium

 **4,213,483**
insured vehicles

 **204,158**
assited claims

Financial highlights (MM MXN)

Income Statement	Quarterly			Cumulative		
	2Q20	2Q19	Δ %/bp	6M 2020	6M 2019	Δ %/pb
Premiums written	7,094	8,256	(14.1%)	16,700	16,642	0.3%
Net premiums written	7,029	8,195	(14.2%)	16,465	16,545	(0.5%)
Premiums earned	8,707	8,642	0.7%	18,053	16,685	8.2%
Acquisition cost	1,624	1,774	(8.4%)	3,735	3,622	3.1%
Loss cost	3,779	5,125	(26.3%)	8,633	10,023	(13.9%)
Technical result	3,304	1,743	89.6%	5,685	3,039	87.0%
Operating expenses	742	589	26.0%	1,306	932	40.1%
Underwriting result	2,565	1,154	122.3%	4,382	2,107	108.0%
Comprehensive financial income	659	620	6.3%	718	1,301	(44.8%)
Investment income	556	503	10.6%	496	1,067	(53.5%)
Income Taxes	988	475	108.1%	1,423	914	55.7%
Net result	2,237	1,300	72.1%	3,677	2,494	47.4%
Controlling interest	2,236	1,302	71.7%	3,675	2,498	47.1%
Non-controlling interest	1	1	(40.4%)	2	2	(8.1%)
Cost ratios						
Acquisition ratio	23.1%	21.6%	146	22.7%	21.9%	79
Loss ratio	43.4%	59.3%	(1,590)	47.8%	60.1%	(1,225)
Operating ratio	10.5%	7.1%	332	7.8%	5.6%	222
Combined ratio	77.0%	88.1%	(1,112)	78.3%	87.6%	(924)
Combined ratio adjusted*	70.6%	86.6%	(1,607)	75.7%	87.4%	(1,163)
Profitability ratios						
Return on investments	7.0%	7.0%	(3)	6.0%	7.7%	(162)
ROE for the period	55.8%	48.5%	734	24.2%	24.6%	(42)
LTM ROE	46.7%	38.6%	806	46.7%	38.6%	806

*Adjusted combined ratio refers to the sum of the acquisition, loss and operating costs, divided by earned premiums and it is presented for comparison reasons with international indices.

Balance Sheet			
Assets	63,325	57,225	10.7%
Investments & Real Estate	33,330	28,350	17.6%
Invested assets or float**	31,568	27,669	14.1%
Technical reserves	33,741	35,105	(3.9%)
Total liabilities	46,527	46,038	1.1%
Stockholders' equity	16,798	11,188	50.1%

**Invested assets or float: investments in debt + overnights + loans portfolio.

Written premiums

BUSINESS LINE	2Q20	2Q19	Δ \$	Δ %	6M20	6M19	Δ \$	Δ %
Traditional	4,417	5,127	(710)	(13.8%)	10,223	10,475	(252)	(2.4%)
<i>Individual</i>	2,378	2,471	(93)	(3.8%)	5,359	5,129	231	4.5%
<i>Fleets</i>	2,040	2,656	(616)	(23.2%)	4,863	5,346	(483)	(9.0%)
Financial institutions	1,949	2,637	(688)	(26.1%)	5,155	5,264	(109)	(2.1%)
Foreign subsidiaries	707	483	224	46.5%	1,295	900	395	43.8%
Total	7,094	8,256	(1,398)	(14.1%)	16,700	16,642	57	0.3%

Figures in million pesos.

Note: figures may vary due to consolidation effects.

During the second quarter, the total written premium was \$7,094 million, a decrease of 14.1% compared to 2Q19 driven by the economic shutdown to reduce the spread of covid19 which impacted not only the disposable income of our clients, but also new car sales in the country. The biggest impact was on the financial institutions segment, with a decline of 26.1%, followed by a decrease of 13.8% in our traditional business line.

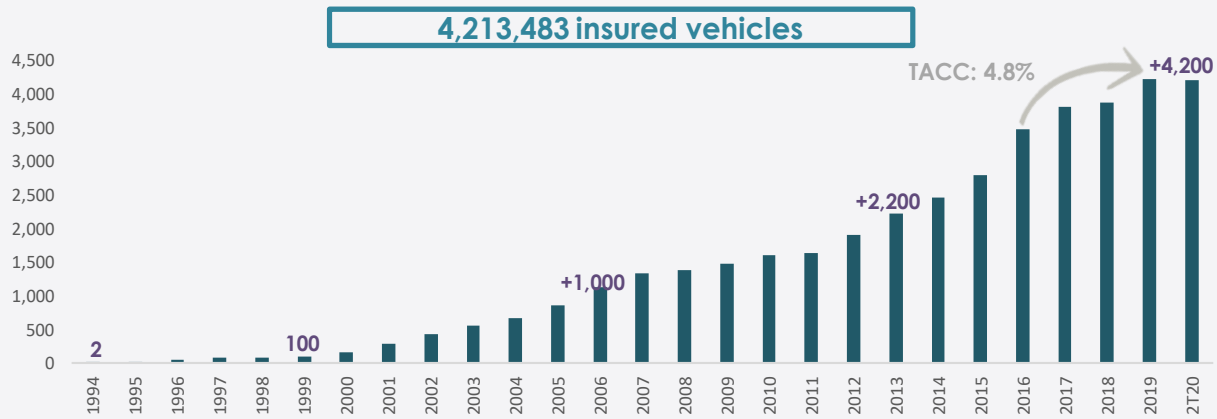
Year to date, written premium remained practically at the same level as the same period last year, with an increase of 0.3%, which is relevant when taking in account the complicated national environment in the countries where we operate.

In spite of the circumstances, the foreign subsidiaries had an increase of 46.5% compared to the same period of the previous year, standing at \$707 million. In accumulated terms, we achieved \$1,295 million, which represents a 43.8% growth year over year. This performance goes in line with our strategy to accelerate their profitable growth.

Insured units

According to AMDA, new car sales in México decreased 54.5% during the 2Q20 with 139,768 sold units, which represents 167,742 less units than the same quarter last year. It is important to highlight April as the month with the biggest drop with 64.5%, as a result of the recently declared pandemic caused by COVID-19 and the economic shutdown to reduce its spread.

We closed the quarter with 4,213,483 insured units, which represents a growth of 2.5% or 102,373 units more vs 2Q19. However, due to the economic slowdown, and the impact on the written premiums, our number of insured units decreased 2.5% in comparison with the end of March 2020. In accumulated terms, at the end of this quarter, we have 0.3% less units than at the beginning of the year.



Note: figures in thousands of units.
 CAGR: Compound Annual Growth Rate of the last 5 years.

Qualitas' insured units are distributed as following:

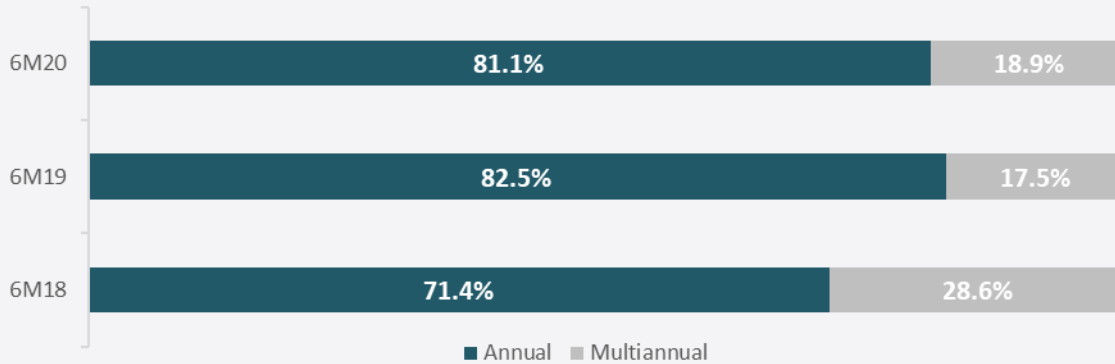
BUSINESS LINE	2Q20	1Q20	Δ %	4Q19	Δ %
Mexico	4,070	4,180	(2.6%)	4,094	(0.6%)
<i>Automobiles</i>	2,753	2,834	(2.9%)	2,793	(1.5%)
<i>Trucks</i>	1,083	1,102	(1.7%)	1,067	1.5%
<i>Tourists</i>	93	97	(4.4%)	97	(4.3%)
<i>Motorcycles</i>	141	147	(3.9%)	138	2.7%
El Salvador	19	19	(3.1%)	20	(5.6%)
Costa Rica	62	65	(4.0%)	60	3.9%
USA	17	21	(17.9%)	19	(10.7%)
Perú	45	37	21.5%	31	44.9%
Insured vehicles	4,213	4,322	(2.5%)	4,224	(0.3%)

Earned premiums

During the second quarter, earned premiums increased 0.7%, which represents \$65 million more than the registered in the same period 2019. Earned premiums are higher than the written premiums due to the multiannual policies underwritten in previous years. In addition, the technical reserves release due to historically low loss ratio, have surpassed the constitution of new reserves.

Currently, our portfolio is composed by 81.1% annual policies and 18.9% multiannual policies, which compares with 71.7% and 28.3% respectively during the same period 3 years ago.

Annual policies allow to adjust tariffs between 3 and 4 times a year, which is extremely attractive in times like the ones we are living with volatility and uncertainty.



Acquisition cost & ratio

The net acquisition cost of the quarter was \$1,624, which represents a figure 8.4% lower than the recorded 2Q19. The acquisition ratio was 23.1%, a 146 bp increase vs 2Q19, and year to date 22.7%, 79 bp more than the same period 2019.

The growth in the YTD acquisition ratio, is explained by an increase in production bonuses for agents and commercial areas, link to the underwriting during the first quarter of 2020.

Loss cost & ratio

The lockdown measures and the slowdown of the economic activity in order to avoid the spread of COVID-19, benefited the company by reducing vehicle capacity and as a result the claims attended.

During the second quarter of the year, 204,158 claims were handled, this represents a 43.3% decrease when compared to the same period of 2019. In spite of the previously mentioned, we expect the number of claims to begin normalizing as soon as the lockdown measures start to be more flexible and the economy reopens.

Claims			
	2020	2019	Δ %
April	61,960	114,639	(46.0)%
May	69,327	124,502	(44.3)%
Jun	72,871	121,162	(39.9)%
Total	204,158	360,303	(43.3)%

Additionally, the decrease in robberies in México continues its positive trend benefiting the entire industry and therefore our company. According to the figures reported by OCRA, the theft of insured vehicles in México this quarter decreased 19.3% for the industry and 23.1% for Qualitas.

Similarly, Qualitas recovered 54% of its stolen units, which represents 4.6 percentage points above of what was recovered in 2Q19 and compared to the 44.8% of the industry's average.

Nonetheless, historically we have seen a correlation between the economic downturn and the increase in insecurity, which is why the economic crisis and the increase of unemployment could reverse the positive tendency seen during the past 18 months.

As of June 2020, the loss cost was \$3,779 million, which represents \$1,346 million less than the same quarter the previous year. The quarterly loss ratio was 43.4% and 47.8% during the first 6 months of the year, a decrease of 16 and 12 percentage points respectively, being the lowest one reported since the company was founded.

Operating cost & ratio

Operating expenses for the quarter stood at \$742 million, reaching an operating ratio of 10.5%, which means, 331 bp above what was reported in the same period of last year. In cumulative terms, the operating ratio stands at 7.8%, 222 bp more than the first half of 2019.

The reason for the increase is the fact that the Employee Profit Sharing provision, which is directly related to the company's earnings, had an increase of 94% when compared to 2Q19. If we excluded this account, the quarterly and YTD operating ratio would be 5.7% and 4.6% respectively.

Additionally, some of the actions taken to cope with the operative challenges due to the pandemic are included in the operating expenses. The actions taken include the expansion of our information systems and computer equipment to guarantee the proper function of the equipment while working remotely, and conditioning the working spaces to avoid spreading COVID-19 and take care of our employee's health.

Underwriting result

During this quarter, we had the lowest combined ratio since the company was founded, ending the quarter with a combined ratio of 77%. This represents a decrease of 11 percentage

points when compared to the same period of last year. Year to date, we had a combined ratio of 78.3% or a decrease of 925 bp year over year.

Underwriting result reached \$2,565 million during the quarter and \$4,383 during the year, which represents an increase of 122.3% and 108% respectively. These results were driven by the low loss and acquisition ratios during the quarter mentioned before.

The company registered an operating margin of 29.5%, which compares to the 13.4% registered the same period of last year.

Comprehensive financial income

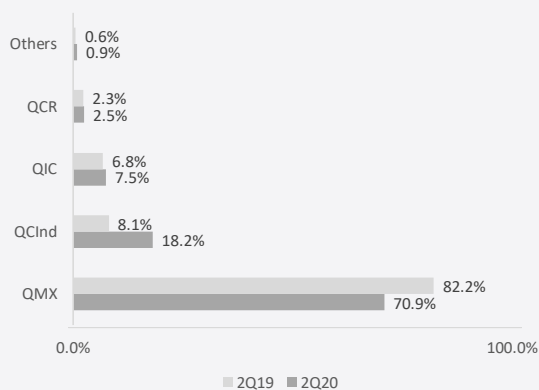
During the second quarter of 2020, the markets had a light improvement since the ending of the last quarter, even though continue with a high volatility linked to the evolution of the COVID-19 pandemic and the global economic recovery.

Additionally, México's Central Bank continued to reduce the interest rates, reducing the benchmark rate by 150bp, closing the quarter at 5.0%

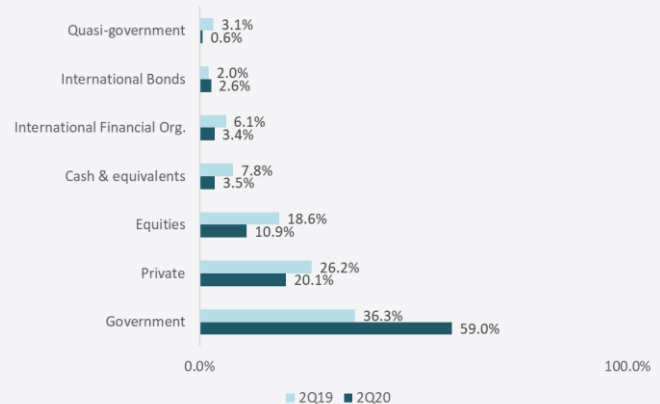
The comprehensive financial income closed at \$659 million, which represents \$39 million more than the 2Q19. At the close of the first half of the year, the comprehensive financial income amounts to \$718 million, which still represents a 44.8% fall in comparison to the first half of last year.

The company maintains its low risk investment profile, increasing the percentage in fixed income, closing the quarter at 89.1% and the remaining 10% in equities. The return on investments was 7.0%, way above the average benchmark rate.

Portfolio by subsidiary



Total portfolio



Note: Rating differences in sovereign debt could vary between countries. Variations by exchange rate could generate differences. Others include our subsidiaries in El Salvador and Peru

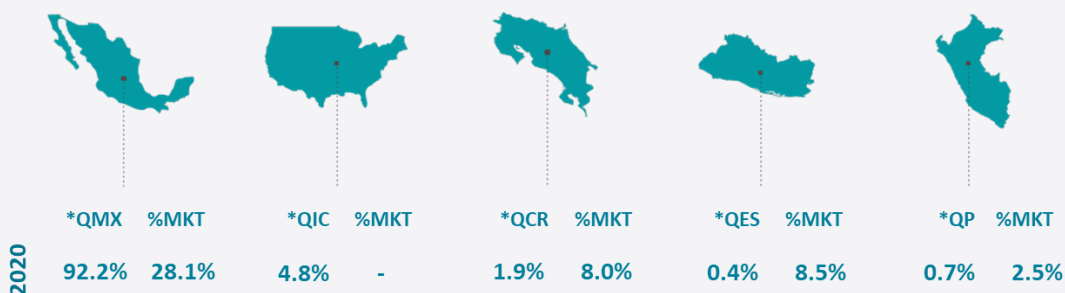
Net income

Net profit for the quarter closed at \$2,237 million with a 72.1% increase when compared to the 2Q19, setting a new record for the company. Year to date, net profit reached \$3,677 a 47.7% growth when compared to 2Q19. This reaffirms Qualitas' capacity in creating value for all of its stakeholders despite the complicated environment that the industries and companies are going through.

The company registered a net margin of 31.5% and reported a 12-month ROE of 46.7%. The ROE is made up by an operating ROE OF 34.8% and a financial ROE of 12.0%

Subsidiaries

At the end of the 2Q20, the foreign insurance subsidiaries (geographical) and the non-insurance (vertical) subsidiaries represent 8.0% of the company's total underwriting, in line with our strategy to capitalize them and accelerate their profitable growth in the next years, and that compares to the 5.5% at the end of the first half of 2019.



Additionally, in spite of the complicated global situation, in accumulative terms the geographical and vertical subsidiaries had a growth of 45% year over year, achieving an underwriting of \$1,331 million. If we were to exclude the exchange rate depreciation, the geographical subsidiaries would have grown 26.1%.

	Written Premium					
	2Q20	2Q19	Δ%	6M20	6M19	Δ%
Q ES	21.4	33.7	(36.6%)	63.3	68.0	(6.9%)
Q CR	154.3	124.2	24.2%	324.8	250.4	29.7%
Q P	65.3	39.6	64.7%	109.1	56.0	94.7%
Q IC	466	285.0	63.5%	797.6	525.9	51.7%
Vertical	22.8	8.4	170.9%	35.7	18.3	95.1%
Total	729.8	491.0	48.6%	1,330.6	918.5	44.9%

Figures in million pesos.
Sales in the case of the vertical subsidiaries.

In regard of the non-insurance subsidiaries, the ones related to the insurance daily operation, in the aspects of providing spare parts and repairing crystals, continue to strengthen and become more representative in the company. Besides, they result in a decrease in cost and time efficiencies to for our clients.

CristaFacil, our subsidiary in charge of repairing windshields & crystals, is the #3 company in the country that installs the most amount of windshields, it also attends 75% of our claims related to crystals. As part of service efficiency, we are repairing windshield instead of substituting them, which represents 60% lower costs and an opportunity to continue reducing our costs.

Technical reserves

Technical reserves reached \$32,742 million, which represents a 3.9% compared to the end of second quarter last year.

The release of the reserves is due to a double effect, the decrease in underwriting makes the growth in earned premiums surpassed the constitution of new reserves linked to new policies, and at the same time, our historically low loss ratios impact our projection models which is why we constitute a smaller amount of reserves in these new policies.

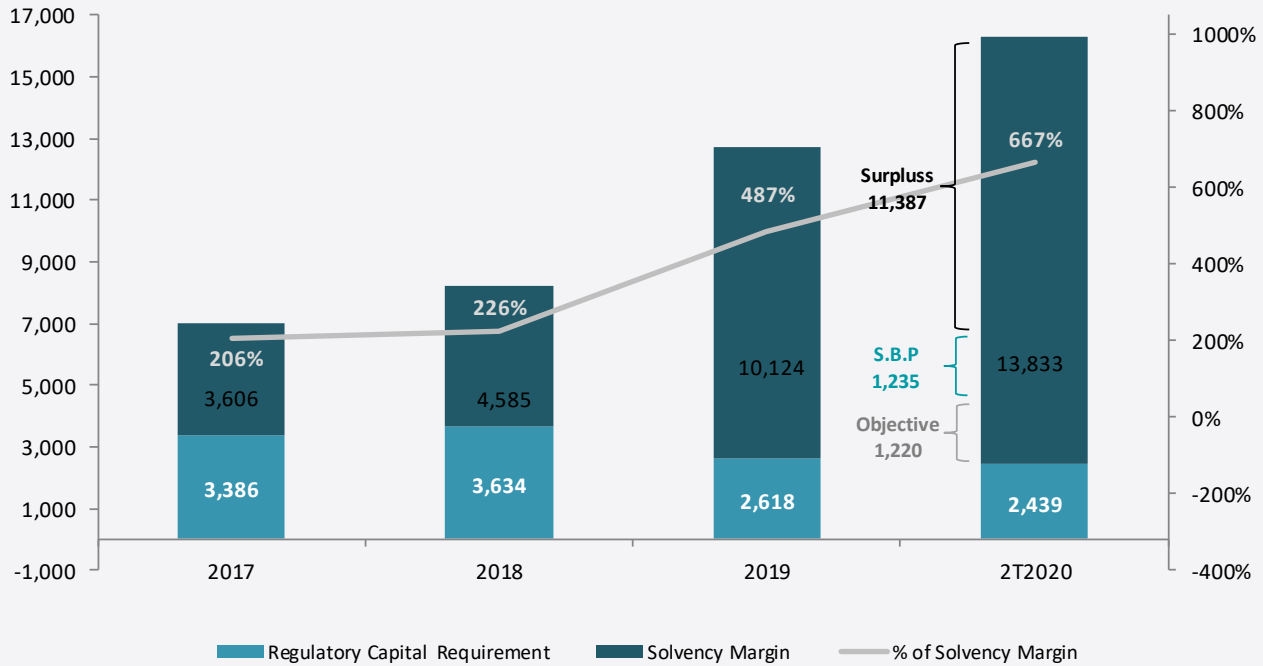
Solvency

The regulatory capital requirement stood at \$2,439 million at the end of the quarter with a solvency margin of \$13,833 million, this represents a percentage of solvency margin of 667%. This proves the strength the company has in order to guarantee its obligations and be prepared for unexpected situations caused by the pandemic or the economic crisis.

Additionally, during the 2Q20, the General Shareholders' Meeting, approved a dividend payment of \$1.70 pesos per share, which is equivalent to \$702.1 million and was payed on May 11th. A share buyback program for \$1,400 million was also approved. During the same meeting, the cancellation of 12 million shares bought back during 2019 was approved; we are still in the in the process, and after the cancellation, there will be 413 million shares outstanding.

It is important to highlight that for financial reasons, this report takes in consideration 413 million shares outstanding, even though these shares mentioned in the previous paragraph are still in process of being cancelled.

The objective of the new share buyback program is the purchase of 13 million additional shares (Q*) in order to reach 400 million shares outstanding in the upcoming years.



Note: The calculation of the required regulatory capital varies in the countries where Qualitas operates.

Stock performance Q*

During the second quarter of the year, Q* had a significant recovery when compared to the end of the 1Q20, with a return of 50.8%, closing the quarter at \$90.33 per share.

	Q*	IPC
2Q20	50.8%	9.2%
YTD	15.7%	(13.4%)

The daily average amount operated during the quarter was \$3.9 million dollars, representing an increase of 132% when compared to 2Q19. The company improved moving from position 28 to 25 in the marketability index.

	Traded Volume				Volume (MM USD)		
	2020	2019	Δ%		2020	2019	Δ%
June	846,456	772,788	9.5%	June	3.3	2.2	54.3%
May	1,033,314	747,058	38.3%	May	4.1	2.0	107.7%
April	1,237,714	348,258	255.4%	April	4.3	0.9	394.7%
2Q	1,032,945	628,623	64.3%	2Q	3.9	1.7	132.0%

During the 2Q20, Qualitas became part of the S&P/IPC, and was also included in the S&P/BMV Dividend Index and the S&P/BMV Total México ESG Index. The previously stated, is the result in the liquidity improvement, the consistency of dividend payment to our shareholders, and the actions taken to incorporate ESG criteria in the daily operation of the company.

In relation to our financial reasons, earnings per share closed at \$15.82 pesos, which represents an increase of 82.1% compared to the second quarter of 2019. The P/E ratio is 5.7, below other public insurance companies in Latin America and our historical average. The P/BV stands at 2.22.

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of June 30th 2020
 Figures in Mexican pesos

	2020	2019
Assets		
Investments	33,329,908,600	29,153,653,213
Securities and Derivatives Transactions	31,239,098,149	23,147,373,052
Securities	31,239,098,149	23,147,373,052
Government	16,378,883,117	10,233,999,857
Private Companies: Fixed Rate	11,111,446,634	8,136,933,069
Private Companies: Equity	3,538,925,873	4,433,140,371
Foreign	209,842,526	356,810,986
(-) Value Impairment	-	13,511,232
Restricted Securities	-	-
Derivatives	-	-
Overnight	96,257,249	4,186,107,428
Loans Portfolio (Net)	232,214,698	335,119,738
Current Loan Portfolio	237,594,063	335,899,649
Non-performing Loan	31,722,398	38,072,436
(-) Loan Loss Provisions	37,101,763	38,852,347
Property (Net)	1,762,338,503	1,485,052,995
Investments Related to Labor Obligations	71,889,317	67,134,610
Cash and Cash Equivalents	1,972,644,924	2,632,526,190
Cash and Banks	1,972,644,924	2,632,526,190
Debtors	22,682,055,205	20,795,699,963
Premiums	22,058,737,318	19,816,824,203
Premiums P&C Subsidy	-	-
Federal Agencies Debts	157,181,574	333,936,113
Agents and Claims Officers (Adjusters)	141,828,968	136,967,534
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	516,279,603	677,727,529
(-) Allowance for Doubtful Accounts	191,972,258	169,755,416
Reinsurers and Re-Bonding Companies	130,505,310	206,934,266
Insurance and Bonds Intitutions	16,283,690	49,900,608
Retained deposits	-	-
Amounts Recoverable from Reinsurance	116,064,394	161,070,435
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,773,162	2,191,200
(-) Provisions for Penalties	69,612	1,845,577
Permanent Investments	46,546,839	46,546,839
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,546,839	46,546,839
Other Assets	5,091,057,093	4,322,693,173
Furniture and Equipment (Net)	1,073,833,555	874,706,636
Miscellaneous	3,913,309,271	3,360,815,563
Amortizable Intangible Assets (Net)	64,051,075	53,884,475
Long-lived Intangible Assets (Net)	39,863,191	33,286,498
Total Assets	63,324,607,287	57,225,188,253

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of June 30th 2020
 Figures in Mexican pesos

	2020	2019
Liabilities		
Technical Reserves	33,740,685,214	35,105,171,862
Unearned Premiums	24,993,746,010	25,578,020,176
Property and Casualty Insurance	24,993,746,010	25,578,020,176
Reserve for Outstanding Obligations	8,746,939,204	9,527,151,686
Expired Policies and Claims Occurred Pending of Payment	7,858,823,207	8,738,588,299
Occurred but not Reported and Adjustment Costs assigned to Claims	203,068,807	132,239,431
Deposit Premiums	685,047,190	656,323,956
Reserves Related to Labor Obligations	394,621,494	258,088,235
Creditors	5,659,686,271	5,254,908,912
Agents and Adjusters	1,806,273,816	1,529,145,322
Funds for Losses Management	13,115,104	8,866,120
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,840,297,351	3,716,897,471
Reinsurers and Re-Bonding Companies	131,046,517	94,948,062
Insurance and Bond Companies	100,260,398	71,596,087
Retained Deposits	30,786,119	23,351,975
Other	-	-
Funding Obtained	-	-
Other Liabilities	6,600,766,009	5,324,542,558
Provisions for employee profit sharing	574,693,170	354,314,874
Income Tax Provisions	1,492,887,314	907,800,524
Other Obligations	3,559,308,680	3,178,297,895
Deferred Credits	973,876,844	884,129,265
Total Liabilities	46,526,805,504	46,037,659,630
Stockholders' Equity		
Paid-in Capital		
Capital Stock	2,459,818,872	2,511,657,053
Capital Stock	2,464,130,475	2,535,727,486
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	4,311,603	24,070,432
Earned Capital		
Reserves	2,061,371,274	1,083,337,787
Legal	507,142,999	435,022,416
For Repurchase of shares	1,349,589,153	553,895,425
Other	204,639,121	94,419,946
Valuation Surplus	322,406,590	201,464,866
Permanent Investments	-	-
Retained Earnings	7,842,636,456	4,718,926,016
Net Result	3,675,226,596	2,498,189,939
Translation effect	447,321,979	163,235,058
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	(17,659,568)	5,262,929
Controlling Interest	16,791,122,198	11,182,073,647
Non-Controlling Interest	6,679,585	5,454,977
Total Stockholders' Equity	16,797,801,783	11,187,528,624
Total Liabilities and Stockholders' Equity	63,324,607,287	57,225,188,253

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the second quarter

Figures in Mexican pesos

	2Q 2020	2Q 2019
Premiums		
Written	7,094,496,245	8,255,575,811
(-) Ceded	<u>65,720,664</u>	<u>60,175,629</u>
Net Written Premiums	7,028,775,581	8,195,400,182
(-) Net Increase of Unearned Premiums Reserve	(1,678,276,245)	(446,994,093)
Earned Retained Premiums	8,707,051,826	8,642,394,275
(-) Net Acquisition Cost	1,624,107,131	1,774,008,747
Agents Commissions	570,635,098	582,438,852
Agents' Additional Compensation	154,338,415	147,669,796
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	2,064,032	768,298
Excess of Loss Coverage	1,912,630	1,463,809
Other	899,285,021	1,043,204,588
(-) Net Claims Cost and Other Contractual Liabilities	3,779,037,930	5,125,089,959
Claims and Other Contractual Obligations	3,815,998,869	5,172,459,288
(-) Losses on non-proportional reinsurance Claims	36,960,938	47,369,329
Claims	-	-
Technical Income (Loss)	3,303,906,765	1,743,295,569
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	2,992,500	3,540,000
Gross Income (Loss)	3,306,899,265	1,746,835,569
(-) Net Operating Expenses	741,827,026	588,879,690
Administrative and Operating Expenses	129,258,406	172,330,782
Employees' compensation and benefits	493,343,297	314,124,486
Depreciation and Amortization	119,225,322	102,424,421
Operating Income (Loss)	2,565,072,239	1,157,955,880
Comprehensive Financing Result	659,142,255	620,174,736
Investments	407,608,228	270,200,014
Sale of Investments	53,085,250	7,043,768
Fair Valuation of Investments	61,248,409	(24,339,737)
Surcharges on Premiums	102,884,530	117,370,566
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	6,874,593	11,462,137
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(565,154)	538,490
(-) Preventive Penalties for Credit Risks	194,579	482,538
Other	32,520,375	243,411,106
Foreign Exchange Rate Fluctuation	(5,449,705)	(3,952,090)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	3,224,214,494	1,778,130,615
(-) Provision for Income Taxes	987,643,592	474,600,368
Income (Loss) Before Discontinued Operations	2,236,570,902	1,303,530,248
Discontinued Operations	-	-
Net Income (Loss)	2,236,570,902	1,303,530,248
Controlling Interest	2,235,823,242	1,302,276,075
Non-Controlling Interest	747,661	1,254,172
Net Income (Loss)	2,236,570,902	1,303,530,248

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement from January 1st to June 30th 2020
 Figures in Mexican pesos

	2020	2019
Premiums		
Written	16,699,894,649	16,642,407,667
(-) Ceded	235,393,154	97,200,994
Net Written Premiums	16,464,501,496	16,545,206,673
(-) Net Increase of Unearned Premiums Reserve	-	-
Earned Retained Premiums	18,053,115,459	16,684,950,209
(-) Net Acquisition Cost	3,734,567,036	3,622,453,360
Agents Commissions	1,263,470,604	1,189,048,522
Agents' Additional Compensation	357,342,361	294,591,009
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	6,305,934	1,721,527
Excess of Loss Coverage	3,622,275	2,903,005
Other	2,116,437,730	2,137,632,351
(-) Net Claims Cost and Other Contractual Liabilities	8,633,427,757	10,022,651,922
Claims and Other Contractual Obligations	8,666,991,697	10,070,021,250
(-) Losses on non-proportional reinsurance Claims	33,563,940	47,369,329
Technical Income (Loss)	5,685,120,665	3,039,844,927
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	2,992,500	5,409,723
Gross Income (Loss)	5,688,113,165	3,045,254,650
(-) Net Operating Expenses	1,305,833,833	932,390,616
Administrative and Operating Expenses	227,558,032	118,108,803
Employees' compensation and benefits	849,009,408	616,327,958
Depreciation and Amortization	229,266,393	197,953,855
Operating Income (Loss)	4,382,279,333	2,112,864,034
Comprehensive Financing Result	717,727,736	1,300,910,895
Investments	679,587,170	582,696,907
Sale of Investments	82,876,707	16,344,999
Fair Valuation of Investments	(595,966,784)	(38,719,376)
Surcharges on Premiums	222,014,558	234,333,556
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	14,663,674	19,723,072
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(31,822)	249,113
(-) Preventive Penalties for Credit Risks	(835,087)	(2,386,452)
Other	251,633,803	486,281,681
Foreign Exchange Rate Fluctuation	62,051,700	(1,887,282)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	5,100,007,069	3,413,774,930
(-) Provision for Income Taxes	1,423,052,145	913,703,740
Income (Loss) Before Discontinued Operations	3,676,954,924	2,500,071,190
Discontinued Operations	-	-
Net Income (Loss)	3,676,954,924	2,500,071,190
Controlling Interest	3,675,226,596	2,498,189,939
Non-Controlling Interest	1,728,328	1,881,252
Net Income (Loss)	3,676,954,924	2,500,071,190

Glossary of terms and definitions

Acquisition Cost: Includes commissions and compensations paid to agents as well as fees paid to Financial Institutions for the use of their facilities (UOF).

Acquisition Ratio: Acquisition Cost ÷ Net Written Premiums.

AMDA: Mexican Association of Automotive Distributors.

CAGR: Compound Annual Growth Rate = $[(\text{End of Period Figure} / \text{Beginning of Period Figure})^{1 / \text{Number of periods}}]$.

Combined Ratio: Acquisition Ratio + Operating Ratio + Loss Ratio.

CNSF: National Insurance & Bonds Commission, the regulator of the insurance sector in México.

Financial Institutions: Financial branch of major automakers and Financial Groups that provide automotive financing.

Loss Cost: Includes costs incurred in the payment of claims: third party liability, theft, repair costs, among others.

Loss Ratio: Loss Cost ÷ Net Earned Premiums.

Multi-annual Policies: Policies with a term greater than 12 months. They are typically issued for the automobiles sold on credit.

Net Earned Premiums: Written premiums registered as income throughout the duration of a policy.

Net Margin: Net income/written premiums

Net Written Premiums: Written premiums less the portion ceded to reinsurance.

Operating Expenses: Includes expenses incurred in by the Company in its regular operations.

Operating Ratio: Operating Expenses ÷ Net Written Premiums.

Operating Margin: operating income/ earned premiums

Policies' Fees: Administrative fee charged when the policy is issued and recorded as an income in operating expenses.

PTU: Employee profit sharing.

Premium Debtor: Records the portion of sold policies which will be paid in installments.

Premiums Surcharge: Financial penalty imposed to policyholders that choose to pay premiums in installments.

Regulatory Equity Requirement: Is the minimum equity level that an insurance company should maintain, according to legal requirements.

Written Premiums: Premiums corresponding to policies underwritten.

Q CR: Qualitas Costa Rica

Q MX: Qualitas México

Q ES: Qualitas El Salvador

Q P: Qualitas Perú

QIC: Qualitas Insurance Company.

Solvency Margin: Stockholders' equity – Regulatory Equity Requirement.

Solvency Margin Ratio: Solvency Margin ÷ Regulatory Equity Requirement.

UOF: Fees paid to Financial Institutions for the use of their facilities

OCRA:(Oficina Coordinadora de Riesgos Asegurados)

Analysts:

 <p>Analista: Enrique Mendoza</p> <p>E-mail: emendoza@actinver.com.mx</p> <p>Precio objetivo: 103.00 MXN</p> <p>Recomendación: -</p>	 <p>Analista: Gilberto García</p> <p>E-mail: gilberto.garcia@barclays.com</p> <p>Precio objetivo: 99.00 MXN</p> <p>Recomendación: -</p>	 <p>Analista: Martín Hernández</p> <p>E-mail: martin.hernandez.omalos@bbva.com</p> <p>Precio objetivo: 90.00 MXN</p> <p>Recomendación: Sobreponderar</p>	 <p>Analista: Martín Lara</p> <p>E-mail: martin.lara@miranda-gr.com</p> <p>Precio objetivo: 100.00 MXN</p> <p>Recomendación: Compra</p>	 <p>Analista: Ernesto Gabilondo</p> <p>E-mail: ernesto.gabilondo@bam.com</p> <p>Precio objetivo: 99.00 MXN</p> <p>Recomendación: Mantener</p>
 <p>Analista: Inigo Vega</p> <p>E-mail: inigovega@nau-securities.com</p> <p>Precio objetivo: 110.00 MXN</p> <p>Recomendación: Compra</p>	 <p>Analista: Armando Rodríguez</p> <p>E-mail: armando.rodriguez@signumresarch.com</p> <p>Precio objetivo: 112.82 MXN</p> <p>Recomendación: Compra</p>	 <p>Analista: Eduardo López</p> <p>E-mail: elopez@vopormas.com</p> <p>Precio objetivo: 104.10 MXN</p> <p>Recomendación: Compra</p>	 <p>Analista: Jorge Lagunas</p> <p>E-mail: jorge.lagunas@apalacha.mx</p> <p>Precio objetivo: 96.02 MXN</p> <p>Recomendación: Compra</p>	 <p>Analista: -</p> <p>E-mail: -</p> <p>Precio objetivo: 102.13 MXN</p> <p>Recomendación: -</p>

About us:

Qualitas Controladora (Q) is the company with the largest market share in the auto insurance industry in Mexico and has presence in the United States, Peru, Costa Rica and El Salvador. Its unique business model, based on excellence service and a strict cost control policy, has allowed it to offer a first quality service under the largest coverage network in the country. Qualitas is listed on the Mexican Stock Exchange under the symbol "Q" (Bloomberg: Q *: MM)

This document may include forward-looking statements that involve risks and uncertainties. Information may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainty. Actual results may differ materially from what is discussed here today, and the Company cautions you not to place undue reliance on these forward-looking statements. Qualitas undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise.

Santiago Monroy
smonroy@qualitas.com.mx
T: +52 (55) 1555-6056

Raquel Leetoy
rleetoy@qualitas.com.mx
T: +52 (55) 1555-6313